Auditor's Report on Red Eléctrica Corporación, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Red Eléctrica Corporación, S.A. and subsidiaries for the year ended 31 December 2020)

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

KPMG Auditores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(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.

Opinion

We have audited the consolidated annual accounts of Red Eléctrica Corporación, S.A. (the "Parent") and subsidiaries (together the "Group") which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><th colspan="2">Additions to property, plant and equipment (Euros 388,261 thousand)
See note 8 to the consolidated annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Most of the Group's property, plant and equipment pertain to Red Eléctrica de España, S.A.U., the regulated activity of which mainly consists of managing the transmission network of the Spanish electricity system. Each year, Red Eléctrica de España, S.A.U. makes substantial investments in property, plant and equipment in accordance with the Electricity Transmission Network Development Plan for 2015 – 2020 approved by agreement of the Council of Ministers on 16 October 2015. In 2020 additions to the Group's property, plant and equipment totalled Euros 488,398 thousand, of which Euros 388,261 thousand pertains to the investee Red Eléctrica de España, S.A.U.

Considering the nature of the business carried out by this investee, the remuneration for these services is set by the Spanish National Markets and Competition Commission (CNMC) through Circular 5/2019, which determines the method for calculating the remuneration of the transmission activity based on the costs necessary to construct, operate and maintain the technical electricity facilities, pursuant to the powers bestowed upon this Commission by Royal Decree-Law 1/2019. As the Parent's transmission revenues are directly related to the recognised electricity transmission facilities, and bearing in mind the significance of these facilities, we have considered the additions to property, plant and equipment to be a key audit matter.</td><td>Our audit procedures included evaluating the relevant controls associated with processes involving fixed assets and acquisitions, as well as performing substantive procedures on property, plant and equipment. We also assessed the consistency of the Group's accounting policies on fixed assets and acquisitions with the applicable accounting framework.

Our procedures for evaluating and analysing the control environment were focused on:

- Testing the design, implementation and operating effectiveness of key manual and automated controls related to the cycles of "additions and disposals of fixed assets" and "acquisition of assets and services, progress billings for construction".

Our substantive procedures on property, plant and equipment mainly consisted of:

- Analysing additions during the year and assessing the accuracy of their accounting recognition.

- Analysing documentation supporting the cost allocation for a sample of projects in progress.

We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.</td></tr>
</table>

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

Business combination and acquisition of a joint venture (Euros 933,000 thousand and Euros 374,300 thousand)

See notes 6 and 11 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
In 2019, the Group acquired a telecommunications business in Spain from an unrelated third party for Euros 933,000 thousand. Furthermore, in 2020, the Group acquired an electricity transmission joint venture in Brazil for Euros 374,300 thousand, which has been accounted for in the consolidated annual accounts using the equity method. The accounting of these transactions was complex and required the application of judgements in identifying and determining the fair value of the assets and liabilities acquired. The valuations used for this purpose were performed by an expert engaged by the Group, using the discounted cash flow method. In 2019, due to the complexity in determining the fair value of certain assets of the business combination involving the telecommunications business, the Group carried out a provisional purchase price allocation (PPA), making the final allocation in 2020. As a result of the definitive determination of the fair values of the assets and liabilities acquired in the telecommunications business, differences arose with respect to the provisional initial values at which they had been recognised in the consolidated annual accounts for 2019. The adjustments recognised to complete the initial accounting were made retrospectively by restating the figures for 2019, in accordance with prevailing legislation. We consider that these transactions are a key audit matter due to their significance, and the inherent judgement and complexity involved in making fair value estimates.	Our audit procedures included the following: - performing audit procedures on the balance sheets of the acquired companies at their acquisition date; - determining the acquisition date and the consideration paid, taking into account the specific conditions of the purchase agreement in each case; - obtaining, reading and analysing the valuation report on the acquired assets and liabilities of the joint venture, drawn up by an independent expert engaged by the Group; - obtaining, reading and analysing the final valuation report on the acquired assets and liabilities of the telecommunications business, drawn up by an independent expert engaged by the Group; - evaluating the independence and professional competence of the independent experts; - assessing the methodology and key assumptions used to determine the fair values of the assets and liabilities acquired and their identification, involving our valuation specialists for this purpose and corroborating the Group's explanations with market data and our own knowledge. In addition, we identified the assets and liabilities of the joint venture whose valuation was determined provisionally, evaluating the reasons for the provisional nature of the estimates and assessing whether the investment was accounted for appropriately on initial recognition. We also assessed whether the disclosures in the consolidated annual accounts regarding these two operations meet the requirements of the applicable financial reporting framework.

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

Recoverable amount of goodwill and other non-current assets

See notes 7, 8, 11 and 19 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
As mentioned in notes 7 and 8 to the consolidated annual accounts, at 31 December 2020, the Group's property, plant and equipment, intangible assets and goodwill amount to Euros 9,511 million, Euros 460 million and Euros 231 million, respectively, allocated to the various cash-generating units (CGUs) or, in the case of Hispasat, S.A. goodwill, to groups of CGUs. Furthermore, as mentioned in notes 11 and 19 to the consolidated annual accounts, the Group holds an investment in Transmisora Eléctrica del Norte, S.A., an equity-accounted investee, amounting to Euros 174 million, and a loan of Euros 17 million extended to the latter, both of which the Group tested for impairment after identifying indications thereof. There is a risk that the carrying amount of the CGUs may exceed their recoverable amount in the case of CGUs or groups of CGUs that show indications of impairment. The Group calculates the recoverable amount of goodwill and intangible assets with indefinite useful lives annually and tests property, plant and equipment and intangible assets for indications of impairment, for the purposes of determining their recoverable amount. These recoverable amounts are calculated considering their value in use or fair value less costs to sell, applying valuation techniques which require the exercising of judgement by the Directors and management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates, and the significance of the carrying amount of the non-current assets subject to impairment testing and of the impairment recognised by the Group, this has been considered a key audit matter.	Our audit procedures included the following: - assessing the design and implementation of key controls related to the process for assessing the criteria used to identify indications of impairment, and for estimating the recoverable amount of goodwill and other non-current assets; - evaluating the methodology and reasonableness of the assumptions used by management and the Directors to estimate the recoverable amount using the discounted cash flow method at cash-generating unit level, as well as the recoverable amount of the investment in and the loan extended to Transmisora Eléctrica del Norte, S.A., calculated by discounting this entity's cash flows, with the involvement of our valuation specialists and based on the reports drawn up by the independent experts engaged by the Group to contrast the reasonableness of the assumptions used; - contrasting the information contained in the model used to calculate the recoverable amount with the business plans of the companies; - analysing the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

In accordance with the requirements set forth in article 540 of the Revised Spanish Companies Act and Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 7/2015 of 22 December 2015 and by CNMV Circular 2/2018 of 12 June 2018 and which provides the models for the Annual Corporate Governance Report for listed corporations, and for the purposes of the description of Internal Control over Financial Reporting in Annual Corporate Governance Reports, and as mentioned in section F.7.1 of the Annual Corporate Governance Report, which forms part of the accompanying consolidated directors' report for 2020, on 23 February 2021, at the Parent's request, we issued our Independent Reasonable Assurance Report on the Internal Control over Financial Reporting (ICOFR) of the Red Eléctrica Group for 2020, based on our examination, which was performed in accordance with ISAE 3000 (Revised) (International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issue of reasonable assurance reports.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent's Audit Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit Committee dated 23 February 2021.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 14 May 2020 for a period of one year, beginning after the year commenced 1 January 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2013.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors (“ROAC”) with No. S0702

(*Signed on original in Spanish*)

Eduardo González Fernández
On the Spanish Official Register of Auditors (“ROAC”) with No. 20435

23 February 2021

Annual Accounts

2020

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

Red Eléctrica Group
Consolidated Statement of Financial Position at 31 December 2020

Thousands of Euros

Assets	Note	31/12/2020	31/12/2019 (*)
Non-current assets			
Intangible assets	7	**690,850**	**737,142**
Property, plant and equipment	8	**9,511,245**	**9,673,135**
Investment property	10	**1,325**	**1,345**
Equity-accounted investees	11	**519,312**	**259,594**
Non-current financial assets	19	**116,205**	**112,571**
At fair value through other comprehensive income		79,363	91,206
At fair value through profit or loss		7,973	2,542
At amortised cost		28,869	18,823
Non-current derivatives	20	**146**	**14,732**
Deferred tax assets	23	**88,015**	**66,009**
Other non-current assets		**2,442**	**3,869**
Total non-current assets		**10,929,540**	**10,868,397**
Current assets			
Inventories	12	**34,875**	**42,720**
Trade and other receivables	13	**1,342,099**	**1,346,007**
Trade receivables		43,054	74,396
Other receivables		1,288,342	1,261,607
Current tax assets	23	10,703	10,004
Other current financial assets	19	**35,812**	**58,200**
At fair value through other comprehensive income		-	-
At fair value through profit or loss		-	-
At amortised cost		35,812	58,200
Current derivatives	20	**19,991**	**11,311**
Cash and cash equivalents		**481,772**	**328,570**
Total current assets		**1,914,549**	**1,786,808**
Total assets		**12,844,089**	**12,655,205**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6)

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Red Eléctrica Group
Consolidated Statement of Financial Position at 31 December 2020

Thousands of Euros

Equity and Liabilities	Note	31/12/2020	31/12/2019 (*)
Equity			
Capital and reserves		**3,613,425**	**3,564,982**
Capital		270,540	270,540
Reserves		2,905,234	2,763,196
Own shares (-)		(36,550)	(36,504)
Profit attributable to the Parent		621,185	714,752
Interim dividend (-)		(146,984)	(147,002)
Valuation adjustments		**(177,823)**	**(52,466)**
Financial assets at fair value through other comprehensive income		12,761	24,604
Hedging transactions		(93,559)	(82,699)
Translation differences		(97,025)	5,629
Equity attributable to the Parent		**3,435,602**	**3,512,516**
Non-controlling interests		**56,351**	**72,640**
Total equity	14	**3,491,953**	**3,585,156**
Non-current liabilities			
Grants and other	15	707,920	705,762
Non-current provisions	16	135,986	151,406
Non-current financial liabilities	19	6,485,404	5,327,609
Loans and borrowings, bonds and other marketable securities		6,427,644	5,267,323
Other non-current financial liabilities		57,760	60,286
Deferred tax liabilities	23	417,353	466,283
Non-current derivatives	20	50,350	48,266
Other non-current liabilities	17	96,233	94,902
Total non-current liabilities		**7,893,246**	**6,794,228**
Current liabilities			
Current provisions	16	57,183	27,345
Current financial liabilities	19	823,767	1,846,537
Loans and borrowings, bonds and other marketable securities		214,973	1,197,981
Other current financial liabilities		608,794	648,556
Trade and other payables	21	577,720	396,943
Suppliers		460,502	311,879
Other payables		92,257	61,490
Current tax liabilities	23	24,961	23,574
Current derivatives	20	220	4,996
Total current liabilities		**1,458,890**	**2,275,821**
Total equity and liabilities		**12,844,089**	**12,655,205**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6)

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Red Eléctrica Group
Consolidated Income Statement. 2020

Thousands of Euros

	Note	31/12/2020	31/12/2019 (*)
Revenue	24.a	1,985,751	2,007,240
Self-constructed assets	7 and 8	57,690	60,083
Share of profit of equity-accounted investees (with a similar activity to that of the Group)	11	27,980	7,606
Supplies	24.c	(27,307)	(34,503)
Other operating income	24.b	17,189	19,771
Personnel expenses	24.d	(175,915)	(160,130)
Other operating expenses	24.c	(316,870)	(316,410)
Depreciation and amortisation	7, 8 and 10	(548,184)	(525,910)
Non-financial and other capital grants	15	30,248	25,724
Impairment and losses on disposal of fixed assets	8	(121,575)	(1,258)
Results from operating activities		**929,007**	**1,082,213**
Finance income	24.e	16,014	12,817
Finance costs	24.e	(133,613)	(144,846)
Exchange losses		(5,417)	(890)
Impairment and gains/(losses) on disposal of financial instruments		-	1
Net finance cost		**(123,016)**	**(132,918)**
Share of profit of equity-accounted investees	11	-	1,369
Profit before tax		**805,991**	**950,664**
Income tax	23	(194,751)	(235,840)
Consolidated profit for the year		**611,240**	**714,824**
A) Consolidated profit for the year attributable to the Parent		**621,185**	**714,752**
B) Consolidated profit/(loss) for the year attributable to non-controlling interests	14	**(9,945)**	**72**
Earnings per share in Euros			
Basic earnings per share in Euros	33	1.15	1.33
Diluted earnings per share in Euros	33	1.15	1.33

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6)

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Red Eléctrica Group
Consolidated Statement Of Comprehensive Income. 2020

Thousands of Euros

	Note	31/12/2020	31/12/2019 (*)
A) Consolidated profit for the year (income statement)		**611,240**	**714,824**
B) Other comprehensive income – Items that will not be reclassified to profit or loss:		**(18,425)**	**(735)**
Actuarial gains and losses	16	(8,781)	(13,701)
Equity instruments through other comprehensive income	18	(11,843)	9,541
Tax effect		2,199	3,425
C) Other comprehensive income – Items that could be reclassified to profit or loss:		**(119,858)**	**(18,888)**
Cash flow hedges:		**1,233**	**(12,944)**
a) Revaluation gains/(losses)		(4,380)	(17,918)
b) Amounts transferred to the income statement		5,613	4,974
Translation differences:		**(145,334)**	**2,188**
a) Revaluation gains/(losses)		(145,334)	2,188
Share of other comprehensive income from investments in joint ventures and associates:		**(11,807)**	**(10,757)**
a) Revaluation gains/(losses)	11	(11,807)	(10,757)
Tax effect		**36,050**	**2,625**
Total comprehensive income for the year (A + B + C)		**472,957**	**695,201**
a) Attributable to the Parent		489,246	696,081
b) Attributable to non-controlling interests		(16,289)	(880)

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6).

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Red Eléctrica Group
Consolidated Statement of Changes in Equity at 31 December 2020

Thousands of Euros

Equity	Note	Sub-scribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustments	Equity attributable to the Parent	Non-controlling interests	Total equity
Balances at 1 January 2019		270,540	2,598,060	(147,250)	(21,303)	704,558	(44,071)	3,360,534	832	3,361,366
I. Comprehensive income for the year		-	(10,276)	-	-	718,040	(8,395)	699,369	(501)	698,868
II. Transactions with shareholders or owners		-	(382,934)	248	(15,201)	(147,002)	-	(544,889)	-	(544,889)
- Distribution of dividends	13	-	(384,383)	248	-	(147,002)	-	(531,137)	-	(531,137)
- Transactions with own shares	13	-	1,449	-	(15,201)	-	-	(13,752)	-	(13,752)
III. Other changes in equity		-	558,346	-	-	(557,556)	-	790	98,299	99,089
- Transfers between equity line items		-	557,556	-	-	(557,556)	-	-	-	-
- Other changes		-	790	-	-	-	-	790	98,299	99,089
Balances at 31 December 2019		270,540	2,763,196	(147,002)	(36,504)	718,040	(52,466)	3,515,804	98,630	3,614,434
Modifications due to the recognition of the Hispasat business combination effective 3 October 2019 2.f and 6		-	-	-	-	(3,288)	-	(3,288)	(25,990)	(29,278)
Balance at 31 December 2019 restated		270,540	2,763,196	(147,002)	(36,504)	714,752	(52,466)	3,512,516	72,640	3,585,156
Balances at 1 January 2020		270,540	2,763,196	(147,002)	(36,504)	714,752	(52,466)	3,512,516	72,640	3,585,156
I. Comprehensive income for the year		-	(6,582)	-	-	621,185	(125,357)	489,246	(16,289)	472,957
II. Transactions with shareholders or owners		-	(421,939)	18	(46)	(146,984)	-	(568,951)	-	(568,951)
- Distribution of dividends	13	-	(421,609)	18	-	(146,984)	-	(568,575)	-	(568,575)
- Transactions with own shares	13	-	(330)	-	(46)	-	-	(376)	-	(376)
III. Other changes in equity		-	570,559	-	-	(567,768)	-	2,791	-	2,791
- Transfers between equity line items		-	567,768	-	-	(567,768)	-	-	-	-
- Other changes	13	-	2,791	-	-	-	-	2,791	-	2,791
Balances at 31 December 2020		270,540	2,905,234	(146,984)	(36,550)	621,185	(177,823)	3,435,602	56,351	3,491,953

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Red Eléctrica Group
Consolidated Statement of Cash Flows. 2020
Thousands of Euros

	Note	31/12/2020	31/12/2019 (*)
Cash flows from operating activities		**1,380,422**	**1,045,157**
Profit before tax		**805,991**	**950,664**
Adjustments to profit		**745,792**	**647,240**
Depreciation and amortisation	6, 7 and 9	548,184	525,910
Other adjustments		197,608	121,330
Equity-accounted investees		(27,980)	(8,975)
Losses on disposal/impairment of non-current assets and financial instruments		121,575	1,257
Accrued finance income	23.d	(16,014)	(12,817)
Accrued finance costs	23.d	133,613	144,846
Charge to/surplus provisions	11, 13 and 15	16,662	22,743
Capital and other grants taken to income	14	(30,248)	(25,724)
Changes in operating assets and liabilities		**173,528**	**(211,613)**
Changes in inventories, receivables, current prepayments and other current assets		8,821	(196,106)
Changes in trade payables, current contract liabilities and other current liabilities		164,707	(15,507)
Other cash flows used in operating activities:		**(344,889)**	**(341,134)**
Interest paid		(158,909)	(148,213)
Dividends received	23.d	4,848	4,848
Interest received		7,907	6,827
Income tax received/(paid)		(196,903)	(198,354)
Other proceeds from and payments for operating activities		(1,832)	(6,242)
Cash flows used in investing activities		**(905,547)**	**(1,373,834)**
Payments for investments		**(925,379)**	**(1,451,064)**
Property, plant and equipment, intangible assets and investment property	6, 7 and 9	(545,329)	(519,263)
Group companies, associates and business units	10	(374,262)	(931,801)
Other financial assets	18	(5,788)	-
Proceeds from sale of investments		**(1,641)**	**23,651**
Property, plant and equipment, intangible assets and investment property	6, 7 and 9	755	1,121
Other financial assets	18	(2,396)	22,530
Other cash flows from investing activities	14	**21,473**	**53,579**
Other proceeds from investing activities	14	21,473	53,579
Cash flows used in financing activities		**(314,666)**	**(110,219)**
Proceeds from and payments for equity instruments	13	**(376)**	**(13,753)**
Acquisition		(22,851)	(86,202)
Disposal		22,475	72,449
Proceeds from and payments for financial liability instruments	18	**276,095**	**451,238**
Issue and drawdowns		2,590,079	2,138,358
Redemption and repayment		(2,313,984)	(1,687,120)
Dividends and interest on other equity instruments paid	13	**(566,773)**	**(530,841)**
Other cash flows used in financing activities		**(23,612)**	**(16,863)**
Interest paid		(174)	(131)
Other proceeds from and payments for financing activities		(23,438)	(16,732)
Effect of exchange rate fluctuations on cash and cash equivalents		**(7,007)**	**314**
Net increase/(decrease) in cash and cash equivalents		**153,202**	**(438,582)**
Cash and cash equivalents at beginning of year		328,570	767,152
Cash and cash equivalents at year end		481,772	328,570

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6)

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Contents

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. The definition of these measures can be found at www.ree.es.

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 the Red Eléctrica Group (hereinafter the Group or Red Eléctrica Group). 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 principal activity is electricity transmission, system operation and management of the transmission network for the Spanish electricity system. These regulated activities are carried out through Red Eléctrica de España, S.A.U. (hereinafter REE).

The Group also conducts electricity transmission activities outside Spain through Red Eléctrica Internacional, S.A.U. (hereinafter REI) and its investees. Furthermore, the Group provides telecommunications services to third parties through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter REINTEL), essentially via dark fibre backbone network rental, and through the HISPASAT subgroup (hereinafter HISPASAT), by means of satellite infrastructure operation.

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). 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. (RETIT).

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 Consolidated Annual Accounts

a) General information

The accompanying consolidated annual accounts have been prepared by the directors of the Parent to give a true and fair view of the consolidated equity and consolidated financial position of the Company and its subsidiaries at 31 December 2020, as well as the consolidated results of operations and consolidated cash flows and changes in consolidated equity for the year then ended.

The accompanying consolidated annual accounts, authorised for issue by the Company's directors at their board meeting held on 23 February 2021, have been prepared on the basis of the individual accounting records of the Company and the other Group companies, which together form the Red Eléctrica Group (see Appendix I). Each company prepares its annual accounts 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.

The consolidated annual accounts for 2019 were approved by the shareholders at their general meeting held on 14 May 2020. The consolidated annual accounts for 2020 are currently pending approval by the shareholders. However, the directors of the Company consider that these consolidated annual accounts will be approved with no changes.

These consolidated annual accounts have been prepared on the historical cost basis, except in the case of financial assets measured at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial instruments at fair value through profit or loss and business combinations.

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent's functional and presentation currency, rounded off to the nearest thousand. The consolidated annual accounts have been prepared in accordance with IFRS-EU, and other applicable provisions in the financial reporting framework.

The Group has not omitted any mandatory accounting principle with a significant effect on the consolidated annual accounts.

b) New IFRS-EU and IFRIC

The consolidated annual accounts have been prepared in accordance with IFRS-EU.

The following standards and amendments have been applied for the first time in 2020:

Effective from:	New requirements or amendments approved for use in the EU
1 January 2020	• Amendments regarding reference to the Conceptual Framework under IFRS • IAS 1 and IAS 8 – Definition of Material • IFRS 9, IFRS 7 and IAS 39 – Interest Rate Benchmark Reform (IBOR) • IFRS 3 – Definition of a Business
1 June 2020	• IFRS 16 – Covid-19-Related Rent Concessions

The new amendments issued are as follows:

- **Amendments to IAS 1 and IAS 8 – Definition of Material**

  These amendments clarify the definition of "material", which, in addition to omissions and misstatements that could influence decisions made by users of the information, now also includes the concept of "obscure". As a result of these amendments, the IFRS are more consistent with the definition of "material" laid down in the conceptual framework. This amendment has not had a significant impact on the preparation of the Group's consolidated annual accounts.

- **IFRS 9, IFRS 7 and IAS 39 – Interest Rate Benchmark Reform**

  These amendments provide for certain exceptions in relation to the interest rate benchmark reform (IBOR). The exceptions pertain to hedge accounting and the outcome is that the IBOR reform should not generally give rise to the discontinuation of hedge accounting. However, any hedge ineffectiveness must continue to be recognised in the income statement.

  With regard to the IBOR reform, the Group has various hedging relationships to hedge interest rate risk, using derivatives and underlyings whose benchmark rate is generally the EURIBOR. No hedging relationships have been affected, and moreover, the Group is only minimally exposed to intraday benchmark interest rates (EONIA). With respect to the EURIBOR, in 2019 a new hybrid calculation methodology was developed based on actual market transactions, which distinguishes between three levels of estimates, depending on the extent to which such transactions are observable. This new methodology was approved by the authorities, and therefore no amendments to existing or future contracts are expected to be required, on considering that these financial instruments are not exposed to a high level of uncertainty at 31 December 2020.

  The remaining benchmark interest rates are undergoing a reform on a global scale, although this is not expected to affect the long-term hedging relationships currently in place. The Group has adopted a proactive stance with respect to this process, carrying out its monitoring and analysis sufficiently in advance to prevent any negative impacts that may arise. On this basis, the changes in benchmark interest rates have not had a significant impact on the Group's consolidated annual accounts.

- **IFRS 3 – Definition of a Business**

  These amendments will help to determine whether a transaction is a business combination or an acquisition of a set of assets. The amended definition emphasises that the output of a business consists of goods and services provided to customers, whereas in the previous definition the focus was on providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners. Besides changing the wording of the definition, additional guidance is now given. To be considered a business, an acquisition must include an input and a process that together significantly contribute to the ability to create outputs. The new guidance provides a framework for assessing whether both elements are present (even in the case of early-stage entities that have not yet started to generate outputs). An entity that has not started generating revenue must now have an organised workforce in order to be considered as a business.

These amendments apply to business combinations and asset acquisitions carried out on or after 1 January 2020. These amendments have not had an impact on the Group's consolidated annual accounts.

- **IFRS 16 Leases – Rent concessions**

  The amendment to IFRS 16 Leases introduces an optional practical expedient that lessees may apply when determining whether a Covid-19-related rent concession is a lease modification. This amendment is effective for annual financial periods beginning on or after 1 June 2020. This amendment has not had an impact on the Group's consolidated annual accounts.

- **New requirements or amendments effective as of 1 January 2021**

  The new standards not yet adopted by the European Union for which application is not mandatory in 2020 but which will enter into force for annual periods beginning on or after 1 January 2021 are as follows:

Effective from:	New requirements or amendments
1 January 2021	• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2 • Amendment to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9
1 January 2022	• Amendment to IFRS 3 – Reference to the Conceptual Framework • Amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use • Amendment to IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract • Annual Improvements to IFRS. 2018-2020 Cycle
1 January 2023	• New standard - IFRS 17 Insurance Contracts • Amendment to IAS 1 – Classification of Liabilities as Current or Non-current

c) Estimates and assumptions

The preparation of the consolidated annual accounts in accordance with IFRS-EU 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 judgements are assessed continually and are based on past experience and other factors, including expectations of future events that are considered reasonable given the circumstances. Actual results could differ from these estimates.

The consolidated annual accounts for 2020 occasionally include estimates calculated by management of the Group and of the consolidated companies, and subsequently endorsed by their directors, to quantify certain assets, liabilities, income, expenses and commitments disclosed therein.

These estimates are essentially as follows:

- Estimated asset recovery, calculated by determining the recoverable amount thereof. The recoverable amount is understood to be the higher of fair value less costs to sell and value in use. Asset impairment is generally calculated using discounted cash flows based on financial projections used by the Group. The discount rate applied is the weighted average cost of capital, taking into account the country risk premium (see note 8).
- Estimated useful lives of property, plant and equipment (see note 4.b).
- The assumptions used in the actuarial calculations of liabilities and obligations to employees (see note 16).
- The assumptions used to calculate the fair value of derivatives (see note 20).
- Estimated revenue from electricity transmission facilities in Spain for periods prior to n+2 (see note 13).
- The assumptions used to calculate the fair value of assets and liabilities acquired in a business combination (see note 6). The Company has taken out insurance policies to cover the risk of possible claims that might be lodged by third parties in relation to its activities.

Liabilities are generally recognised when it is probable that an obligation will give rise to an indemnity or a payment. The Group assesses and estimates amounts to be settled in the future, including additional amounts for income tax, contractual obligations, pending lawsuit settlements and other liabilities. These estimates are subject to the interpretation of existing facts and circumstances, projected future events and the estimated financial effect of those events (see note 16). The Company has taken out insurance policies to cover the risk of possible claims that might be lodged by third parties in relation to its activities.

In the absence of International Financial Reporting Standards (IFRSs) that give guidance on the accounting treatment for a particular situation, in accordance with IAS 8, management uses its best judgement based on the economic substance of the transaction and considering the most recent pronouncements of other standard-setting bodies that use the same conceptual framework as IFRS. Accordingly, as tax credits for investments are not within the scope of IAS 12 and IAS 20, after analysing the related facts and circumstances, Group management has considered that credits for investments granted to the Group by public entities are similar to capital grants. Therefore, in these cases management has taken into account IAS 20 on government grants (see note 4j).

To facilitate comprehension of the consolidated annual accounts, details of the different estimates and assumptions are provided in each separate note.

Although estimates are based on the best information available at 31 December 2020, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding consolidated income statement as a change in accounting estimates, as required by IFRS.

d) Consolidation principles

The types of companies included in the consolidated Group and the consolidation method used in each case are as follows:

- **Subsidiaries**

  Subsidiaries are entities, including structured entities, over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

  A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

  The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

  Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

- **Joint arrangements**

  Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

  The Group assesses all the facts and circumstances relating to each joint arrangement for the purpose of its classification as a joint venture or joint operation, including whether the arrangement contains rights over the assets and obligations for liabilities.

In joint operations there is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. For joint operations, the Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, and the expenses, including its share of any expenses incurred jointly, in the consolidated annual accounts.

Joint ventures are those in which there is a contractual agreement with a third party to share control over an activity and the strategic financial and operating decisions relating to the activity require the unanimous consent of all the venturers that share control. The Group's interests in jointly controlled entities are accounted for using the equity method in accordance with IFRS 11.

The Group's acquisition of an initial and subsequent share in a joint operation that is a business is recognised following the same criteria used for business combinations, at the percentage of ownership of each individual asset and liability. However, in subsequent acquisitions of additional shares in a joint operation, the previous share in each asset and liability is not subject to revaluation.

In sales or contributions by the Group to the joint operation, it recognises the resulting gains and losses only to the extent of the other parties' interests in the joint operation. When such transactions provide evidence of a reduction in net realisable value or an impairment loss of the assets transferred, such losses are recognised in full.

In purchases by the Group from a joint operation, it only recognises the resulting gains and losses when it resells the acquired assets to a third party. However, when such transactions provide evidence of a reduction in net realisable value or an impairment loss of the assets, the Group recognises its entire share of such losses.

- **Associates**

  Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

  Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

  Investments in associates are initially recognised at cost of acquisition, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions. Any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable net assets at the acquisition date is recognised as goodwill under equity-accounted investees in the consolidated statement of financial position. Any excess of the Group's share of the net fair value of the associate's identifiable net assets over the cost of the investment at the acquisition date (bargain purchase) is recognised as income in the period in which the investment is acquired.

  The Group classifies the profit or loss of these companies in results from operating activities when the entity's activity is similar to the Group's operating activities. Conversely, when their activity is different, the profit or loss of these companies is classified outside results from operating activities.

Appendix I provides details of the Company's subsidiaries, joint arrangements, joint ventures and associates, as well as the consolidation or measurement method used in preparing the accompanying consolidated annual accounts and other relevant information.

The financial statements of the subsidiaries, joint arrangements, joint ventures and associates used in the consolidation process have the same reporting date and refer to the same period as those of the Parent.

The operations of the Company and its subsidiaries have been consolidated applying the following basic principles:

- The accounting principles and criteria used by the Group companies have been harmonised with those applied by the Parent.
- Translation of foreign operations:

- o Balances in the financial statements of foreign companies have been translated using the closing exchange rate for assets and liabilities, the average exchange rate for income and expenses and the historical exchange rate for capital and reserves.
- o All resulting exchange differences are recognised as translation differences in other comprehensive income.
- o These criteria are also applicable to the translation of the financial statements of equity-accounted investees, with translation differences attributable to the Group recognised in other comprehensive income.

- All balances and transactions between fully consolidated companies have been eliminated on consolidation.
- Margins on invoices between Group companies for capitalisable goods or services were eliminated at the transaction date.

e) Non-controlling interests

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests' share in consolidated profit or loss for the year and in consolidated comprehensive income for the year is disclosed separately.

Transactions with non-controlling interests are recognised as transactions with equity holders of the Group. As such, the difference between the consideration paid in the acquisition of a non-controlling interest and the corresponding proportion of the carrying amount of the subsidiary's net assets is recognised in equity. Similarly, the gains or losses on disposal of non-controlling interests are also recognised in the Group's equity.

f) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows in these consolidated annual accounts include comparative figures for the prior year, which differ from those presented in the approved consolidated annual accounts for 2019 due to figures being restated for the following reasons:

- Completion of the purchase price allocation relating to the acquisition of HISPASAT on 3 October 2019 (see note 6).
- Change in accounting criteria with respect to the recognition of non-controlling interests in the HISPASAT business combination (see note 6). At 31 December 2019 the Group had recognised these interests at fair value, whereas at 31 December 2020 non-controlling interests have been recognised in the amount of the proportionate share of the net assets.
- In addition, the Group has classified the profit/loss for the period of the equity-accounted investee Hisdesat Servicios Estratégicos, S.A. (hereinafter Hisdesat) under results from operating activities, in accordance with Decision EECS/0114-06 "Change of Presentation of the Share in the Profit or Loss of Associates and Joint Ventures Accounted for Using the Equity Method" issued by the European Securities and Markets Authority (ESMA).

The main differences in the consolidated statement of financial position, consolidated income statement and consolidated statement of cash flows are as follows:

Consolidated statement of financial position

Thousands of Euros	31/12/2019 restated	31/12/2019	Variation
Assets			
Non-current assets	**10,868,397**	**10,875,152**	**(6,755)**
Intangible assets	737,142	765,599	(28,457)
Deferred tax assets	66,009	44,307	21,702
Current assets	**1,786,808**	**1,786,808**	**-**
Total assets	**12,655,205**	**12,661,960**	**(6,755)**
Equity and Liabilities			
Equity	**3,585,156**	**3,614,434**	**(29,278)**
Profit attributable to the Parent	714,752	718,040	(3,288)
Non-controlling interests	72,640	98,630	(25,990)
Equity attributable to the Parent	3,512,516	3,515,804	(3,288)
Non-current liabilities	**6,794,228**	**6,775,351**	**18,877**
Non-current financial liabilities	5,327,609	5,318,760	8,849
Deferred tax liabilities	466,283	456,255	10,028
Current liabilities	**2,275,821**	**2,272,175**	**3,646**
Current financial liabilities	1,846,537	1,842,891	3,646
Total equity and liabilities	**12,655,205**	**12,661,960**	**(6,755)**

Consolidated income statement

Thousands of Euros	31/12/2019 restated	31/12/2019	Variation
Other operating expenses	(316,410)	(317,649)	1,239
Depreciation and amortisation	(525,910)	(525,529)	(381)
Results from operating activities	**1,082,213**	**1,081,355**	**858**
Finance costs	(144,846)	(145,927)	1,081
Net finance cost	**(132,918)**	**(133,999)**	**1,081**
Profit before tax	**950,664**	**948,725**	**1,939**
Income tax	(235,840)	(230,234)	(5,606)
Consolidated profit for the year	**714,824**	**718,491**	**(3,667)**
A) Consolidated profit for the year attributable to the Parent	**714,752**	**718,040**	**(3,288)**
B) Consolidated profit for the year attributable to non-controlling interests	**72**	**451**	**(379)**
Earnings per share in Euros			
Basic earnings per share in Euros	1.33	1.33	-
Diluted earnings per share in Euros	1.33	1.33	-

Consolidated statement of cash flows

Thousands of Euros	31/12/2019 restated	31/12/2019	Variation
Cash flows from operating activities	**1,045,157**	**1,045,157**	**-**
Profit before tax	**950,664**	**948,725**	**1,939**
Adjustments to profit	**647,240**	**647,940**	**(700)**
Depreciation and amortisation	525,910	525,529	381
Other adjustments	121,330	122,411	(1,081)
Accrued finance costs	144,846	145,927	(1,081)
Changes in operating assets and liabilities	**(211,613)**	**(210,374)**	**(1,239)**
Changes in inventories, receivables, current prepayments and other current assets	(196,106)	(194,867)	(1,239)
Cash flows used in investing activities	**(1,373,834)**	**(1,373,834)**	**-**
Cash flows used in financing activities	**(110,219)**	**(110,219)**	**-**
Effect of exchange rate fluctuations on cash and cash equivalents	**314**	**314**	**-**
Net increase/(decrease) in cash and cash equivalents	**(438,582)**	**(438,582)**	**-**
Cash and cash equivalents at beginning of year	767,152	767,152	-
Cash and cash equivalents at year end	328,570	328,570	-

g) Changes in the consolidated Group

The changes in the consolidated Group in 2020 are as follows:

- On 31 January 2020 the Brazilian company "Red Eléctrica Brasil Holding LTDA" (hereinafter REB) was incorporated. This company's statutory activity mainly consists of the acquisition, holding, management and administration of securities. This company is wholly owned by Red Eléctrica Internacional, S.A.U.
- On 25 March 2020, once the conditions precedent laid down in the purchase agreement had been met, a 50% interest was acquired in the Brazilian company "Energia Empreendimentos e Participações S.A." and subsidiaries (hereinafter ARGO Energia). This company's statutory activity mainly consists of the acquisition, holding, management and administration of securities. This company is the parent of a group of electricity transmission concession operator companies in Brazil. REB holds a 50% interest in this company. It is accounted for using the equity method.

The changes in the consolidated Group in 2019 were as follows:

- Red Eléctrica del Norte Perú, S.A.C. (REDELNOR) was incorporated on 11 January 2019 and is wholly owned by REI. The statutory activity of the new company consists of electricity transmission and maintenance activities on the Carhuaquero - Cajamarca Norte - Caclic - Moyobamba line. This company is fully consolidated.
- On 6 June 2019 the Spanish company Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (RETIT) was incorporated. This company's statutory and principal activity consists of driving and fostering technological innovation. This company is wholly owned by Red Eléctrica Corporación and will be fully consolidated.
- On 18 July 2019 the Peruvian company Concesionaria Línea de Transmisión CCNCM, S.A. (hereinafter CCNCM) was acquired. The company's statutory and principal activity consists of electricity transmission and maintenance activities on the Carhuaquero - Cajamarca Norte - Caclic - Moyobamba line and related substations in Peru. This company is wholly owned by REDELNOR and is fully consolidated (see note 6).
- On 3 October 2019 HISPASAT and its subsidiaries were acquired. The company's statutory and principal activity consists of commercialising and rendering satellite telecommunications services. Red Eléctrica Sistemas de Telecomunicación, S.A. (RESTEL) holds an 89.68% interest in this company. All of the HISPASAT companies are fully consolidated, except for Hisdesat Servicios Estratégicos, S.A. and Grupo de Navegación Sistemas y Servicios, S.L., which are accounted for using the equity method (see note 6).

3 Sector Regulation

a) Electricity sector in Spain

The sector liberalisation process in Spain began with Electricity Industry Law 54/1997 of 27 November 1997. This Law prompted the start of a vertical disintegration of the different activities, whereby activities carried out under a natural monopoly regime (transmission and distribution) were segregated from those operating on a free competition basis (generation and supply). A series of reforms was embarked upon in 2013, which culminated in the enactment of the current Electricity Industry Law 24/2013 of 26 December 2013. These reforms and the new Law were introduced principally to address the imbalance between revenues and costs of the electricity system in previous years, which in turn resulted from certain energy and tariff policy decisions and was aggravated by the impact of the financial crisis on electricity demand. The Law lays down the following regulatory framework with respect to the activities conducted by the Company:

- The Law acknowledges the natural monopoly in the transmission activity, arising from the economic efficiency afforded by a sole grid. Transmission is liberalised by granting widespread third-party access to the network, which is made available to the different electricity system agents and consumers in exchange for payment of an access charge.

  The remuneration for this activity is set by the government based on the general principles defined in the Law and, until 2019, on the method set forth in Royal Decree 1047/2013 of 27 December 2013, which sets out the methodology for calculating the remuneration for electricity transmission activities. However, due to the change in remit introduced through Royal Decree-Law 1/2019, on urgent measures to adapt the powers of the Spanish National Markets and Competition Commission (CNMC) to the requirements of Community law in respect of Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in electricity and natural gas, respectively, for the new regulatory period commencing in 2020 the CNMC has approved a new methodology, set forth in Circular 5/2019 of 5 December 2019, which defines the methodology for calculating the remuneration for electricity transmission activities.

  In addition to this Circular, for the 2020-2025 regulatory period certain other remuneration parameters have been defined under the new model. Circular 2/2019 defines the methodology for calculating the financial rate of return for electricity transmission and distribution, regasification, and natural gas transmission and distribution, and Circular 7/2019 approves the standard facilities and reference unit values for operation and maintenance per asset that are to be used in calculating the remuneration allocable to companies that own electricity transmission facilities. This Circular also provided that the reference unit values for investment that were in force in the previous regulatory period, which were established by Ministry of Industry, Energy and Tourism Order IET/2659/2015, were to be extended to cover the 2020-2025 period.

  Regulated revenue for the transmission activity for the first year of application of Royal Decree 1047/2013 (i.e. 2016) was determined definitively in Ministry of Industry, Energy and Tourism Order IET/981/2016. Subsequently, between 2017 and 2020, the regulated revenue for this activity was determined on a provisional basis and settled on account. The regulators (the Ministry until 2019 and the CNMC for revenue pertaining to 2020) provisionally opted to repeat what was stipulated for 2016 in terms of the amount of remuneration, and this has therefore remained constant. This provisional approach (for the 2017-2020 period) stems from the "detriment proceedings" brought by the Spanish State Attorney against the aforementioned Ministerial Order IET/981/2016, seeking that the Spanish Supreme Court declare certain articles therein null and void, thus enabling the definitive revenue for 2016 to be corrected. The Supreme Court delivered its judgment on 29 June 2020, ruling in part for the State, and thus requiring Ministerial Order IET/981/2016 and the revenue for 2016 to be corrected. This is expected to occur in 2021, and will thus allow for the definitive transmission activity revenue for 2017-2020 to be established.

- As electricity system operator, the Company's main function is to guarantee the continuity and security of the electricity supply, as well as to ensure the correct coordination of the production and transmission system, exercising its duties in cooperation with the operators and agents of the Spanish electricity market (MIBEL) while observing the principles of transparency, objectivity and independence. Law 24/2013 also bestows upon the system operator the role of transmission network manager.

  As provided in article 31.1 of the aforementioned law, the Ministry shall assign the role of transmission network manager for the Spanish electricity system to Red Eléctrica following certification by the CNMC, and the

European Commission shall be notified in order for such assignment to be published in the Official Journal of the European Union. In 2015 the certification process for Red Eléctrica as transmission network manager for the Spanish electricity system, as envisaged in the law, was completed following publication in the Official Journal of the European Union of 12 February 2015 of the Notification of the Spanish Government regarding the designation of Red Eléctrica de España, S.A.U. as transmission system operator in Spain. Under this assignment, Red Eléctrica de España, S.A.U. operates on an ownership unbundling basis as stipulated in article 9 of the old Directive 2009/72/EC, and reiterated in article 43 of the new Directive 2019/944 on common rules for the internal market for electricity.

The Company is also responsible for the functions of settlement, notification of payments and receipts, and management of guarantees relating to security of supply and the effective diversion of units generated and consumed, as well as for short-term energy exchanges aimed at maintaining the quality and security of supply.

Furthermore, the Company manages the technical and economic dispatch for electricity supply from non-mainland electricity systems (Balearic Islands, Canary Islands, Ceuta and Melilla), and is responsible for the settlement of payments and receipts arising from the economic dispatch of electricity generated by these systems.

Following the enactment of Royal Decree-Law 1/2019, the CNMC assumed its new remit and published a number of circulars in 2019 and 2020 defining the new remuneration methodologies for network activities (electricity and gas alike) as well as the methodology for tolls. The CNMC also established the first ever remuneration model for the system operation activity, through Circular 4/2019, which defines the remuneration methodology for the electricity system operator. The core principal of this remuneration model is that of providing suitable remuneration for a low-risk activity, considering those costs prudently incurred by an efficient and well-managed company. The CNMC has applied the remuneration methodology laid down in Circular 4/2019 to determine the remuneration of the system operator for 2020 and 2021. With the publication of the new remuneration methodology, the regulator should now proceed to estimate the definitive remuneration for 2014-2019, which previously was estimated on a provisional basis in the absence of a calculation methodology.

Regarding the Company's remit in the non-mainland electricity systems, in 2015 the Chira-Soria 200 MW reversible hydroelectric power plant project in Gran Canaria was transferred to the system operator, as stipulated in Order IET/728/2014 of 28 April 2014. Having taken ownership, in 2016 Red Eléctrica submitted a project amending the initial project, which included technical and environmental improvements aimed at increasing the capacity for integrating renewable energy and reducing the impact of this new infrastructure on the environment. In 2016 the Canary Islands government declared the new project to be of strategic interest and it has been subject to administrative consideration since then, before construction gets underway.

b) International electricity sector

The Red Eléctrica Group has built and acquired electricity transmission facilities through REI. At international level, it now operates and maintains these facilities in Peru, Chile and Brazil. Various electricity transmission facilities were also under construction by subsidiaries of REI in these countries at the end of 2020.

Electricity sector in Peru

In Peru, the liberalisation of the electricity sector began in 1992 with the publication of the "Electricity Concessions Law" (LCE). The shaping of the electricity sector was subsequently completed by the 2006 reform (Law 28832, "Law for the Efficient Development of Electricity Generation", LGE).

These two laws and certain amendments and/or extensions, together with the Regulation implementing the Electricity Concessions Law (Supreme Decree No. 009-93-EM enacted in 1993), make up the basic regulatory framework for the electricity sector in Peru.

The basic regulatory framework for the transmission activity also includes the "Transmission Regulation" (Supreme Decree No. 027-2007-EM). Certain major regulatory developments instituted by the regulatory agency OSINERGMIN should also be highlighted, such as the Resolutions approving the annual settlement procedure for electricity transmission service revenue (Resolutions No. 055-2020-OS/CD and No. 056-2020-OS/CD), as well as Resolution No. 217-2013-OS/CD, regulating "Tariffs and Remuneration for Secondary Transmission Systems (STS) and Complementary Transmission Systems (CTS)".

For the transmission activity, the 2006 reform (LGE) entailed the introduction of auctions as a mechanism for awarding contracts to construct new facilities in the backbone transmission network. The auction procedure required an energy planning process to be developed, which did not exist prior to the publication of the LGE.

The Peruvian regulatory framework is currently open to discussion. On 20 June 2019 Supreme Resolution No. 006-2019-EM was published, which created the CRSE (multi-sector power reform commission), for the purpose of reviewing and adjusting the existing legal and regulatory framework in order to optimise the efficient development of the Peruvian electricity market while adhering to international standards and best practice, seeking to guarantee the sustainability of the electricity subsector.

- A technical document is expected to be available in the first quarter of 2022 which will contain institutional legislative proposals and regulatory reforms to foster modernisation and address the challenges arising in the electricity industry, so as to ensure sufficient generation, the incorporation of renewable energies, smart metering, distributed generation, empowerment of demand, and harmonised development across the electricity and natural gas sectors.
- The following topics will be addressed in the specific case of the transmission subsector: (i) flexibility in the expansion of the transmission system; (ii) efficacy and transparency in transmission network access; (iii) simplification of remuneration schemes; and (iv) international interconnections.

Electricity sector in Chile

The legal framework governing the electricity transmission business in Chile is contained in Decree with Force of Law (DFL) No. 4/2006, which sets out the revised, coordinated and systematised text of Ministry of Mining Decree with Force of Law (DFL) No. 1 of 1982, the General Electricity Services Law (DFL No. 1/1982) and subsequent amendments thereto. Such amendments include Law 19,940 (Short Law I) enacted on 13 March 2004, Law 20,018 (Short Law II) enacted on 19 May 2005, and Law 20,257 (Generation through Non-conventional Renewable Energy Sources) enacted on 1 April 2008. These regulations are supplemented by the Regulation of the General Electricity Services Law of 1997 (Ministry of Mining Supreme Decree No. 327 of 1997) and respective amendments thereto, and by the Technical Standard for Safety and Quality of Service (Exempt Ministerial Resolution No. 40 of 16 May 2005) and subsequent amendments thereto.

The new Transmission Law was enacted on 11 July 2016. This law provides for a new independent coordinating body for the National Electricity System, known as the National Electricity Coordinator ("CEN"), which combines the former Economic Load Dispatch Centre - Central Interconnected System ("CDEC SIC") and the Economic Load Dispatch Centre - Far North Interconnection System ("CDEC SING"). It also defines a new electricity transmission system wherein the facilities forming part of the Backbone, Sub-transmission and Additional Transmission Systems were amalgamated into the National, Zonal and Dedicated Transmission Systems, respectively. The remuneration received by the transmission agent is calculated by applying a variable post-tax discount rate that ranges between a minimum of 7% and a maximum of 10%. The new law was effective immediately and application thereof is gradual, culminating in full application from 2020 onwards.

Lastly, the most noteworthy developments in the last year include the publication, on 13 June, of the Regulation on the Designation, Valuation, Pricing and Remuneration of Transmission Facilities, approved by the Ministry of Energy's Supreme Decree No. 10 of 1 February 2020. This Regulation governs relevant processes for the transmission segment, such as the designation, valuation, pricing and remuneration of electricity transmission system facilities, in addition to other aspects necessary for the adequate performance of such processes. Under the current framework, the annual value of national and zonal transmission facilities and development hubs in the transmission system is determined by the National Energy Commission (CNE) every four years. As such, revenue for the new tariff period (2020-2023) has not been conclusively determined, inasmuch as the value of the assets not put out for tender is under review.

Electricity sector in Brazil

The transmission model in Brazil is based on government concessions, for which the core principles of public service are enshrined in the Constitution of 1988, and the principles that govern concessions in Law 8,987 and Law 9,974 of 1995, respectively.

This framework provides that concession agreements are administrative contracts entered into with the federal government (national), represented by the regulatory agency ANEEL, which cannot be amended or early terminated by the government, except for duly supported reasons deemed to be in the public interest (very similar to the Spanish model).

Under this model, concessions for backbone network facilities are put out for tender by ANEEL through auctions. The auctions determine which transmission companies will build, maintain and operate the electricity assets during the concession period. By way of remuneration for the service rendered during this period, transmission companies receive the revenue specified in the auction, i.e. the *Receita Anual Permitida* (Annual Permitted Remuneration – RAP as per the Portuguese acronym).

In terms of sector regulations, there are no laws that govern the transmission activity in general; rather, specific aspects are regulated (e.g. extension of concession terms under Law 12,783 of 2013). There are also ministerial and government orders, and specific rules are included in the concession agreements themselves.

c) Telecommunications

Telecommunications in Spain

The telecommunications sector in Spain is regulated by General Telecommunications Law 9/2014 of 9 May 2014 (GTL), which mainly seeks to foster competition in the market and guarantee access to the networks, and by Royal Decree 330/2016 of 9 September 2016, on measures to reduce the actual cost of deploying high-speed electronic communications networks.

Aforementioned Law 9/2014 is developed by Royal Decree 123/2017 of 24 February 2017 approving the regulation on the use of public domain radio, which in turn also regulates the award of the right to use the orbit and spectrum resource and the permits for the satellite ground segment and the related spectrum. Accordingly, REINTEL and HISPASAT have been entered on the Register of Electronic Communications Operators of the Spanish National Markets and Competition Commission (CNMC). HISPASAT, meanwhile, has been awarded the permits for the ground segment and the concessions to use the related radio spectrum, as well as concessions to operate various orbit and spectrum resources.

The European regulatory framework comprises Directive (EU) 2018/1972 establishing the European Electronic Communications Code (Recast), Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 (regarding users' rights), and Directive 2009/140/EC (regulatory improvements). Based on this legislation, the General Telecommunications Law introduces measures aimed at creating an appropriate framework for investing in the deployment of new generation networks, thereby enabling operators to offer innovative services that are more technologically adapted to people's needs.

In line with the foregoing, special note should also be taken of Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, which mainly seeks to expedite implementation of the "Digital Agenda" of the European Union (EU), published in May 2010. This directive was transposed into Spanish law by Royal Decree 330/2016, on measures to reduce the cost of deploying high-speed electronic communications networks. The legislation (Directive 2014/61/EU and Royal Decree 330/2016) stipulates that access to infrastructure that may be used to host public electronic communications networks must be guaranteed for operators of public electronic communications networks. In this respect, the legislation requires owners and managers of infrastructure that may be used to host public high-speed electronic communications networks as well as parties to whom rights-of-use for such infrastructure have been granted (including network operators that provide physical infrastructure for the purpose of rendering electricity transmission services) to address all requests to access such infrastructure applying fair and reasonable terms and conditions. This obligation is fulfilled in view of the nature of the dark fibre business.

Telecommunications in Latin America

The Group provides services in different Latin American countries. In most Latin American countries, an entitlement must be obtained in order to provide satellite capacity to telecommunications service providers. Such entitlement may be in the form of permits, concessions, entry in a register or inclusion on a list of authorised satellites. The satellites in the fleet are duly authorised in all countries where this is required, except where there is no commercial interest or no satellite coverage.

In Brazil, the Group holds rights to operate various orbit and spectrum resources, as well as a multimedia communications permit that entitles it to provide electronic communications services. The applicable legislation in this case is Resolution no. 220 of 5 April 2000 approving the Regulation on Satellite Operation Rights for the Transmission of Telecommunication Signals, Resolution no. 614 of 28 May 2013 approving the Multimedia Communications Service Regulation, and General Telecommunications Law no. 9,472 of 16 July 1997.

In Mexico the Group is authorised to provide wholesale satellite internet services and satellite cellular backhaul services. To this end, it holds the sole concession for commercial use, in accordance with the Federal Telecommunications and Broadcasting Law of 14 July 2014.

In Colombia it renders satellite telecommunications services, for which it has been granted authorisation by the ICT Single Register of providers of telecommunications networks and services. The applicable legislation is essentially Law 1978 of 2019 on the modernisation of ICT, and Law 1341 of 2009 defining principles and concepts relating to the information society and the organisation of information and communication technologies.

4 Significant Accounting Policies

The accounting principles used in preparing the accompanying consolidated annual accounts have been applied consistently to the reported periods presented and are as follows:

a) Business combinations

The Group accounts for business combinations by applying the acquisition method when control is transferred to the Group. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree. The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

At the acquisition date the Group recognises the assets acquired and liabilities assumed and any non-controlling interest in the amount of the proportionate share of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquiree, taking into consideration, where applicable, the insolvency risk and any contractual limit on the indemnity amount.

Any excess of the consideration given, plus the value assigned to non-controlling interests, over the value of net assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after evaluating the consideration given, the value assigned to non-controlling interests, and after identifying and measuring the net assets acquired, is recognised separately in the consolidated income statement.

If the business combination can only be determined provisionally the identifiable net assets are initially recognised at their provisional values and adjustments made during the measurement period are recognised as if they had been known at the acquisition date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

After a period of one year, the initial measurement is only adjusted when correcting errors.

b) Property, plant and equipment

Property, plant and equipment primarily comprise technical electricity facilities and are measured at cost of production or acquisition, as appropriate, less accumulated depreciation and impairment. Property, plant and equipment acquired in a business combination are initially recognised at fair value.

This cost includes the following items, where applicable:

- Borrowing costs directly related to property, plant and equipment under construction accrued on external financing solely during the construction period. Nevertheless, capitalisation of borrowing costs is suspended when active development is interrupted for extended periods, except where a temporary delay is a necessary part of the process of getting an asset ready for its intended use.
- Operating expenses directly related to property, plant and equipment under construction for projects executed under the supervision and management of Group companies.
- The initial estimate of the costs of decommissioning and retiring items of property, plant and equipment.

Assets under construction (works underway) are capitalised as work in progress. Work in progress is transferred to property, plant and equipment in use once these items come into service and provided that the assets are in working condition. Property, plant and equipment under construction are not depreciated.

After initial recognition, items of property, plant and equipment are measured on a cost basis, and recognised at cost less accumulated depreciation and any accumulated impairment.

Enlargement or improvement expenses which lead to an increase in productivity or capacity and lengthen the useful life of the assets are stated as an increase in the carrying amount of the asset.

Repair and maintenance costs on property, plant and equipment that do not increase productivity or capacity and which do not lengthen the useful life of the assets are charged directly as expenses when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, which is the period during which the assets are expected to be used, and in any case applying the following ranges of depreciation rates:

	Annual depreciation rate
Buildings	2% - 10%
Technical electricity facilities	2.5% - 8.5%
Technical telecommunications facilities (fibre optics)	5% - 12.5%
Technical telecommunications facilities (satellite)	As per depreciation schedule
Other installations, machinery, equipment, furniture and other items	4% - 33%

Property, plant and equipment primarily comprise technical electricity and telecommunications facilities. Most undepreciated items of property, plant and equipment are depreciated at a rate of 2.5%. The depreciation charge for each period is recognised in profit or loss.

The residual values and useful lives of assets are reviewed at least annually and adjusted, if necessary, to reflect actual circumstances. When the carrying amount of these assets exceeds their estimated recoverable amount, it is immediately written down to the recoverable amount. The Group performs complementary analyses of these indicators in view of the entry into force of the new remuneration regime applicable to electricity transmission assets in Spain (see note 3).

With respect to property, plant and equipment, in 2020 the Group conducted a study on the useful life of transmission assets that came into service before 1998, in view of the new remuneration model. This study was based on internal and external sources and demonstrated that, if certain operating conditions and appropriate operating and maintenance programmes were upheld, these facilities may have a longer useful life than that initially determined, ensuring security of operations in accordance with legal requirements. Consequently, depreciation and amortisation in the consolidated income statement at December 2020 includes the impact of this change in estimate from 1 January 2020 onwards, which has entailed a reduction in the depreciation charge of approximately Euros 50 million. The average remining useful life of these assets is now 14 years (see note 8).

Recoverable amount is understood to be the higher of:

- Fair value less costs to sell.
- Value in use, i.e. the present value of the estimated future cash flows from continued use of the asset and disposal thereof.

Government grants received in relation to the acquisition of these assets are recognised as deferred income and taken to the income statement over the useful lives of the assets.

Property, plant and equipment are derecognised when retired; or when no future economic benefits are expected from their use or disposal. Gains or losses on disposal of an item are calculated based on the difference between any net proceeds from selling the asset and its carrying amount (initial cost less depreciation and impairment). The gains or losses are taken to profit or loss in the year when the item is derecognised. These gains and losses are not included within results from ordinary activities.

The Group measures and determines impairment to be recognised or reversed in respect of the value of its cash-generating units (CGUs) based on the criteria in section h) of this note.

c) Intangible assets

Intangible assets are recognised at acquisition cost, which is periodically reviewed and adjusted in the event of a decline in value. Amortisation for the year is expensed and determined on a straight-line basis over the estimated useful life allocated to each item or type of intangible asset.

Intangible assets include the following:

- **Goodwill**

  Goodwill is determined using the same criteria as for business combinations. Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Internally generated goodwill is not recognised as an asset.

- **Computer software**

  This item includes computer software licences acquired, which are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

  Computer software maintenance costs are charged as expenses when incurred. Computer software must be amortised on a straight-line basis over a period of three to five years from the date on which each program comes into use.

- **Development expenses**

  Development expenses directly attributable to the design and execution of tests for new or improved computer programs that are identifiable, unique and likely to be controlled by the Group are recognised as intangible assets when it is probable that the project will be successful, based on its economic and commercial feasibility, and the associated costs can be estimated reliably. Costs that do not meet these criteria are charged as expenses when incurred. Development expenses are capitalised and amortised, from the date the associated asset comes into service, on a straight-line basis over a period of no more than five years. Computer software maintenance costs are charged as expenses when incurred.

- **Licences and industrial property**

  Licences have a finite useful life and are recognised at acquisition cost, less accumulated amortisation and any impairment. Licences are amortised on a straight-line basis to allocate the cost over their estimated useful lives of five years.

  Industrial property is initially measured at cost of acquisition or production and is subsequently carried at cost less accumulated amortisation and any impairment. These assets are amortised over their useful lives of five years.

- **Administrative concessions**

  The Group operates various assets, located mainly in Peru, under service concession contracts awarded by different public entities. Based on the characteristics of the contracts, the Group analyses whether they fall within the scope of IFRIC 12 Service Concession Arrangements.

  For concession arrangements subject to IFRIC 12, construction and other services rendered are recognised using the criteria applicable to income and expenses.

  The consideration received by the Group is recognised at the fair value of the service rendered, as a financial asset or intangible asset, based on the contract clauses. The Group recognises the consideration received for construction contracts as an intangible asset to the extent that it is entitled to pass on to users the cost of access to or use of the public service, or it has no unconditional contractual right to receive cash or another financial asset. Where it does have an unconditional right to receive cash or another financial asset from or at the direction of the grantor, and the grantor has little, if any, discretion to avoid payment, the consideration for the service is recognised as a financial asset applying a financial model.

  Upon initial recognition, an intangible asset received as consideration for construction or upgrade services rendered is recognised at fair value. The intangible asset is subsequently recognised at cost, including capitalised borrowing costs, less accumulated amortisation and accumulated impairment.

  The contractual obligations assumed by the Group to maintain the infrastructure during the operating period, or to carry out renovation work prior to returning the infrastructure to the transferor upon expiry of the concession arrangement, are recognised using the accounting policy described for provisions, to the extent that such activity does not generate revenue.

  Concession arrangements not subject to IFRIC 12 are recognised using general criteria.

  Administrative concessions have a finite useful life and are recognised at acquisition cost, less accumulated amortisation and any impairment.

  Concessions are amortised on a straight-line basis over the concession period, as detailed in note 7.

- **Other intangible assets**

  These primarily comprise the perpetual rights to regulated tariffs arising from the business combination. In light of the rights to receive perpetual income from the transmission line acquired as part of the Chilean National Transmission System, this asset, which was initially measured at fair value, has an indefinite useful life and is tested for impairment on an annual basis.

- **Intangible assets under development**

  Administrative concessions at the construction stage are recognised as intangible assets under development and measured in line with the amount to be disbursed until completion of the works, in accordance with IFRIC 12.

d) Investment property

The Group companies measure their investment property at cost of acquisition. When the carrying amount of these assets exceeds their estimated recoverable amount, it must be written down immediately. The market value of the Group's investment property is disclosed in note 10 to the consolidated annual accounts.

Investment property, except land, is depreciated on a straight-line basis over the estimated useful life, which is the period during which the companies expect to use the assets. Investment property is depreciated at a rate of 2%.

e) Leases

Until the first-time application of IFRS 16 on 1 January 2019, the Group classified leases on the basis of whether the risks and rewards of ownership were substantially transferred, distinguishing between operating leases, wherein the lessor retained a significant portion of the risks and rewards of ownership of the leased asset, and finance leases, wherein the significant risks and rewards of ownership of the assets were transferred to the Group. Assets recognised as finance leases were presented in the consolidated statement of financial position based on the nature of the leased asset.

As a result of applying IFRS 16, the Group assesses at the inception of a contract whether that contract contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reassesses the terms and conditions when the contract is modified.

- **Lessee**

In contracts that contain one or more lease components or non-lease components, the Group assigns the consideration of the contract to each lease component in accordance with the independent sale price of the lease component and the aggregate individual price of the non-lease components.

Payments made by the Group that do not constitute a transfer of goods or services thereto by the lessor, do not constitute a separate lease component, but form part of the total consideration of the contract.

At the commencement date of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability; any lease payments made at or before the commencement date, less incentives received; initial direct costs incurred; and an estimate of dismantling or restoration costs to be incurred, pursuant to the criteria for provisions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate, unless the implicit interest rate of the lessor can be determined reliably.

Outstanding lease payments comprise fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, providing the lease term reflects the lessee exercising the option to terminate the lease.

The Group measures right-of-use assets at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets described in section 4.3 to the right-of-use asset.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises variable payments not included in the initial measurement of the lease liability in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until the latter is reduced to zero, after which, it is taken to profit or loss.

The Group remeasures the lease liability by discounting the lease payments at a revised discount rate, if there has been a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or a change in the index or rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group allocates the consideration in the modified contract applying the criteria described above, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group adjusts the carrying amount of the right-of-use asset for all other lease modifications.

The Group has elected not to apply the accounting policies indicated for short-term leases and leases in which the value of the underlying asset is less than US Dollars 5,000 (approximately Euros 4,600).

- **Lessor**

  Leases in which, upon inception, the Group transfers to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

  For finance leases, the Group recognises a receivable for an amount equal to the present value of the lease payments plus the unguaranteed residual value, discounted at the contractual interest rate implicit in the lease (net investment in the lease). Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income is taken to the income statement using the effective interest method.

  The Group recognises operating lease income in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefits deriving from the leased asset are diminished.

f) Financial assets and financial liabilities

Initial recognition and measurement

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 Financial Instruments: Presentation.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

A financial asset or financial liability is initially measured at its fair value plus, in the case of an item not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are initially measured at their transaction price.

Classification and subsequent measurement

- Financial assets:

  Upon initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Assets are classified on the basis of the business model and contractual terms of the assets.

  A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not measured at fair value through profit or loss:

  - The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met and it is not measured at fair value through profit or loss:

- ♦ The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- ♦ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets shall not be reclassified after initial recognition, unless the Group changes its business model for managing financial assets.

The Group classifies financial assets, excluding equity-accounted investments, into the following categories:

- o Amortised cost: financial assets classified under this category are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced for impairment losses. Interest income, exchange gains and losses and impairment are recognised in profit or loss. Any gains or losses on derecognition are recognised in the consolidated income statement.
- o Fair value through other comprehensive income: these assets are subsequently measured at fair value. The resulting net gain or loss is recognised in other comprehensive income. Cumulative gains or losses in other comprehensive income are reclassified to profit or loss upon derecognition. In the case of equity instruments classified in this category, gains or losses arising from changes in fair value at the reporting date are recognised directly in other comprehensive income and are never reclassified to profit or loss.

  Dividends from equity investments classified as at fair value through other comprehensive income are recognised in the consolidated income statement when the Company's right to receive payment is established.
- o Fair value through profit or loss: these assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

- Financial liabilities:

  Financial liabilities, which include loans, payment obligations and similar commitments, are initially recognised at fair value less any transaction costs incurred. Such debt is subsequently measured at amortised cost, using the effective interest method, except in the case of transactions for which hedges have been arranged (see section n).

  Financial debt is classified under current liabilities unless the debt falls due more than 12 months after the reporting date, in which case it is classified as non-current.

Derecognition

- Financial assets:

  The Group derecognises a financial asset when the contractual rights to receive cash flows from the asset expire or are transferred in a transaction in which it transfers substantially all the risks and rewards of ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the transferred assets.

- Financial liabilities:

  The Group derecognises a financial liability when the obligation in the contract is discharged or cancelled or expires. The Group also derecognises a financial liability when the terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value, based on the new terms. Upon derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

g) Inventories

Inventories of materials and spare parts are measured at cost of acquisition, which is calculated as the lower of weighted average price and net realisable value.

The cost of acquisition comprises the purchase price, import duties and other non-recoverable taxes, as well as transport, handling and other costs directly attributable to the acquisition of the materials or services. Trade discounts, rebates and other similar items are deducted in determining the cost of acquisition.

The cost of any financing used to acquire the inventories can be recognised as an increase in the cost of the inventories until the assets are substantially ready for use or sale.

The Group assesses the net realisable value of inventories at the end of each reporting period, recognising impairment in the consolidated income statement when the cost exceeds market value or when it is uncertain whether the inventories will be used. When the circumstances that caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the previously recognised impairment is reversed and recognised as income.

h) Impairment

- **Financial assets**

  Impairment is calculated by applying the general approach used to calculate expected credit losses on financial assets; except trade receivables, for which the simplified approach set out in IFRS 9 is used, whereby impairment is measured at an amount equal to the lifetime expected credit losses of the asset.

  In order to determine whether there has been a significant increase in credit risk of a financial asset since its initial recognition, or to estimate the lifetime expected credit losses of the asset, the Group considers all reasonable and supportable information that is relevant and available without undue cost and effort. This includes quantitative and qualitative information based on the experience of the Group or of other entities of historical credit losses, and observable market information about the credit risk of the specific financial instrument or similar financial instruments. The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. The Group also considers that a financial asset is in default when it is more than 90 days past due, unless there is reasonable and supported information that demonstrates its recoverability.

  The Group considers that a debt instrument presents a low level of risk when its credit rating is at least "investment grade" at one of the prestigious rating agencies. The maximum period over which expected credit losses are measured is the maximum contractual period over which the Group is exposed to credit risk.

  IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

  In broad terms, expected loss is calculated as follows:

  EAD (exposure at default) x PD (probability of default) x LGD (loss given default) x DF (discount factor).

  Where EAD is the exposure to risk and is measured based on the accounting balances (outstanding balances receivable in the form of a cash flow or other financial asset) less any prepayments and any bank or other guarantees provided by the customer. PD is the probability of default. LGD is the loss that would be incurred in the event of debtor default and is calculated as (1 – recovery rate). The recovery rate depends on the specific guarantees of the receivable or loan. DF is the time value of money.

  Following a hierarchy in accordance with IFRS 13, i.e. from most observable inputs to least observable inputs, the following methods are used:

  - If the debtor has quoted credit default swaps (CDS), the probability of default is generally obtained from the CDS, as this is the most objective market credit measure of the probability of default of a company at a specific point in time.
  - If the debtor does not have a quoted CDS, the company's rating from each credit rating agency that has issued a report is selected and used to calculate the probability of default.

- If the debtor does not have a rating, a theoretical rating can be calculated by comparing the debtor's ratios with those of other companies that do have a rating.

Provisions for impairment of financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Impairment related to trade and other receivables, including, where appropriate, contract assets under IFRS 15, is presented in the consolidated income statement.

- **Non-financial assets**

The Group companies analyse the recoverability of their assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. An impairment loss is the difference between the carrying amount of an asset and its recoverable amount. The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use. Value in use is calculated on the basis of expected future cash flows. Impairment is calculated for individual assets. Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which that asset belongs is calculated. Any reversals are recognised in the consolidated income statement. Impairment losses on goodwill are not reversed in subsequent years (see notes 7, 8, 9 and 10).

i) Share capital, own shares and dividends

Share capital is represented by ordinary shares. The cost of issuing new shares, net of taxes, is deducted from equity.

Own shares are measured at cost of acquisition and recognised as a reduction in equity in the consolidated statement of financial position. Any gains or losses on the purchase, sale, issue or redemption of own shares are recognised directly in equity.

Interim dividends are recognised as a reduction in equity for the year in which the dividend is declared, based on the consensus of the board of directors. Supplementary dividends are not deducted from equity until approved by the shareholders at their general meeting.

j) Grants

Non-repayable government capital grants awarded by different official bodies to finance the Group's fixed assets are recognised once the corresponding investments have been made.

The Group recognises these grants under non-financial and other capital grants each year during the period in which depreciation is charged on the assets for which the grants were received.

Government assistance provided in the form of income tax deductions and considered as government capital grants is recognised applying the general criteria described in the preceding sections.

k) Contract liabilities

Non-current contract liabilities, generally arising from long-term contracts or commitments, are recognised under revenue or other operating income, as appropriate, over the term of the contract or commitment.

l) Provisions

- **Employee benefits**
  - Pension obligations

  The Group has defined contribution plans, whereby the benefit receivable by an employee upon retirement – usually based on one or more factors such as age, fund returns, years of service or remuneration – is determined by the contributions made. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are recognised under employee benefits when accrued.

- o Other long-term employee benefits

  Other long-term employee benefits include defined benefit plans for benefits other than pensions (such as health insurance) for certain serving and retired personnel of the Group. The expected costs of these benefits are recognised under provisions over the working life of the employees. These obligations are measured each year by independent qualified actuaries. Changes in actuarial assumptions are recognised, net of taxes, in reserves under equity in the year in which they arise, while the past service cost is recorded in the consolidated income statement.

  This item also includes deferred remuneration schemes, which are approved by the competent bodies in each Group company (see note 16).

  In 2015 the Group's Appointments and Remuneration Committee approved the implementation of a Structural Management Plan (hereinafter the "Plan") for certain members of the management team, with the aim of processing, in an orderly and efficient manner, the replacement and administration of the management positions covered in the Plan. Upon reaching the age stipulated in the Plan, the executives included in the Plan will be entitled to receive an amount equal to a maximum of 3.5 times their annual salary, depending on their category and annual fixed and variable remuneration at the date of leaving the Group. Participation in the Plan is subject to meeting certain conditions, and the Plan may be modified or withdrawn by the Group under certain circumstances, including a prolonged decline in the Group's results (see note 16).

- **Other provisions**

  The Group makes provision for present obligations (legal or constructive) arising as a result of a past event whenever it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made when the liability or obligation is recognised. No provision is made for proceedings with a probability of occurrence of less than 50% as it is considered that their future resolution will not have a significant impact on the Group's consolidated annual accounts.

  Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax risk-free discount rate that reflects assessments of the time value of money. The increase in the provision due to the passage of time is recognised as a finance cost in the consolidated income statement.

m) Transactions in currency other than the Euro

- **Foreign currency transactions**

  Foreign currency transactions are translated to the respective functional currency of the Group companies at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the closing exchange rate. Exchange gains and losses arising during the year due to balances being translated at the exchange rate at the transaction date rather than the exchange rate prevailing on the date of collection or payment are recognised as income or expenses in the consolidated income statement.

  Fixed income securities and balances receivable and payable in currencies other than the Euro at 31 December each year are translated at the closing exchange rate. Any exchange differences arising are recognised under exchange gains/losses in consolidated profit or loss.

  Transactions conducted in foreign currencies for which the Group has chosen to mitigate currency risk by arranging financial derivatives or other hedging instruments are recorded using the criteria for derivative financial instruments and hedging transactions.

- **Foreign operations**

  The assets and liabilities of foreign operations are translated to Euros using the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euros using the exchange rates at the transaction dates.

  Translation differences are recognised in other comprehensive income and presented within equity.

n) Derivative financial instruments and hedging transactions

The Group holds derivative financial instruments to cover its exposure to currency risk and interest rate risk. The Group designates certain derivatives as hedging instruments for covering variability in the cash flows associated with highly probable forecast transactions as a result of fluctuations in interest rates and exchange rates.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges.

Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated.

Derivative financial instruments are initially recognised in the consolidated statement of financial position at their fair value on the date the arrangement is executed (acquisition cost) and this fair value is subsequently adjusted as necessary. The criterion used to recognise the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedged item.

When a hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting, any cumulative gain or loss recorded in equity at that time remains in equity, and is immediately reclassified to the consolidated income statement as and when changes in cash flows of the hedged item occur. Any cumulative gain or loss is also reclassified from equity to the consolidated income statement if the forecast transaction is no longer expected to occur.

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance costs or finance income.

The separate component of other comprehensive income associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies into finance income or finance costs the amount that is not expected to be recovered.

Details of the fair value of the hedging derivatives used are disclosed in note 20. Details of changes in equity are provided in note 14.

o) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that price is directly observable or estimated using another valuation technique.

The fair value measurements of financial assets and financial liabilities are classified on the basis of a hierarchy that reflects the relevance of the inputs used in measuring the fair value. The hierarchy comprises three levels:

- Level 1: measurement is based on quoted prices for identical instruments in active markets.
- Level 2: measurement is based on inputs that are observable for the asset or liability.
- Level 3: measurement is based on inputs derived from unobservable market data.

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Specifically, the Group calculates the fair value of derivative financial instruments that are not traded on organised markets using valuation techniques, including recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analyses using the market interest rates and exchange rates in force at the reporting date, and option pricing models enhanced to reflect the particular circumstances of the issuer.

p) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount.

q) Income and expenses

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised according to the pattern of transfer of goods and services to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring these goods or services.

The majority of the Group's revenues are regulated revenues from transmission and system operation activities in Spain (see notes 24 and 28). The Group subsidiary Red Eléctrica de España, S.A.U. has been designated by the Spanish electricity sector regulator (currently the Ministry for the Ecological Transition, or MITECO) to carry out the electricity transmission and system operation activities on an exclusive basis. Both of these activities are regulated by Electricity Industry Law 24/2013. This legislation, which was subsequently enacted by Royal Decree 1047/2013, provides that the amount of remuneration receivable is to be set annually by MITECO, at the proposal of the Spanish National Markets and Competition Commission (CNMC), and should cover the services the Company renders to consumers and other electricity sector agents on an uninterrupted basis throughout the year. The obligations to construct, operate and maintain electricity transmission facilities set out in the law are considered to be a single performance obligation, and the total price is therefore allocated in full to that performance obligation. Similarly, the legal obligations included within the obligation of the electricity system operator are understood to comprise a single performance obligation, identified as "providing the electricity system operation service". As a result, revenue from the performance obligations of transmission and system operation services is recognised over time, on a straight-line basis, based on the remuneration set for each year.

Revenue associated with the telecommunications business essentially derives from the following:

- contracts whereby the rights to use the fibre optic backbone network and cables are granted to different customers in the telecommunications sector, as well as services rendered to those customers, which are considered to be a single performance obligation.
- contracts to provide satellite capacity lease services to different customers in the telecommunications sector, which are considered to be a single performance obligation for which the revenue is recognised on a straight-line basis over time, as the service is rendered to the customer.

Initial estimates of revenue are reviewed where circumstances so require. These reviews may result in an increase or reduction in revenue, which would be recognised in profit or loss for the period in which the circumstances giving rise to the review become known to and are agreed upon by the parties.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment is established.

r) Taxation

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised in the same year, directly in equity, or from a business combination.

Current tax is the estimated tax payable for the year using the enacted tax rates applicable to the current year and to any adjustment to tax payable in respect of previous years.

Tax credits and deductions arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Deferred taxes and the income tax expense are calculated and recognised using the liability method, based on temporary differences arising between the balances recognised in the financial information and those used for tax purposes. This method entails calculating deferred tax assets and liabilities on the basis of the differences between the carrying amount of the assets and liabilities and their tax base, applying the tax rates that are objectively expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are recognised in respect of the temporary differences that arise from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will reverse in the foreseeable future.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or generated the profit necessary to obtain the right to the deduction or tax credit.
- Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are recognised by the company that generates the profit or loss, using the applicable tax rate.
- The Parent of the Group records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables (payables) from/to Group companies and associates.
- The amount of the debt (credit) relating to the subsidiaries is recognised with a credit (debit) to payables (receivables) to/from Group companies and associates.

If the Group considers that it is not probable that the taxation authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, this uncertainty is taken into account when determining taxable income, tax bases, tax loss carryforwards, deductions or tax rates. Tax assets or tax liabilities calculated using these criteria that exceed the amount presented in the self-assessments are presented in the consolidated statement of financial position. Changes in events or circumstances relating to tax uncertainties are recognised as a change in accounting estimates.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares.

According to the consolidated annual accounts of the Red Eléctrica Group at 31 December 2020 and 2019, basic earnings per share are the same as diluted earnings per share, as no transactions that could have resulted in a change in those figures were conducted during those years.

t) Insurance

The Red Eléctrica Group companies have taken out various insurance policies to cover the risks to which the companies are exposed through their activities. These risks mainly comprise damage that could be caused to the Group companies' facilities and possible claims that might be lodged by third parties due to the companies' activities. Insurance premium expenses and income are recognised in the consolidated income statement on an accruals basis. Payouts from insurance companies in respect of claims are recognised in the consolidated income statement when they are receivable.

u) Environmental issues

Costs derived from business activities intended to protect and improve the environment are charged as expenses in the year in which they are incurred. Property, plant and equipment acquired to minimise environmental impact and to protect and improve the environment are recognised as an increase in property, plant and equipment.

v) Share-based payments

The Group has implemented share purchase schemes whereby employees can opt to receive part of their annual remuneration in the form of shares in the Parent. This remuneration is measured based on the closing quotation of these shares at the delivery date. The costs incurred on such schemes are recognised under personnel expenses in the consolidated income statement. All shares delivered as payment are taken from the own shares held by the Parent.

w) Contingent assets and liabilities

Contingent assets are not recognised in financial statements since this could result in the recognition of income that may never be realised, except in business combinations to the extent that they represent indemnification assets. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Contingent liabilities are not recognised in the financial statements, except in business combinations to the extent that they represent present obligations arising from past events for which the fair value can be reliably measured. Contingent liabilities are assessed continually and if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

5 Considerations Regarding COVID-19 in the Consolidated Annual Accounts

The emergence of Coronavirus disease 2019 (COVID-19) in China early in the year and its rapid spread to a number of countries across the globe led the World Health Organization (WHO) to declare the viral outbreak a pandemic by mid-March.

Considering the complexity of the health crisis and the substantially global nature of the markets in this day and age, the short- and medium-term outlook remains uncertain, and economic growth around the world could differ depending on how the spread of infections and the roll-out of vaccines unfold. The pandemic is lingering beyond initial expectations, and its consequences will largely depend on the amount of time needed to completely eradicate the virus. The ability to move forward from the pandemic will largely depend on the rate at which vaccines are authorised and produced, and the pace at which States and their healthcare systems roll out the vaccines to high percentages of the population in a bid to achieve herd immunity. These are the pivotal factors in play if global economic activity is to recover and resume pre-crisis levels.

In Spain, the healthcare predicament stemming from the pandemic called for the government to take exceptional measures. It did so in March by publishing Royal Decree 463/2020 declaring a nationwide state of emergency, which was subsequently extended on more than one occasion and ultimately lifted in June. At the end of the summer season, new outbreaks occurring nationwide in Spain prompted the government to declare a new state of emergency in October, through Royal Decree 926/2020, which was then extended until 9 May 2021. As highlighted by both Royal Decrees and the accompanying regulations issued during this period, the need to guarantee the supply of energy in general, and electricity in particular, continues to be a priority.

The Red Eléctrica Group and more specifically Red Eléctrica de España, as the electricity transmission infrastructure owner and system manager, has remained fully committed to achieving the targets defined by the Spanish authorities, having implemented a number of extraordinary measures in order to meet its obligations as laid down in Law 24/2013, aimed at ensuring continuity and security of supply. These measures have been executed in parallel with the priority of guaranteeing the health of the Company's employees and observing the health authorities' policy to slow the spread of infections. Red Eléctrica de España has spared no efforts or resources when it comes to deploying whatever measures have become necessary to ensure that the electricity system remains up and running in these critical times. By way of example, the Company set up a third electricity control centre in record time.

Once the toughest lockdown in the first half of the year was lifted, all facilities operation and maintenance activities in Spain were fully resumed and the construction of new infrastructure is now underway again, while all measures temporarily put in place to ensure network availability and to resolve incidents and faults have come to an end.

No incidents occurred in Spain in 2020 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.

However, the decline in demand for electricity in Spain in 2020, by 5.1% in the mainland system and 13.7% in non-mainland systems, has posed a significant challenge as regards system operation. In the first half of the year, drops of up to 20% vis-à-vis equivalent periods in the prior year were seen in some cases. These fluctuations in demand have required voltage controls to be implemented in the Spanish electricity system. Additional energy scheduling in view of technical restrictions due to voltage controls and more intensive use of available resources in the transmission network have enabled the exceptional situation stemming from COVID-19 to be managed with no incidents.

Both the international electricity infrastructure business and the telecommunications business have been providing essential services with no incidents arising. Specifically, as regards ensuring the continuity of the satellite business, a contingency plan was drawn up for the control centres, ground stations and other facilities related with satellite operations or telecommunications signals transmission, in order for skeleton operations to remain ongoing and to provide continuous customer support to keep services up and running.

In international business, despite shrinking demand for electricity in Latin America, which suffered a steep decline in March before picking up again in the months that followed, network availability has been maintained, thus helping to guarantee security of supply through the continuity of operations as an essential service.

Within this context, Red Eléctrica has followed the guidelines adapted to the recommendations issued by the different pertinent authorities in Spain as well as in each market of operations, with the priority of preserving the health and safety of all of its employees, customers and suppliers.

With this in mind, measures were implemented at the onset of the health crisis to allow for flexibility and to enable all staff whose physical presence in the workplace was not strictly necessary to work from home, so as to guarantee security of supply for electricity and telecommunications. Implementation of this measure was only possible thanks to the digitalisation process developed by the Group in recent years, which has entailed considerable efforts in terms of employee training and to equip all staff with the IT and communications resources needed to address a situation such as the present one. All people in the high-risk group continue to work from home, and office-based work resumed in Spain in September.

From a financial and economic perspective, throughout this period the Group's financial position has been robust, enabling it to confront these trying times through measures aimed at bolstering its liquidity. In 2020 the Group made two bond issues for a total amount of Euros 1,100 million, by way of Euros 700 million in January and Euros 400 million in April, and also entered into loan and credit facility agreements amounting to Euros 475 million (see note 19). Following these transactions, and having already settled due debts and the payments arising from the acquisition of Argo Energia in Brazil, the Group's liquidity position at the end of 2020 stands at Euros 2,412 million, specifically Euros 482 million in available cash and Euros 1,930 million in available credit facilities. This position ensures the Group's ability to meet its operating cash flow requirements, to honour debt maturities for the coming years, and to address any adverse situations that could emerge in the financial markets over the coming months as a result of developments in the current crisis (see note 18). In the next two years the Group will need to repay debt amounting to Euros 1,206 million, on the basis of Euros 164 million in 2021 and Euros 1,042 million in 2022 (see note 19).

The situation brought on by COVID-19 has not had a significant impact on the continuity of the Group's operations. Nonetheless, in early February the Group activated a monitoring committee, enabling the implementation of an exhaustive contingency plan.

Since the onset of the crisis, the Group has been continuously monitoring the estimated impact that the situation arising from management of the COVID-19 fall-out could have on its profits and its investments in projects underway. The main conclusions drawn from the analyses performed and from the impact assessment are as follows:

- Most of the sectors in which the Group has its operations in Spain and Latin America are regulated sectors. As such, and despite lingering uncertainties as to the impact of the pandemic on the economies of the different countries in which the Group operates, it has not had an effect on revenue from the Group's regulated activities, which makes up most of the overall revenue. However, the pandemic has had an impact on revenue from the telecommunications activity, as will be explained later in this report.
- The construction of new electricity transmission and telecommunications infrastructure experienced temporary delays due to the total or partial stoppage of economic activities imposed by the authorities. These activities resumed practically in full in the closing months of the year. The impact of COVID-19 on the Red Eléctrica Group's investments as a whole is tantamount to approximately 5% of the initially envisaged volume of investment. This impact, which is expected to be recovered in 2021, is mainly concentrated in transmission network development in Spain, although Latin America has likewise seen slight delays in the development of the new HISPASAT Amazonas Nexus satellite.
- The Group began to resume activity in both Spain and Latin America once the strictest lockdown was lifted, as mentioned above, and at no point did it stop providing the essential services that are its remit. Therefore, the Group's operations were not interrupted to any great extent during the state of emergency, employment was maintained, and it has not had to resort to furlough measures (see note 16).
- Likewise, considering the Group's liquidity position, it has not been necessary to resort to the financial aid offered by the different authorities (see note 18), and the financial covenants written into the contracts signed have been met (see note 14).
- Neither have any lease agreements within the scope of IFRS 16 been amended (see note 9).
- During the year, the Group incurred extraordinary expenditure due to contributions made to the healthcare authorities and other organisations, essentially for the purchase of healthcare supplies to fight the pandemic, and also for purchases of personal protective equipment and additional cleaning of workplaces. At 31 December these expenses amount to approximately Euros 5 million (see note 24).
- The satellite telecommunications activity has been affected both by the duration of the crisis, which is proving far more protracted and severe than could have initially been foreseen, and the situation in the Latin American markets where it operates. This situation was exacerbated in the second half of 2020 particularly. There have been price renegotiations, contract rescissions, delays or cancellations of government projects, whether announced or already awarded and underway, and certain customers have filed for insolvency. This impact is expected to continue affecting revenue in the coming years. Another factor that could largely be attributed to the COVID-19 crisis is the deterioration of exchange rates in terms of both the US Dollar and the Brazilian Real, currencies in which HISPASAT receives a substantial portion of its revenue.

  These factors – price renegotiations, cancellations of contracts and projects, and the performance of the US Dollar and the Brazilian Real – have had a negative impact of around Euros 20 million on revenue from the Group's satellite business in 2020. As a result of the changes in HISPASAT's governing bodies in 2019 and 2020, and in view of the situation generated by the pandemic in the first half of the year, the unexpected (at least in terms of intensity) new outbreaks in the second half of the year, the faster pace of the satellite sector transformation process recorded in the second half of the year, and the impacts on revenue mentioned earlier, HISPASAT engaged in a strategic reflection process during the second half of 2020, with the assistance of an external consultant specialised in the satellite business, and also supported by sector reports produced by prestigious firms in the industry. This process led HISPASAT's board of directors to define new strategies for the Group at the end of 2020, aimed at repositioning HISPASAT as a benchmark operator in the provision of advanced satellite communications services (new business), while also endeavouring to protect its traditional activity centred on the operation of communications satellites and the wholesale lease of spatial capacity, maximising the useful life of the existing fleet.

  This new strategy brings in a particularly relevant change as regards the management of HISPASAT and its business. In this respect, the assets of the traditional business (Legacy) continue to be allocated to the Legacy cash-generating unit (CGU), while investments associated with new business are grouped in other CGUs, inasmuch as the new satellite assets are unlikely to be able to be operated in conjunction with those of the traditional (Legacy) fleet in view of foreseeable differences in their technical characteristics and the different services they will provide, and because they will also generate inflows that are separate from those obtained from the traditional business using the Legacy fleet.

In view of this situation and given the indications of impairment, at the 2020 year end the Group tested the assets of the Legacy CGU for impairment, considering the cash flows obtained under the new 2021-2025 Business Plan approved by HISPASAT's board of directors on 17 December 2020. This Business Plan was drawn up using the most probable of all the scenarios analysed. As a result of this exercise and the effects of the pandemic, the Group has had to recognise a provision of approximately Euros 122 million for impairment of the intangible assets and property, plant and equipment pertaining to the Legacy CGU.

The assumptions used to test non-financial assets for impairment are described in notes 7 and 8.

The Red Eléctrica Group is setting its sights on a green recovery as the only way out of the economic crisis brought on by the COVID-19 pandemic. For the Group, the focal point of this model is to foster an inclusive and fair energy transition. In this regard, the Red Eléctrica Group has joined forces with initiatives both in Spain and in the international arena that endorse sustainability as a springboard to post-crisis economic recovery. These include the "Manifesto for a Sustainable Recovery", championed by representatives from the political, corporate, trade union, scientific and third sector communities in Spain, and which is aligned with the Green Recovery Alliance in Europe, and the "Uniting Business and Governments to Recover Better" statement, promoted by the prestigious Science Based Targets initiative and supported by the United Nations. These two initiatives are seeking to pave a way forward out of the COVID-19 crisis that places people, achievement of the United Nations 2030 Agenda, and an ambitious climate-related action plan at the very heart.

The Group's management and directors will continue to assess the situation and closely monitor any incidents arising in the infrastructure it manages, as well as trends in other external factors and the impact such factors could have on the financial statements.

6 Business Combinations

Business combinations carried out in 2019

- **Acquisition of HISPASAT S.A.**

  On 12 February 2019 Red Eléctrica Corporación, S.A. announced the agreement reached with Abertis Infraestructuras, S.A. (hereinafter Abertis) for Red Eléctrica Corporación, through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (hereinafter RESTEL), a wholly owned subsidiary of Red Eléctrica Corporación, S.A., to acquire an 89.68% interest in HISPASAT from Abertis. The purchase price for 89.68% of the share capital of HISPASAT was Euros 933 million. In accordance with applicable legislation, the parties sought the pertinent authorisation for the transaction, this being one of the conditions precedent for the agreement signed by the two parties to come into effect. The transaction payment was made and the Red Eléctrica Group assumed control of HISPASAT on 3 October 2019, once the conditions precedent had been fulfilled.

  The acquiree's statutory and principal activity consists of the operation of satellite telecommunications systems.

  The business combination was recognised provisionally in 2019, as indicated in note 6 to the consolidated annual accounts for that year. After completing the purchase price allocation (PPA) in 2020, the Group recognised the measurement period adjustments as if they had been known at the acquisition date, i.e. 3 October 2019, and restated the comparative figures for the prior year. In any case, the adjustments only include information relating to events and circumstances that existed at the acquisition date.

  At the acquisition date the Group recognised the assets acquired and liabilities assumed at their fair value as determined by an independent expert. The non-controlling interest in the acquiree was recognised in the amount of the percentage interest in the fair value of the net assets acquired, inasmuch as a non-controlling interest gives the holder a present entitlement to the economic benefits and the right to the proportionate share of the net assets of the acquiree in the event of liquidation.

The total cost of the business combination was Euros 933 million, reflecting the purchase price for 89.68% of the share capital of HISPASAT. Goodwill was calculated as the difference between the purchase price and the share of the fair value of the identifiable assets and liabilities existing at the transaction date, i.e. Euros 228.1 million.

The table below summarises the net assets acquired at the acquisition date:

Thousands of Euros	03/10/2019	Adjustments	Fair value	Provisional fair value
Intangible assets	51,727	15,234	66,961	51,727
Property, plant and equipment	929,344		929,344	929,344
Other non-current assets	91,397	27,402	118,799	91,397
Other current assets	59,956	24,021	83,977	85,216
Cash and cash equivalents	29,911		29,911	29,911
Total assets	**1,162,335**	**66,657**	**1,228,992**	**1,187,595**
Non-current liabilities	(274,394)	(19,897)	(294,291)	(274,394)
Current liabilities	(118,957)	(29,061)	(148,018)	(144,217)
Total liabilities	**(393,351)**	**(48,958)**	**(442,309)**	**(418,611)**
Total net assets	**768,984**	**17,699**	**786,683**	**768,984**
Price paid	-	-	933,000	933,000
Goodwill	-	-	228,072	271,382

As a result of the purchase price allocation, a portion of the price paid in excess was not allocated to the property, plant and equipment and intangible assets pertaining to the fleet being operated at the acquisition date, in view of the maturity of the satellite market at that time, particularly the video business. The fair value of the assets was analysed and the business projections allocable to these assets were adjusted, considering reductions in capacity lease revenue. The outcome of the calculations does not differ significantly from the carrying amount of the assets at the acquisition date.

The main fair value adjustments applied to the identifiable assets and liabilities of HISPASAT are as follows:

- Recognition of an intangible asset amounting to Euros 15.2 million, reflecting the value of the "HISPASAT" trademark. This intangible asset has a finite useful life of 10 years. The intangible asset representing the HISPASAT trademark was essentially measured using the following methodology:
  - The businesses were measured using the income approach, and in particular using the discounted cash flow method, based on Level 3 (i.e. unobservable) inputs.
  - The main measurement parameters used were as follows:
    - Post-tax discount rate for intangible assets: 8.5%
    - Royalty rate: 1%
  - The most sensitive assumptions included in the projections, which are based on sector forecasts and the analysis of HISPASAT's historical data, are trends in royalties for use of the assets by the licensees, operating and maintenance costs, and investments. In general terms the projections for the acquired businesses can be reasonably estimated on the basis of the agreements in place.
- Recognition of non-current and current assets amounting to Euros 51.4 million, mainly comprising the following:
  - Euros 23.7 million of deferred tax assets, primarily reflecting tax deductions available at the transaction date, based on the Group's assessment of their future recoverability. These deferred tax assets are expected to be recovered within a period of no more than 10 years. In any case, most of the capitalised deductions would qualify for monetisation.
  - Euros 25.3 million of contingent assets as the balancing entry for the contingent liabilities arising from tax litigation in Brazil, which are guaranteed by the seller under the sale-purchase agreement.
  - Euros 3.7 million of deferred tax assets arising from the tax effect of fair value adjustments.

- Increase of Euros 13.6 million in financial liabilities, reflecting the difference between the estimated market value of financial debt and its carrying amount, of which Euros 9.8 million are non-current and Euros 3.8 million are current.
- Recognition of Euros 25.3 million under current liabilities, reflecting the contingent liabilities arising from tax litigation in Brazil related to the ICMS (Brazilian tax on the circulation of goods and services) as well as other taxes, mainly of an indirect nature, which have been contested and which are in turn guaranteed by Abertis under the sale-purchase agreement. As these contingencies are guaranteed by the seller, the corresponding indemnification asset has been recognised for the same amount.
- Euros 10.1 million of deferred tax liabilities arising from the tax effect of fair value adjustments.

The goodwill resulting from this business combination is attributable to the benefits and synergies expected to arise in the Red Eléctrica Group from the acquisition and integration of HISPASAT. Goodwill amounts to Euros 228.1 million.

As already mentioned, in accordance with IFRS 3 Business Combinations, at 31 December 2019 the Group recognised the fair value adjustments provisionally. During 2020 the Group completed the fair value measurement of the net assets of HISPASAT, whereby it has identified additional adjustments to those previously recognised in the consolidated annual accounts at 31 December 2019. The Company has therefore restated the comparative information presented in the consolidated annual accounts for the year ended 31 December 2019. The main impacts on the consolidated annual accounts for the year ended 31 December 2019 of recognising the business combination at the acquisition date are as follows:

Thousands of Euros	31/12/2019 restated	31/12/2019	Variation	
Intangible assets	737,142	765,599	(28,457)	
Goodwill	231,724	275,034	(43,310)	**(I)**
Trademark	14,853	-	14,853	**(II)**
Deferred tax assets	66,009	44,307	21,702	**(III)**
Total assets	**12,655,205**	**12,661,960**	**(6,755)**	
Profit attributable to the Parent	714,752	718,040	(3,288)	**(IV)**
Non-controlling interests	72,641	98,630	(25,989)	**(V)**
Total equity	**3,585,156**	**3,614,434**	**(29,277)**	
Non-current loans and borrowings	5,267,323	5,258,474	8,849	**(VI)**
Current loans and borrowings	1,197,980	1,194,335	3,645	**(VI)**
Deferred tax liabilities	466,283	456,255	10,028	**(VII)**
Total liabilities	**9,070,049**	**9,047,526**	**22,521**	
Total equity and liabilities	**12,655,205**	**12,661,960**	**(6,755)**	

(I) The variation in goodwill relates to the recognition of the business combination described above and to goodwill being recognised in the amount of the percentage interest in the net assets acquired instead of the total amount which was recognised provisionally in 2019.

(II) Trademark reflects the recognition of the aforementioned business combination, as well as the amortisation accumulated over the three months from the acquisition date to the 2019 year end, based on the useful life of the trademark.

(III) The variation in deferred tax assets reflects the recognition of the tax credits related mainly to available tax deductions and deferred tax assets arising from the tax effect of the adjustments to the business combination.

(IV) The variation in profit attributable to the Parent is mainly due to the recognition of amortisation of the trademark for the period from the acquisition date to the 2019 year end, the decrease in borrowing costs for the same period, and the effect of the reduction in deferred tax assets.

(V) Movement in non-controlling interests is primarily due to goodwill not being allocated and the impact of the measurement of the net assets allocated thereto.

(VI) Movement in non-current and current loans and borrowings reflects the recognition of the business combination described above, as well as changes therein during the period from the acquisition date to the 2019 year end.

(VII) Changes in deferred tax liabilities reflect the recognition of the business combination described above and movement therein from the acquisition date to the 2019 year end.

Consolidated revenue and consolidated net profit for 2019, contributed since the date of acquisition, amount to Euros 42.3 million and Euros 6.0 million, respectively. Had the acquisition taken place on 1 January 2019, the consolidated revenue and consolidated net profit contributed would have amounted to Euros 173.7 million and Euros 0.4 million, respectively.

The Group incurred acquisition costs of Euros 4.0 million, of which Euros 2.4 million were accrued in 2019 and the rest was booked in prior years. These costs were included under other operating expenses in the consolidated income statement.

- **Acquisition of Concesionaria Línea de Transmisión CCNMC S.A.C.**

On 18 July 2019 the Group, through Red Eléctrica del Norte Perú S.A.C. (hereinafter REDELNOR), a wholly owned subsidiary of Red Eléctrica Internacional, S.A.U., acquired 100% of the shares held by Cajamarca LT Invest S.L. and Bow Power S.L. in Concesionaria Línea de Transmisión CCNCM S.A.C. (hereinafter CCNCM) for US Dollars 34.3 million (Euros 30.6 million).

The statutory and principal activity of the acquired company consists of rendering transmission, operation and maintenance services in Peru through the 220kV Carhuaquero – Cajamarca Norte – Caclic – Moyobamba transmission line and related substations under the concession agreement entered into with the Peruvian state.

A summary of the amounts recognised for the assets acquired and liabilities assumed at the acquisition date, the amounts resulting from their fair value measurements, and the exchange rate is as follows:

Thousands of US Dollars	18/07/2019	Adjustments	Fair value	Fair value in thousands of Euros (*)
Intangible assets - Concessions (note 6)	**180,079**	**19,832**	**199,911**	**178,237**
Concessions (note 6)	180,079	15,729	195,808	174,579
Goodwill		4,103	4,103	3,658
Property, plant and equipment	1		1	1
Other current assets	4,429		4,429	3,949
Cash and cash equivalents	2,268		2,268	2,022
Total assets	**186,777**	**19,832**	**206,609**	**184,209**
Non-current liabilities	**-167,431**	**-4,090**	**-171,521**	**-152,925**
Deferred tax liabilities	-1,870	-4,090	-5,960	-5,313
Other non-current liabilities	-165,561		-165,561	-147,611
Current liabilities	**-797**		**-797**	**-711**
Total liabilities	**-168,228**	**-4,090**	**-172,318**	**-153,635**
Total net assets	**18,549**	**15,742**	**34,291**	**30,574**

(*) Calculated using the Euro-USD exchange rate at 18 July 2019

Within intangible assets, concessions comprise the agreement between CCNCM and the Peruvian state, whereby the Company undertakes to design, finance, procure, construct, operate and maintain the Carhuaquero – Cajamarca Norte – Moyomba transmission line and related substations. This intangible asset has been valued by independent experts using the income approach. The income approach aims to define the market value of a business based on the present value of foreseeable future cash flows by means of discounted cash flow (DCF). The concession has been revalued at US Dollars 15.7 million (Euros 14.0 million).

Deferred tax liabilities arise from the revaluation of the above-mentioned concession, due to differences between accounting amortisation and tax amortisation.

This business combination entailed the recognition of goodwill, which is supported by the net recognition of deferred taxes because the fair value assigned to the net assets acquired was higher than the tax values. Goodwill was calculated as the difference between the cost of acquisition and fair value of the identifiable assets and liabilities existing at the transaction date, including the deferred taxes arising from the differences between the new fair value of the assets acquired and their tax value. Goodwill amounts to US Dollars 4.1 million (Euros 3.6 million).

Consolidated revenue and the consolidated net loss for 2019 contributed since the date of acquisition amounted to Euros 6.4 million and Euros 2.2 million, respectively. Had the acquisition taken place on 1 January 2019, the consolidated revenue and net loss contributed would have amounted to Euros 14.9 million and Euros 4.7 million, respectively.

The Group incurred acquisition costs of Euros 0.5 million. These costs were included under other operating expenses in the consolidated income statement.

7 Intangible Assets

Movement in intangible assets and details of accumulated amortisation during 2020 and 2019 are as follows:

Thousands of Euros	31 December 2018	Exchange differences	Changes in the consolidated Group (*)	Additions	31 December 2019 (*)	Exchange differences	Additions	Transfers	31 December 2020
Administrative concessions, industrial property and trademark	171,367	3,429	227,176	290	402,262	(46,544)	673	47,233	403,624
Development expenses and computer software	43,860	267	2,761	18,439	65,327	(602)	25,336	430	90,491
Goodwill	-	-	231,724	-	231,724	(309)	-	-	231,415
Other intangible assets	48,486	932	-	-	49,418	(4,176)			45,242
Intangible assets under development	27,229	40	12,000	15,622	54,891	(2,443)	7,629	(47,064)	13,013
Total intangible assets	**290,942**	**4,668**	**473,661**	**34,351**	**803,622**	**(54,074)**	**33,638**	**599**	**783,785**
Accumulated amortisation of Administrative concessions, industrial property and trademark	(27,762)	(1,207)	-	(11,584)	(40,553)	13,581	(19,329)	-	(46,301)
Accumulated amortisation of Development expenses and computer software	(20,621)	(9)	-	(5,297)	(25,927)	327	(15,355)	-	(40,955)
Total accumulated amortisation	**(48,383)**	**(1,216)**	**-**	**(16,881)**	**(66,480)**	**13,908**	**(34,684)**	**-**	**(87,256)**
Impairment of administrative concessions, industrial property and trademark	-	-	-	-	-	-	(5,357)	-	(5,357)
Impairment of development expenses and computer software	-	-	-	-	-	-	(322)	-	(322)
Total impairment	**-**	**-**	**-**	**-**	**-**	**-**	**(5,679)**	**-**	**(5,679)**
Carrying amount	**242,559**	**3,452**	**473,661**	**17,470**	**737,142**	**(40,166)**	**(6,725)**	**599**	**690,850**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). An additional Euros 15,235 thousand related to the trademark and Euros 381 thousand for amortisation thereof since 3 October, as well as a reduction of Euros 43,310 thousand in the amount of goodwill, have been included.

Changes in the consolidated Group include the addition of CCNCM and the HISPASAT companies (see note 6).

Administrative concessions, industrial property and trademark mainly include the service concession agreements awarded by different public entities to the Group companies for the construction and operation of technical electricity facilities in Peru, different bandwidth licences awarded to the Group for the use of orbital slots above Brazilian territory, the renewal of satellite orbital rights at 61º west, and the HISPASAT trademark arising from the recognition of the HISPASAT business combination in an amount of Euros 15,235 thousand (see note 6).

Details of agreements for concessions under operation and/or construction in Peru at 31 December 2020 are as follows:

Thousands of Euros	Redesur	Tesur	Tesur 2	Tesur 3	Tesur 4	CCNCM (*)
Grantor	Peruvian State	Peruvian State	Peruvian State	Peruvian State	Peruvian State	Peruvian State
Activity	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission
Country	Peru	Peru	Peru	Peru	Peru	Peru
Concession period from start-up of commercial operations	30 years	30 years	30 years	30 years	30 years	30 years
Remaining useful life	11 years	24 years	28 years	30 years	18 months construction + 30 years operation	27 years operation
Tariff review frequency	Annual	Annual	Annual	Annual	Annual	Annual
Carrying amount at 31/12/2020	33,480	48,822	43,534	26,302	13,014	139,359
Carrying amount at 31/12/2019	39,585	55,607	49,286	28,877	6,012	157,879
Revenue in 2020	16,375	6,266	5,116	1,895	9	15,123
Revenue in 2019	27,168	6,380	5,213	-	-	6,362
Profit/(loss) for 2020	5,337	3,061	799	103	(116)	(4,358)
Profit/(loss) for 2019	6,047	(442)	405	(217)	(34)	(2,294)
Renewal options	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract

(*) Concession added to the consolidated Group on 18 July 2019. The contribution to the Red Eléctrica Group in 2019 is indicated as from that date (see note 6).

At 31 December 2020, goodwill amounting to Euros 228 million and Euros 3 million derives from the HISPASAT and CCNCM business combinations, respectively, carried out in 2019.

Intangible assets under development in 2020 correspond to the Peruvian company TESUR 4; in 2019 they mainly pertained to the Peruvian companies TESUR 3 and TESUR 4. In both cases they relate to the construction of facilities operated by these companies under a concession, and which came into service in 2020 in the case of TESUR 3.

Other intangible assets amounting to Euros 45,242 thousand reflect the perpetual right to regulated tariffs arising from the acquisition of transmission facilities forming part of the Chilean National Transmission System, included in REDENOR 2. This item is not amortised as it has an indefinite useful life, and is tested for impairment annually.

Operating expenses of Euros 12,105 thousand incurred directly in connection with intangible assets were capitalised in 2020 (Euros 15,572 thousand in 2019).

During 2020 the Group capitalised borrowing costs of Euros 388 thousand as an increase in intangible assets (Euros 843 thousand in 2019).

At 31 December 2020 the Group has fully amortised intangible assets amounting to Euros 17,788 thousand (Euros 18,550 thousand in 2019), most of which comprise development expenses and computer software.

At 31 December 2020 the carrying amount of intangible assets located outside of Spain is Euros 383,962 thousand (Euros 436,742 thousand in 2019).

In addition, at the 2020 and 2019 year ends, the Group carried out impairment testing on intangible assets that presented indications of impairment and those with an indefinite useful life.

In other intangible assets, impairment testing did not bring to light the need for any write-downs at 31 December 2020.

When testing for impairment, the Group considered projections of future cash flows.

The projections refer to the 2021-2069 period and consider a perpetuity growth rate thereafter. The most representative assumptions included in the projections used, based on business forecasts and own past experience, are as follows:

- Regulated remuneration: estimated based on the remuneration approved in legislation for the years available, whilst the same update mechanisms as those set out in prevailing legislation have been used for subsequent years.
- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.
- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.
- Growth rate: a perpetuity growth rate of 2% has been estimated.
- Weighted average cost of capital (WACC) discount rate: a post-tax rate of 5.3% has been used.

The sensitivity analysis was performed considering reasonably possible changes in the main assumptions, such that a 0.5% increase in the discount rate and a 0.5% decrease in the growth rate would not entail impairment. No sensitivities have been applied to other assumptions, in view of the activity's regulated nature.

In the case of intangible assets that present indications of impairment, these have been tested for impairment and a write-down of Euros 5,679 thousand has been recognised, corresponding to the intangible assets allocated to the traditional satellite business (Legacy) CGU. The assumptions used in the calculation thereof are explained in note 8.

At the 2020 reporting date, the Group has performed impairment testing to determine the recoverability of goodwill arising on business combinations, and has not needed to recognise any impairment as a result.

The goodwill arising on the business combination entailing the acquisition of the Hispasat Group for Euros 228 million in October 2019, in the telecommunications segment, has been allocated to the group of CGUs pertaining to the satellite business, more specifically the traditional satellite business (Legacy) CGU and the CGU(s) for new business and satellite services, as this is the level of aggregation at which goodwill is controlled for internal management purposes of the Red Eléctrica Group.

The Group first tested the traditional business (Legacy) CGU for impairment, without including any goodwill, and recognised an impairment loss at CGU level of Euros 122 million, of which Euros 5.7 million and Euros 116.6 million pertain to intangible assets and property, plant and equipment, respectively. The Group then tested the group of

CGUs to which the goodwill has been allocated (the Legacy CGU and the CGU(s) for new business and satellite services) for impairment, and no impairment was detected at that level.

The key assumptions used in the calculations for the impairment test on the Group's satellite business were as follows:

- The test was performed estimating the fair value less costs to sell, taking an income approach for the purpose of determining the recoverable amount of the satellite business. The income approach indicates the recoverable amount of a business based on the present value of the future cash flows it is expected to generate, calculated using a discounted cash flow (DCF) methodology. The DCF method is used to discount the future free cash flow (FCF) to its estimated present value, applying a discount rate (weighted average cost of capital or WACC) that reflects the time value of money and the risks associated with the expected cash flows. Costs to sell have been estimated considering the costs incurred on previous transactions carried out by the Group. In terms of the fair value hierarchy under IFRS 13, the fair value measurement has been entirely categorised within Level 3, without consideration of whether the costs of disposal are observable.
- The latest projections considered in the Business Plan associated with the HISPASAT subgroup's New Strategic Plan approved in December 2020 by its board of directors have been applied. The cash flow projections used are for the 2021-2040 period, which is consistent with the useful life of the existing satellites, as well as that of the new satellite assets expected to be launched in the coming years and the HISPASAT subgroup's expected adoption of new business models and technologies. The terminal value associated with the traditional technology is zero, given that the infrastructure supporting this business will cease to generate revenue and expenses once it reaches the end of its useful life. For new business and services, a terminal value with a perpetuity growth rate of 0.75% has been applied, which is in line with that considered by analysts for comparable companies and has been contrasted by an independent consultant.
- The EBITDA margin considered for traditional business and new business jointly averages 58%. The Group has determined the EBITDA margin based on past performance, forecast market development and market comparables. The margins considered are consistent with external information sources and their reasonableness has been contrasted by an independent consultant.
- The main exchange rates considered for foreign currency cash flows were 1.23 EUR/USD and 6.38 EUR/BRL.
- A discount rate based on the weighted average cost of capital (WACC) has been used to discount the cash flows, specifically a post-tax rate of 5.9% has been applied for the traditional satellite business, and an additional risk premium has been included for new business, giving a post-tax rate of 7.5%.

The Group has performed a sensitivity analysis considering reasonable variations in the main operating and financial assumptions used in the calculation. The following increases and decreases are assumed:

Revenue	**-2.5%**	**+2.5%**
Gross margin	**-130 b.p.**	**+130 b.p.**
USD exchange rate	**-5%**	**+5%**
BRL exchange rate	**-15%**	**+15%**
Discount rate	**+40 b.p.**	**-40 b.p.**

The range of variation for the sensitivity analysis of the main operating assumptions has been estimated by weighting the relative weight of each one in the different CGUs to which goodwill was allocated.

For the revenue sensitivity range, the sensitivity analysis performed considers the impact of variations in revenue on the recoverable amount, applying a baseline variation in revenue from services rendered of ± 4% and ± 2% for the Legacy CGU and the new business CGU, respectively. For the new business CGU, this baseline was obtained from the average variation in total forecast revenue for 2021-2025 identified in the sector reports produced by independent experts in recent years, which reflect a variation of around 2%. Details of the baseline used for the Legacy CGU are provided in note 8.

A sensitivity analysis was also performed on the EBITDA margin reflected in the projections supporting the recoverable amount, applying an increase/decrease in operating expenses that entails a variation in the annual EBITDA margin over the time horizon of the projections of ± 200 b.p. and ±100 b.p. for the Legacy CGU and the new business CGU, respectively. This range of variation for the EBITDA margin is deemed reasonable, considering that HISPASAT has made a detailed estimate of the cost structure necessary to carry out the projects considered in the Strategic Plan, and taking as a reference the variation used by other operators with a degree of verticalisation similar to that which would be seen once the new strategies approved by the board of directors are put into action.

The currencies considered in the sensitivity analysis reflecting the impact of a variation in the exchange rate used in the projections supporting the calculation of the recoverable amount are those which represent virtually the entire currency risk, namely the US Dollar (USD) and the Brazilian Real (BRL). The variations included in the sensitivity analysis are ± 5% for EUR/USD and ± 15% for EUR/BRL. These references were obtained on the basis of the average annual daily variations, in absolute terms, in each exchange rate during the 2015-2020 period (see note 8).

For the discount rate sensitivity range, the sensitivity analysis performed considers the impact on the recoverable amount of variations in the rate of ± 10 b.p. and ± 50 b.p. for the Legacy CGU and the new business CGU, respectively. These variations consider the risk spread associated with these two CGUs.

The analysis performed reveals that at 31 December 2020 any reasonably possible variation in any of the key assumptions considered, on which the recoverable amount of the Group's satellite business is based, would not result in the aggregate carrying amount of the group of CGUs (Euros 1,037 million), to which the goodwill has been allocated, exceeding the aggregate recoverable amount of the CGUs. The recoverable amount at 31 December 2020 is approximately 30% higher than the carrying amount.

The Group has contrasted the assumptions used in testing the Legacy CGU and the goodwill for impairment, and the measurement performed, with prestigious independent experts.

8 Property, Plant and Equipment

Movement in property, plant and equipment in 2020 and 2019, and details of accumulated depreciation and impairment, are as follows:

Thousands of Euros	31.12.2018	Exchange differences	Changes in the consolidated Group	First-time application of IFRS 16	Additions and other	Transfers	31.12.2019	Exchange differences	Additions and other	Exits, disposals, reductions and write-downs	Transfers	31.12.2020
Cost												
Land and buildings	82,675	96	15,972	7,582	2,673	9,223	118,221	(3,667)	2,465	(2,658)	1,404	115,765
Technical telecommunications facilities	442,381	-	960,227	-	687	10,313	1,407,796	(8,436)	2,327	(242)	5,802	1,407,247
Technical electricity facilities	14,033,849	822	-	-	9,943	473,878	14,514,286	(4,522)	-	(334)	278,183	14,787,613
Other installations, machinery, equipment, furniture and other items	223,517	53	3,853	3,794	498	17,120	247,722	(592)	4,536	(213)	15,656	267,109
Technical electricity facilities under construction	717,760	-	-	-	389,910	(487,991)	619,679		388,261		(271,076)	736,864
Under construction and advances	71,492	-	15,821	-	69,196	(22,543)	133,068	(2,887)	90,809	(800)	(30,568)	189,622
Total cost	**15,571,674**	**971**	**995,873**	**11,376**	**472,907**	**-**	**17,040,772**	**(20,104)**	**488,398**	**(4,247)**	**(599)**	**17,504,220**
Accumulated depreciation												
Depreciation of buildings	(24,448)	(11)	-	-	(1,630)	-	(25,785)	373	(5,551)	1,093	-	(29,870)
Depreciation of technical telecommunications facilities	(89,952)	-	-	-	(52,933)	9	(142,876)	3,175	(132,936)	-		(272,637)
Depreciation of technical electricity facilities	(6,455,065)	(1)	-	-	(438,975)	9,741	(6,881,674)	40	(358,522)	-	-	(7,240,156)
Depreciation of other installations, machinery, equipment, furniture and other items	(195,333)	(13)	-	-	(15,463)	(9,750)	(220,556)	600	(16,471)	251	-	(236,176)
Total accumulated depreciation	**(6,764,798)**	**(25)**	**-**	-	**(509,001)**	**-**	**(7,270,891)**	**3,712**	**(513,480)**	**1,820**	**-**	**(7,778,839)**
Impairment												
Impairment of land and buildings	-	-	-	-	-	-	-	-	(1,091)	-	-	(1,091)
Impairment of technical telecommunications facilities	-	-	-	-	(1,202)	-	(1,202)	(60)	(104,832)	-	-	(106,094)
Impairment of technical electricity facilities	(95,544)	-	-	-	-	-	(95,544)	-	-	-	-	(95,544)
Impairment of other installations, machinery, equipment, furniture and other items	-	-	-	-	-	-	-	-	(11,407)	-	-	(11,407)
Impairment	**(95,544)**	**-**	**-**	-	**(1,202)**	**-**	**(96,746)**	**(60)**	**(117,330)**	**-**	**-**	**(214,136)**
Carrying amount	**8,711,332**	**946**	**995,873**	**11,376**	**(37,296)**	**-**	**9,673,135**	**(16,452)**	**(24,358)**	**(2,427)**	**(599)**	**9,511,245**

Changes in the consolidated Group include the addition of CCNCM and the HISPASAT companies (see note 6).

Technical electricity facilities are assets that are subject to regulated remuneration (see note 3). The main additions to technical electricity facilities in 2020 and 2019 are investments in electricity transmission facilities in Spain.

Technical telecommunications facilities essentially consist of the concession of the rights to use and manage the operation of the fibre optic cable network and other related items, pursuant to the 20-year agreement entered into by REINTEL with ADIF in 2014, as well as investments associated with the Group's fleet of satellites, which comprise the HISPASAT 30W-4, HISPASAT 30W-5, HISPASAT 30W-6, HISPASAT 36W-1, Amazonas 2, Amazonas 3, HISPASAT 74W-1, Amazonas 5 and HISPASAT 55W-2.

Property, plant and equipment are measured at cost of acquisition, less any accumulated depreciation and impairment (except for assets acquired in business combinations, which are initially recognised at fair value). Cost of acquisition includes the price paid for the asset, personnel expenses, operating expenses and any borrowing costs directly attributable to the construction or manufacture of the asset.

At 31 December 2020 the amount presented in additions and other mainly reflects the investments made during the year, as well as the technical facilities received under agreements with third parties.

As a result of first-time application of IFRS 16, right-of-use assets amounting to Euros 11,376 thousand arose in 2019 in relation to leases, of which Euros 3,794 thousand reflects vehicles and Euros 7,582 thousand reflects buildings.

At 31 December 2019, the amount shown under exits, disposals, reductions and write-downs mainly reflects the disposal of certain fully-depreciated assets.

During 2020, the Group companies capitalised construction-related borrowing costs of Euros 7,100 thousand as an increase in property, plant and equipment (Euros 6,869 thousand in 2019). The weighted average rate used to capitalise borrowing costs was 1.2% in 2020 (1.6% in 2019).

Operating expenses of Euros 45,585 thousand incurred directly in connection with property, plant and equipment under construction were capitalised in 2020 (Euros 44,511 thousand in 2019). The Group's capitalised expenses directly related to the construction of facilities include all operating expenses incurred to provide support to the units directly involved in the activity.

At 31 December 2020 the Group has fully depreciated property, plant and equipment amounting to Euros 2,645,950 thousand, of which Euros 2,451,876 thousand comprises technical electricity facilities (Euros 2,516,967 thousand in 2019, of which Euros 2,335,545 thousand comprised technical electricity facilities).

Details of capital grants and other non-current revenue received in advance, in relation to property, plant and equipment, are provided in note 15.

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. These policies provide adequate protection against the risks covered.

The Group has no firm commitments to purchase significant amounts of property, plant and equipment relative to its present volume of assets, and to the investments it makes and plans to make. The Group periodically places orders to cover needs related to its investment plans. The various amounts in the aforementioned orders will normally materialise in the form of delivery orders as and when the different projects included in the plans are capitalised. Therefore, they do not constitute firm purchase commitments at the time of issue.

The Group has cash-generating units (CGUs) that group together items of property, plant and equipment. CGUs are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs identified in property, plant and equipment are related to electricity transmission in Spain and Chile, fibre optic telecommunications in Spain, the satellite business (traditional business (Legacy) CGU and new business CGUs) and certain individual assets. In the second half of 2020, development of some of the assets that will make up the satellite business CGU(s) associated with new business got underway. Specifically, at 31 December 2020 assets under construction pertaining to new business, whose cash flows and operations are separate from those of the traditional satellite business (Legacy) CGU, amounted to Euros 0.9 million, approximately.

The Group tests for impairment when it observes indications, such as amendments to sector regulations, changes in investment plans, or changes in business performance. In order to calculate impairment, the Group verifies that the recoverable amount of each cash-generating unit with which the assets are associated, or of individual assets, exceeds the carrying amount. Otherwise, an impairment loss is recognised in the consolidated income statement for the difference between the two, with a charge to impairment and gains/losses on disposal of fixed assets, up to the limit of the higher of: (i) its fair value less costs to sell and (ii) its value in use.

Impairment losses recognised for an asset in prior years are reversed when a change arises in the estimate of its recoverable amount, increasing the value of the asset with a credit to results up to the limit of the carrying amount that the asset would have had if no impairment loss had been recognised.

The recoverable amount is the higher of fair value less costs to sell and value in use, which is understood to be the present value of estimated future cash flows. The Group considers an asset's recoverable amount to be its value in use, with the exception of the satellite business, for which fair value less costs to sell is used. Recoverable amount is calculated using the methodology described below.

To estimate the recoverable amount, the Group prepares forecasts of future cash flows after tax based on the best available estimates. These provisions include the best available estimates of income, expenses and investments, using past experience and future expectations in accordance with the prevailing regulatory framework.

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

At the 2020 year end the Group identified indications of impairment of the satellite business, specifically in the traditional business (Legacy) CGU. It therefore tested the property, plant and equipment and intangible assets of this CGU for impairment, calculating the CGU's fair value less costs to sell. Costs to sell have been estimated considering the costs incurred on previous transactions carried out by the Group.

The impairment test brought to light impairment of property, plant and equipment and intangible assets in an amount of Euros 116.6 million and Euros 5.7 million, respectively, in the traditional satellite business (Legacy) CGU.

This calculation is based on discounted cash flow projections, the underlying assumption being the estimated future performance of the traditional business (Legacy) contained in the new financial projections approved by HISPASAT's board of directors in December 2020. These projections cover a five-year period. After five years, cash flows are extrapolated on the assumption that the cash flows of the traditional business (Legacy) will remain constant, without growth, until the end of the re-estimated useful life of the satellites that make up the current fleet. The cash flows take past experience into consideration and have been estimated based on the best contemporary information available with respect to the performance of the traditional business (Legacy) as well as future market performance, contrasted with a specialised independent expert. The key assumptions used to calculate the recoverable amount include estimates of sales, operating margins and exchange rates for the explicit projection period and the weighted average cost of capital (WACC), which is corroborated by independent financial experts. The discount rates used are post-tax values and reflect the specific risks related to the markets and currencies in which HISPASAT operates.

The Group has applied the following key assumptions in calculating the recoverable amount (fair value less costs to sell) of the traditional satellite business (Legacy):

- Revenue estimated on the basis of the portfolio of existing contracts, the historical renewal rate, past experience from renegotiations of contracts executed in the second half of 2020 and new sales forecast for the expanding vertical markets identified by sector market research and included in the Strategic Plan, drawn up in conjunction with a specialised consultancy firm. The expanding vertical markets primarily stem from growth in managed capacity services, essentially due to increased demand for data that can be provided by the Legacy fleet, constituting the main stimulus for sector growth. Revenue after the five-year period is extrapolated on the assumption that the cash flows of the traditional business (Legacy) will remain constant, without growth.

- Useful lives: 16.5 years as of the date of entry into commercial service for the fleet of satellites that make up the CGU, with the exception of the Amazonas-2, H74W-1 and H55W-2 satellites, for which the estimated useful life is 14.5, 13 and 15 years, respectively.
- Gross margin: the Group has determined the projected gross margin on the basis of current performance and expected market development, which are consistent with the forecasts included in the industry reports obtained in the closing months of 2020, and have been contrasted with a specialised external consultant. The average gross margin for the projected period used in the analysis is 66%.
- Year-end exchange rate for sales in foreign currency: 1.23 USD/EUR, 6.38 BRL/EUR and 24.36 MXN/EUR.
- Post-tax discount rate: 5.89%

On the basis of this analysis, the present value of the projected future cash flows expected to be generated by the CGU is Euros 121.5 million lower than the carrying amount of the assets in the CGU (Euros 769 million). Accordingly, impairment was recognised in an amount of Euros 5.7 million for intangible assets (see note 7) and Euros 116.6 million for property, plant and equipment.

The events and circumstances that led to the recognition of these impairment losses are as follows:

- At the end of 2020, the traditional business – which essentially centres on video applications using wide beam capacity – is gradually being replaced by new services and the developing vertical markets, primarily based on big data consumption associated with new technical solutions, although these have yet to become consolidated. This has a significant impact on the Group given the substantial contribution of video to its revenue. This trend in the satellite market has substantially picked up the pace during the year due to COVID-19.
- In this context, the crisis brought on by the COVID-19 pandemic has aggravated the conditions in which the commercial activity is carried out, accentuating the disequilibrium of supply and demand and having a significant effect on the renegotiation of key contracts in the traditional business, sought by the Group's main customers, with a particular impact in the second half of 2020.
- Moreover, the unexpected persistence (at least in terms of intensity) of the COVID-19 crisis, with new outbreaks in the second half of the year, has led to additional limitations as regards the fulfilment of certain projects or commercial opportunities identified, which have in many cases been cancelled, resulting in the loss of forecast revenue.
- Likewise, the deterioration of exchange rates triggered by COVID-19, in general as regards the currencies of the Latin American countries in which the Group operates, but particularly with respect to the US Dollar and the Brazilian Real, has had a sizeable impact on estimated future revenue inasmuch as the Group receives a considerable portion of its earnings in those currencies.
- In consideration of these factors, HISPASAT redefined its strategy, the new approach being approved by its board of directors in December 2020, for the purpose of repositioning HISPASAT as a benchmark operator in the provision of advanced satellite communications services (new business), while also endeavouring to protect its traditional activity centred on the operation of communications satellites and the wholesale lease of spatial capacity, maximising the useful life of the existing fleet. Highlights of this redefinition include the following:
    - One of the more substantial changes in this new strategy is the abandonment of home broadband projects in Brazil and Mexico, in view of market performance in these countries and the difficulties posed by the protracted COVID-19 lockdown in terms of the capacity for facilities roll-out in this user segment, thus placing a large number of internet service providers (ISPs) in financial difficulty, and inhibiting the competitive environment and market development in this segment. Other notable operators in the sector have likewise redirected their home broadband strategy.
    - The new strategies identify business levers that will enable the loss of traditional business to be offset while also protecting the remaining business for the existing satellite fleet. The implementation and consolidation of these business models calls for greater verticalisation with a wider operating cost structure and, therefore, tighter margins.

The Legacy CGU is not expected to return to pre-crisis cash flows in the time horizon considered in the Business Plan.

The fair value measurement of the asset (CGU) has been entirely categorised within Level 3 (in terms of the fair value hierarchy under IFRS 13), without consideration of whether the costs of disposal are observable.

The sensitivity analysis reflecting the impact on the recoverable amount (in millions of Euros) of reasonable possible variations in the key assumptions used is presented below:

Revenue	**-4.0%**	**+4.0%**
Variation in recoverable amount	-31.6	+31.6

Gross margin	**-200 b.p.**	**+200 b.p.**
Variation in recoverable amount	-24.5	+24.5

USD exchange rate	**-5%**	**+5%**
Variation in recoverable amount	42.9	-38.5

BRL exchange rate	**-15%**	**+15%**
Variation in recoverable amount	10.9	-7.8

Discount rate	**-10 b.p.**	**+10 b.p.**
Variation in recoverable amount	+5.1	-5.1

A sensitivity analysis reflecting the impact on the recoverable amount of variations in revenue has been performed, using a variation of ± 4% in revenue from services rendered as the baseline. This reference value was obtained by identifying revenue that is subject to greater uncertainty depending on the past experience and estimates calculated using the most recent information available.

This variation has been contrasted with external sector reports. The baseline variation in revenue considered in the sensitivity analysis of the recoverable amount exceeds the average variation in total forecast revenue for 2021-2025 identified in the sector reports produced by Euroconsult from 2016 to 2019, which reflect a variation of around 2%.

The sensitivity analysis on the variation in revenue is based on the assumption that HISPASAT's EBITDA margins will remain the same as those considered in the approved financial projections.

A sensitivity analysis was also performed on the EBITDA margin reflected in the projections supporting the recoverable amount, applying an increase/decrease in operating expenses that entails a variation of ± 200 b.p. in the annual EBITDA margin over the time horizon of the projections. This range of variation for the EBITDA margin is deemed reasonable, considering that HISPASAT has made a detailed estimate of the cost structure necessary to carry out the projects considered in the Strategic Plan, and taking as a reference the variation used by other operators with a degree of verticalisation similar to that which would be seen once the new strategies approved by the board of directors are put into action.

The currencies considered in the sensitivity analysis reflecting the impact of a variation in the exchange rate used in the projections supporting the calculation of the recoverable amount are those which represent virtually the entire currency risk, namely the US Dollar (USD) and the Brazilian Real (BRL). The variations included in the sensitivity analysis are ± 5% for EUR/USD and ± 15% for EUR/BRL. These references were obtained on the basis of the average annual daily variations, in absolute terms, in each exchange rate during the 2015-2020 period.

As regards EUR/USD, the range of variation in the average exchange rate used over the time horizon of the projections is between 1.17 and 1.29, taking into consideration the average exchange rate of 1.14 for the last 5 years and 1.21 for the last 10 years.

With respect to EUR/BRL, the range of variation in the average exchange rate used over the time horizon of the projections is between 5.42 and 7.33, taking into consideration the average exchange rate of 4.42 for the last 5 years and 3.66 for the last 10 years.

9 Right-of-Use Assets and Lease Liabilities

At the 2020 year end, the Group has recognised on its consolidated statement of financial position net leased property, plant and equipment (finance lease) amounting to Euros 35 million (Euros 43.7 million in 2019) corresponding to the HISPASAT 55W-2 satellite.

With regard to right-of-use assets and lease liabilities, the Group's main assets to which IFRS 16 Leases applies are as follows:

- Vehicles: primarily vehicles under operating leases.
- Buildings: offices, premises and land needed to carry out the Group's activity.

- **Right-of-use assets**

Details of right-of-use assets and movement in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Total at start of year	16,821	11,376
Additions to consolidated Group	-	5,266
Additions during the year	5,353	4,846
Derecognitions during the year	(1,132)	(1,682)
Depreciation for the year	(5,989)	(2,985)
Total at year end	**15,053**	**16,821**

- **Amounts recognised in profit or loss**

Details of the amounts recognised in the consolidated income statement for 2020 and 2019 in relation to the application of IFRS 16 are as follows:

Thousands of Euros	2020	2019
Interest on lease liabilities	174	131
Depreciation charges	5,989	2,985
Total	**6,163**	**3,116**

Euros 3,662 thousand has been recognised as operating expenses in respect of leases not falling within the scope of IFRS 16 (Euros 4,385 thousand in 2019).

- **Amounts recognised in the statement of cash flows**

Details of lease payments made in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Lease payments	4,392	1,868
Interest paid on leases	174	131
Total	**4,566**	**1,999**

- **Future minimum lease payments**

  Committed future minimum lease payments are as follows:

Thousands of Euros	2020	2019
Up to 1 year	2,490	4,095
2 to 5 years	4,661	6,569
More than 5 years	8,418	13,009
Total	**15,569**	**23,674**

10 Investment Property

Movement in the Group's investment property in 2020 and 2019 is as follows:

Thousands of Euros	31 December 2018	Additions	Disposals	31 December 2019	Additions	Disposals	31 December 2020
Cost	-	-		-			-
Investment property	2,838	-	(441)	2,397	-		2,397
Total cost	**2,838**	**-**	**(441)**	**2,397**	**-**	**-**	**2,397**
Accumulated depreciation							
Investment property	(569)	(29)	99	(499)	(20)		(519)
Total accumulated depreciation	**(569)**	**(29)**	**99**	**(499)**	**(20)**	**-**	**(519)**
Impairment	**(615)**	**(128)**	**190**	**(553)**			**(553)**
Carrying amount	**1,654**	**(157)**	**(152)**	**1,345**	**(20)**	**-**	**1,325**

Investment property disposals in 2019 reflected the sale of various premises in Spain.

At the 2020 year end, the analysis of the market value of investment property had not brought to light any impairment losses. In 2019, Euros 128 thousand was recognised in the consolidated income statement in this respect.

Investment property has a market value of approximately Euros 1.9 million in 2020 (Euros 2 million in 2019) and does not generate or incur significant operating income or expenses.

11 Equity-accounted Investees

This item includes the investments in Transmisora Eléctrica del Norte, S.A. (TEN), in which the Group holds a 50% interest through Red Eléctrica Chile SpA, Hisdesat Servicios Estratégicos, S.A., in which the Red Eléctrica Group holds a 38.56% interest, and Grupo de Navegación Sistemas y Servicios, S.L., in which the Red Eléctrica Group holds a 12.82% interest (these latter two investments are both through HISPASAT S.A.), as well as Argo Energia Empreendimentos e Participações S.A., which was acquired on 25 March 2020 (see note 2.g). As joint ventures, these companies are included in the financial statements of the Group using the equity method (see note 2 d).

- TEN was incorporated on 1 March 2007 and undertook the project in Chile for the construction of a transmission line spanning approximately 580 km and the corresponding substations. This project has connected the Far North Interconnection System to the Central Interconnected System in Chile since 2018. TEN currently operates and maintains the facilities constructed. The acquisition price was US Dollars 217,560 thousand (Euros 199,816 thousand).
- Hisdesat Servicios Estratégicos, S.A. engages in the commercialisation of spatial systems for government use. Grupo de Navegación Sistemas y Servicios, S.L. engages in the operation of satellite systems. Both companies form part of HISPASAT, which joined the Red Eléctrica Group on 3 October 2019, as indicated in note 6.
- Argo Energia Empreendimentos e Participações S.A. was incorporated in Brazil in 2016 and holds three 30-year electricity concessions in that country, encompassing 1,460 km of 500 kV and 230 kV high-voltage lines and 11 substations, of which 1,150 km of lines and five substations have been operating since October 2019.

On 22 November 2019, Red Eléctrica Corporación, S.A. announced the agreement whereby Red Eléctrica Internacional, S.A.U., through its subsidiary Red Eléctrica Brasil, and Grupo Energía Bogotá jointly acquired, on a fifty-fifty basis, all of the shares held by the funds managed by Patria Investments and Temasek in Argo Energia Empreendimentos e Participações S.A. ("Argo Energia").

In accordance with applicable legislation, the parties sought the pertinent authorisation for the transaction, this being one of the conditions precedent for the agreement signed by the two parties to come into effect. This condition precedent was fulfilled on 25 March 2020, the date on which payment of the transaction was made, and on which Red Eléctrica Corporación and Grupo Energía Bogotá assumed effective control of the board of directors of Argo Energia. Thus, on 25 March 2020 the Brazilian company in which the Group holds a 50% interest joined the Red Eléctrica consolidated Group. This company is the parent of a group of electricity transmission concession operator companies in Brazil.

The purchase price for 50% of the share capital of Argo Energia was BRL 1,678.2 million (Euros 374.3 million). The company has not distributed any dividends since the acquisition date.

The key financial indicators for this company at the acquisition date, measured at fair value, were as follows:

	Brazilian Reais			Euros
Thousands of Euros	**25.03.2020**	**Adjustments**	**25.03.2020 Fair value**	**25.03.2020 Fair value**
Non-current assets	4,336,659	775,101	5,111,760	930,798
Current assets	660,194	-	660,194	120,214
Total assets	**4,996,853**	**775,101**	**5,771,954**	**1,051,013**
Non-current liabilities	3,602,395	349,340	3,951,735	719,570
Current liabilities	324,101	-	324,101	59,015
Total liabilities	**3,926,496**	**349,340**	**4,275,836**	**778,585**
Total net assets	**1,070,357**	**425,761**	**1,496,118**	**272,428**
Gross operating profit	**46,086**	**(10,002)**	**36,084**	**6,571**
Loss after tax	**(41,033)**	**(13,760)**	**(54,793)**	**(9,977)**

The investment in Argo Energia is considered as a joint venture and has therefore been accounted for using the equity method, in accordance with IAS 28. As a result of this transaction, and applying the criteria laid down in IAS 28, the Red Eléctrica Group is carrying out a purchase price allocation (PPA) through an independent expert, identifying the assets and liabilities of the joint venture that are measured at fair value. On a provisional basis, until the necessary calculations are finalised, the Group has performed a preliminary PPA, giving rise to provisional implicit goodwill of Brazilian Reais 930 million (Euros 238 million) which has been allocated to the concession as an intangible asset. The definitive amounts will be determined within the 12-month period provided for by IFRS 3, which ends on 25 March 2021, to reflect the information, facts and circumstances that existed at the acquisition date.

Movement in these investments in 2020 and 2019 was as follows:

Thousands of Euros

Company	31.12.2019	Exchange differences	Changes in the consolidated Group	Profit attributable to the investment	Valuation adjustments	31.12.2020
Transmisora Eléctrica del Norte S.A. (TEN)	199,026	(18,065)	-	4,880	(11,807)	174,034
Argo Energia Empreendimentos e Participações S.A.	-	(112,652)	374,262	20,431	-	282,041
Hisdesat Servicios Estratégicos, S.A.	60,449	-	-	2,669	-	63,118
Grupo de Navegación Sistemas y Servicios S.L.	119	-	-	-	-	119
	259,594	**(130,717)**	**374,262**	**27,980**	**(11,807)**	**519,312**

Company	31.12.2018	Exchange differences	Changes in the consolidated Group	Profit attributable to the investment	Valuation adjustments	31.12.2019
Transmisora Eléctrica del Norte S.A. (TEN)	198,377	3,799	-	7,606	(10,757)	199,026
Hisdesat Servicios Estratégicos, S.A.	-	-	59,080	1,369	-	60,449
Grupo de Navegación Sistemas y Servicios S.L.	-	-	119	-	-	119
	198,377	**3,799**	**59,199**	**8,975**	**(10,757)**	**259,594**

The key indicators of these companies at 31 December 2020 and 2019 are as follows:

Thousands of Euros	Transmisora Eléctrica del Norte S.A. (TEN)		Argo Energia Empreendimentos e Participações S.A. (*)	Hisdesat Servicios Estratégicos, S.A. (*)		Grupo de Navegación Sistemas y Servicios S.L. (*)	
Year	**2020**	**2019**	**2020**	**2020**	**2019 (**)**	**2020**	**2019 (**)**
Non-current assets	601,889	666,557	891,470	394,376	284,409	1,139	1,139
Current assets	70,090	77,425	82,987	257,013	220,875	156	156
Cash and cash equivalents	42,151	43,117	167	235,574	210,932	152	152
Total assets	**671,979**	**743,982**	**974,457**	**651,389**	**505,284**	**1,295**	**1,295**
Non-current liabilities	602,457	654,904	674,266	364,199	231,603	-	-
Current liabilities	32,508	36,371	19,080	59,436	49,261	360	360
Total liabilities	**634,965**	**691,275**	**693,346**	**423,635**	**280,864**	**360**	360
Net assets	**37,015**	**52,707**	**281,111**	**227,754**	**224,420**	**935**	935
Revenue from ordinary activities	64,956	75,895	177,753	71,404	72,233	-	-
Gross operating profit	54,144	66,147	105,743	61,702	53,310	-	-
Net operating profit	39,470	50,962	105,414	17,386	17,648	-	-
Profit after tax	**9,760**	**15,212**	**41,057**	**6,357**	**9,970**	**-**	-
Comprehensive income	**(17,598)**	**5,866**	**41,057**	**3,334**	**6,947**	**-**	-
Dividends received by the Group	-	-		-	-	-	-

(*) Company added to the consolidated Group on 25 March 2020. Revenue and results shown are for the full year (see note 2.g).

(**) Company added to the consolidated Group on 3 October 2019. Revenue and results shown are for the full year (see note 2.g).

At 31 December 2020 and 2019 the balance of the loan extended by the Group to TEN was Euros 17,457 thousand and Euros 24,677 thousand, respectively (see note 19).

The Group performs an impairment test whenever there are indications of impairment in order to verify the recoverability of its investment. When testing for impairment, the Group considers projections of future cash flows. Such testing was performed on the investment in TEN in 2020 and the value in use exceeded the carrying amount. Thus, the Group concluded that this investment is not impaired.

The most representative assumptions included in the projections used, based on business forecasts and own past experience, are as follows:

- Regulated remuneration: estimated based on the remuneration approved in legislation for the years available, whilst the same update mechanisms as those set out in prevailing legislation have been used for subsequent years.
- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.
- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.

In order to calculate present value, the projected cash flows are discounted using a post-tax rate that considers the weighted average cost of capital (WACC) of the business and the geographical area in which it is carried out. A discount rate of 5.3% has been estimated at 31 December 2020 based on the Group's internal methodology for calculating the WACC, with a residual value that assumes constant growth at 2% as the perpetuity variation rate for the cash flows generated by the assets analysed; and an investment in fixed assets equal to the amount of depreciation to stabilise net assets.

12 Inventories

Details of inventories at 31 December 2020 and 2019 are as follows:

Thousands of Euros	**2020**	**2019**
Inventories	69,671	76,124
Write-downs	(34,796)	(33,404)
Total	**34,875**	**42,720**

Inventories mainly reflect materials and spare parts related to the technical electricity facilities.

The Group companies regularly test inventories for impairment based on the following assumptions:

- Impairment of old inventories, using inventory turnover ratios.
- Impairment for excess inventories, on the basis of estimated use in future years.

As a result, the Group recorded impairment losses of Euros 1,392 thousand in the consolidated income statement for 2020 (Euros 510 thousand in 2019).

13 Trade and Other Receivables

Details of trade and other receivables at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Trade receivables	43,054	74,396
Other receivables	1,288,342	1,261,607
Current tax assets (note 23)	10,703	10,004
Total	**1,342,099**	**1,346,007**

Trade receivables primarily comprise balances receivable on the lease of satellite capacity and related services.

Other receivables at 31 December 2020 and 2019 mainly reflect the trend in settlements made by the CNMC in those years for regulated activities in Spain as a result of changes in collections and payments. At 31 December 2020 and 2019 the balances mostly comprise amounts pending invoicing and/or collection for regulated transmission and system operation activities. Under the settlement system set up by the Spanish regulator, some of these receivables are settled and collected in the following year. These amounts also include the revenue receivable derived from applying the methodology set forth in the remuneration model in force for transmission activities in Spain, which stipulates that facilities entering into service in year 'n' are to be remunerated from year 'n+2' onwards.

Fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the estimation date, and incorporate any risk premiums related to the COVID-19 crisis. There are no significant differences between the fair value and the carrying amount at 31 December 2020 and 2019.

At 31 December 2020 and 2019 there are no significant amounts over 12 months past due (see note 19). In connection with COVID-19, no communications concerning breach of a contract in its entirety and having a significant impact on the Company have been received.

At 31 December 2020 no rights to trade receivables affected by COVID-19 and having a relevant impact on the Group have been identified, other than those detailed in note 5, although provisions recognised during the year are not significant.

In 2020, an impairment provision of Euros 423 thousand was recognised (an impairment reversal of Euros 650 thousand in 2019). Impairment of financial assets based on expected loss accumulated at 31 December 2020 amounts to Euros 1,170 thousand (Euros 747 thousand in 2019).

14 Equity

a) Capital risk management

The Group's management of its companies' capital is aimed at safeguarding their 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	2020	2019 (**)
Non-current payables (*)	6,427,589	5,266,689
Current payables (*)	165,325	1,128,517
Foreign currency derivatives	2,199	(28,566)
Cash and cash equivalents	(481,772)	(328,570)
Net financial debt	**6,113,341**	**6,038,070**
Equity	3,491,953	3,585,156
Gearing ratio	**63.6%**	**62.7%**

(*) In both 2020 and 2019 interest payable has been excluded.

(**) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Loans and borrowings include an additional Euros 8,849 thousand under non-current and Euros 3,645 thousand under current.

At 31 December 2020, the financial covenants stipulated in the contracts entered into have been met.

On 6 March 2020 the credit rating agency Standard & Poor's issued a new report on the Company maintaining its long-term rating of 'A-' and short-term rating of 'A-2', with a stable outlook.

On 6 April 2020 the credit rating agency Fitch Ratings gave the Company a short-term rating of 'F1', with a stable outlook. Following this announcement, the Company and its subsidiary Red Eléctrica de España, S.A.U. maintain long-term ratings of 'A-' and short-term ratings of 'F1', with a stable outlook.

b) Equity attributable to the Parent

- **Capital and reserves**
  - Share capital

    At 31 December 2020 and 2019 the Company's share capital is divided into 541,080,000 shares of Euros 0.50 par value 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.

    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 the aforementioned 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 31 December 2020 and 2019 SEPI holds a 20% interest in the Company's share capital.
  - 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 31 December 2020 and 2019 the legal reserve amounts to 20% of the Parent's share capital (Euros 54,199 thousand).
    - **Other reserves**

This heading includes voluntary reserves of the Parent, reserves in consolidated companies and first-time application reserves. At 31 December 2020 they amount to Euros 2,513,953 thousand (Euros 2,371,688 thousand in 2019).

In addition, this item includes statutory reserves amounting to Euros 337,081 thousand (Euros 337,081 thousand in 2019), particularly the following:

- ∇ The property, plant and equipment revaluation reserve amounting to Euros 247,022 thousand created by the Parent in 1996 (this reserve may be used, free of taxation, to offset accounting losses and increase share capital or, ten years after its creation, it may be transferred to freely distributable reserves, in accordance with Royal Decree-Law 2607/1996). Nonetheless, this balance may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

- ∇ As provided for by article 25 of Law 27/2014 of 27 November 2014, the tax group headed by the Company has appropriated a capitalisation reserve of Euros 92,203 thousand, which is held by REE and REC, as permitted by article 62.1 d) of the aforementioned Law, corresponding to 2015 (Euros 29,110 thousand), 2016 (Euros 15,406 thousand), 2017 (Euros 11,312 thousand), 2018 (Euros 16,707 thousand) and 2019 (Euros 19,668 thousand). This reserve will be restricted for a period of five years. Pursuant article 62.1.d) of the aforementioned Law, the proposed capitalisation reserve for the year ended 31 December 2020, in an amount of Euros 8,160 thousand, will be appropriated in REC, as the parent of the tax group. Each company forming part of the tax group has adjusted income tax for 2019 in connection with this reserve (see note 23).

- ♦ **Own shares**

At 31 December 2020 the Parent held 2,084,729 own shares representing 0.39% of its share capital, with a par value of Euros 0.50 per share and a total par value of Euros 1,042 thousand, and an average acquisition price of Euros 17.53 per share (at 31 December 2019 the Parent held 2,024,844 own shares representing 0.37% of its share capital, with a par value Euros 0.50 per share and a total par value of Euros 1,012 thousand, and an average acquisition price of Euros 18.03 per share).

These shares have been recognised as a reduction in equity for an amount of Euros 36,550 thousand at 31 December 2020 (Euros 36,504 thousand in 2019).

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides, except in the case of freely acquired own shares, that in listed companies the par value of own shares acquired directly or indirectly by the Company, plus the par value of the shares already held by the Parent and its subsidiaries, must not exceed 10% of subscribed share capital. The subsidiaries do not hold own shares or shares in the Parent.

- o **Profit attributable to the Parent**

Upon finalisation of the purchase price allocation in the first half of 2020, profit for 2019 attributable to the Parent at the completion date of the business combination was restated, from Euros 718,040 thousand to Euros 714,752 thousand.

Profit for 2020 attributable to the Parent totals Euros 621,185 thousand (Euros 714,752 thousand at 31 December 2019, restated).

- o **Interim dividends and proposed distribution of dividends by the Parent**

The interim dividend authorised by the board of directors in 2020 has been recognised as a Euros 146,984 thousand reduction in consolidated equity at 31 December 2020 (Euros 147,002 thousand at 31 December 2019) (see note 19).

On 27 October 2020 the Company's board of directors agreed to pay an interim dividend of Euros 0.2727 (gross) per share with a charge to 2020 profit, which was paid on 7 January 2020 (Euros 0.2727 (gross) per share in 2019).

Details of the dividends paid during 2020 and 2019 are as follows:

Thousands of Euros	2020			2019		
	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Ordinary shares	210.38%	1.0519	566,773	196.62%	0.9831	530,841
Total dividends paid	**210.38%**	**1.0519**	**566,773**	**196.62%**	**0.9831**	**530,841**
Dividends charged to profit	**210.38%**	**1.0519**	**566,773**	**196.62%**	**0.9831**	**530,841**

The cash flow forecast for the period from 30 September 2020 to 7 January 2021 indicated sufficient liquidity to allow the distribution of this dividend. As such, the following provisional liquidity statement was drawn up pursuant to article 277 section a) of the Spanish Companies Act:

Liquidity statement of Red Eléctrica Corporación, S.A.

	Thousands of Euros
Available funds at 30/09/2020:	
Non-current credit facilities available	466,979
Current credit facilities available	55,000
Current investments and cash	229,730
Forecast receipts:	
Current transactions	-
Financial transactions	254,340
Forecast payments:	
Current transactions	(129,215)
Financial transactions	-
Forecast available funds at 07/01/2021	**876,834**

The Parent's board of directors proposed to the shareholders at their general meeting the distribution of a supplementary dividend of Euros 0.7273 per share, which would result in a total dividend for 2020 of Euros 1 per share (Euros 1.0519 in 2019).

In addition, given the Company's cash generation capacity and the amount of undrawn credit facilities (see note 18), the Company will have sufficient liquidity within one year after the interim dividend distribution has been agreed.

- **Valuation adjustments**
  - **Financial assets at fair value through other comprehensive income**

    At 31 December 2020 and 2019 this item reflects valuation adjustments to equity instruments classified as financial assets measured at fair value through other comprehensive income due to fluctuations in the share price of the Group's 5% investment in the listed company Redes Energéticas Nacionais, S.G.P.S., S.A. (hereinafter REN), the benchmark index for which is the Portuguese PSI 20. At 31 December 2020 this item totals Euros 12,761 thousand (Euros 24,604 thousand in 2019).
  - **Hedging transactions**

    This line item reflects changes in the value of derivative financial instruments.

    At 31 December 2020 this item totals a negative amount of Euros 93,559 thousand (a negative amount of Euros 82,699 thousand in 2019).
  - **Translation differences**

    This line item mainly comprises the exchange gains and losses arising from translation of the financial statements of foreign operations whose functional currency is not the Euro. At 31 December 2020 the balance of this item was negative in an amount of Euros 97,025 thousand (a positive balance of Euros 5,629 thousand in 2019). This decrease is primarily due to the performance of the Brazilian Real against the Euro in 2020.

c) Non-controlling interests

Non-controlling interests under equity in the consolidated statement of financial position reflect the non-controlling interests in all the HISPASAT subgroup companies and in the Chilean company REDENOR in 2020 and 2019. Movement in 2020 and 2019 is as follows:

Thousands of Euros	31 December 2018	Changes in consolidated Group and other (*)	Net translation differences	Profit for the year (*)	31 December 2019 (*)	Changes in consolidated Group and other	Net translation differences	Loss for the year	31 December 2020
Non-controlling interests	832	72,688	(952)	72	72,640		(6,344)	(9,945)	56,351

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). The balance of changes in consolidated Group and other has been reduced from Euros 98,299 thousand to Euros 72,688 thousand due to goodwill being recognised in respect of the percentage interest in the net assets acquired instead of on the total amount of these assets, as was recognised provisionally in 2019. Profit/loss attributable to non-controlling interests has likewise decreased, from Euros 451 thousand to Euros 72 thousand.

Regarding the main non-controlling interests referred to above, a summary of the financial information on assets, liabilities and profit/loss at 31 December 2020 and 2019 of the investees is as follows:

	REDENOR		HISPASAT SUBGROUP	
Thousands of Euros	31/12/2020	31/12/2019	31/12/2020	31/12/2019 (*)
Non-current assets	103,908	36,302	916,569	1,069,738
Current assets	8,262	1,142	127,654	98,404
Assets	**112,170**	**37,444**	**1,044,223**	**1,168,142**
Non-current liabilities	81,207	33,065	242,432	287,246
Current liabilities	5,289	1,501	117,028	104,855
Liabilities	**86,496**	**34,566**	**359,459**	**392,102**
Equity	**25,674**	**2,879**	**684,764**	**776,041**
Revenue	1,194	889	157,528	42,571
Expenses	1,464	1,034	41,393	9,568
Gross operating profit	(271)	(144)	116,135	33,003
Profit/(loss) after tax	(584)	62	(92,491)	5,396
Profit/(loss) attributable to non-controlling interests	(2)	19	(9,769)	432

(*) Business combination added to the consolidated Group on 3 October 2019. The contribution to the Red Eléctrica Group is indicated as from that date (see note 6).

15 Grants and Other Non-current Revenue Received in Advance

Movement in grants and other non-current revenue received in advance in 2020 and 2019 is as follows:

Thousands of Euros	31.12.2018	Changes in the consolidated Group	Additions	Amounts transferred to the income statement	31.12.2019	Additions	Disposals	Amounts transferred to the income statement	31.12.2020
Capital grants	180,317	63,090	-	(7,888)	235,519	13,353	(57)	(18,360)	230,455
Other grants and revenue received in advance	451,093	293	36,693	(17,836)	470,243	19,110	-	(11,888)	477,465
Total	**631,410**	**63,383**	**36,693**	**(25,724)**	**705,762**	**32,463**	**(57)**	**(30,248)**	**707,920**

Capital grants mainly include the amounts received by REE for the construction of electricity facilities and by HISPASAT for the construction of satellite assets. Amounts transferred to the income statement reflect the amounts taken to consolidated profit or loss on the basis of the useful life of the corresponding facilities and recognised under non-financial and other capital grants in the consolidated income statement.

Other grants and other revenue received in advance mainly comprise amounts or technical facilities received by the Group as a result of agreements with third parties as well as income tax deductions for investments in the Canary Islands, which by their nature are similar to capital grants (see note 2 c). Applications principally reflect the amounts taken to consolidated profit or loss each year on the basis of the useful life of the assets associated with those deductions and recognised under non-financial and other capital grants in the consolidated income statement.

16 Non-current and Current Provisions

Movement in 2020 and 2019 is as follows:

Thousands of Euros	31.12.2019	Additions	Applications	Transfers	Actuarial	Exchange differences	31.12.2020
Non-current provisions							
Provisions for employee benefits	72,625	3,908	(1,894)	(1,697)	8,781		81,723
Other provisions	78,781	13,556	(92)	(37,925)	-	(57)	54,263
Total non-current	151,406	17,464	(1,986)	(39,622)	8,781	(57)	135,986
Current provisions							
Provisions for employee benefits	-	-	(1,697)	1,697	-	-	-
Other provisions	27,345	-	-	37,925	-	(8,087)	57,183
Total current	27,345	-	(1,697)	39,622	-	(8,087)	57,183
Total provisions	**178,751**	**17,464**	**(3,683)**	**-**	**8,781**	**(8,144)**	**193,169**

Thousands of Euros	31.12.2018	Changes in the consolidated Group	First-time application of IFRIC 23	Additions	Applications	Transfers	Actuarial	31.12.2019
Non-current provisions								
Provisions for employee benefits	62,310	1,048	-	3,740	(1,857)	(6,317)	13,701	72,625
Other provisions	65,231	-	(4,367)	18,319	(402)	-	-	78,781
Total non-current	127,541	1,048	(4,367)	22,059	(2,259)	(6,317)	13,701	151,406
Current provisions								
Other provisions	-	-	-	(150)	(606)	-	-	27,345
Total current	-	-	-	(150)	(606)	-	-	27,345
Total provisions	**127,541**	**1,048**	**(4,367)**	**21,909**	**(2,865)**	**(6,317)**	**13,701**	**178,751**

Provisions for employee benefits reflect defined benefit plans, which essentially include the future commitments – specifically health insurance – undertaken by the Group vis-à-vis its personnel from the date of their retirement, calculated using actuarial studies carried out by an independent expert. In 2020 and 2019 additions derive mainly from the annual accrual of these commitments, as well as changes in the actuarial assumptions used. These additions have been recognised as personnel expenses or finance costs, depending on their nature, and under reserves when they derive from changes in the actuarial assumptions (mainly in the case of obligations related to health insurance) or in consolidated profit or loss (in the case of past service obligations). The personnel expenses and finance costs recognised in this connection in the consolidated income statement for 2020 amount to Euros 2,014 thousand and Euros 625 thousand, respectively (Euros 1,883 thousand and Euros 606 thousand, respectively, in 2019), whilst the reserves recognised in 2020 totalled Euros 8,781 thousand (Euros 13,701 thousand in 2019).

The assumptions made with regard to 2020 and 2019 were as follows:

	Actuarial assumptions	
	2020	2019
Discount rate	0.87%	1.05%
Cost increase	3.0%	3.0%
Mortality table	PERM/F2020 1st rank	PERM/F 2000 new production

Details of the effect of an increase/decrease of one percentage point in the cost of health insurance are as follows:

	2020	
Thousands of Euros	+1%	-1%
Current service cost	621	(449)
Interest cost of net post-employment medical costs	5	(4)
Accumulated post-employment benefit obligation for health insurance	20,185	(14,981)

Conversely, the effect of a decrease of half a percentage point in the discount rate used in 2019 for health insurance costs from 0.87% to 0.37%, in thousands of Euros, is as follows:

	Discount rate		
Thousands of Euros	0.87%	0.37%	Sensitivity
Current service cost	1,843	2,130	287
Interest cost of net post-employment medical costs	554	237	(317)
Accumulated post-employment benefit obligation for health insurance	71,412	80,785	9,373

Provisions for employee benefits also include deferred remuneration schemes (see note 4 l). Changes in the consolidated Group in 2019 included the long-term incentive corresponding to 2018-2020 as a result of the business combination entailing the acquisition of HISPASAT (see note 6).

At 31 December 2020 personnel expenses recognised in the consolidated income statement in this regard amount to Euros 1,269 thousand (Euros 1,347 thousand in 2019).

Other provisions basically include the amounts recorded by the Group every year to cover the potential unfavourable rulings relating to administrative proceedings, administrative disciplinary proceedings, judicial reviews, primarily of expropriation proceedings, and out-of-court claims, among others. The provisions recognised to cover these events are measured on the basis of the potential economic content of the ongoing appeals, litigation, claims and general legal or out-of-court proceedings to which the Group companies are party. This item also includes the provisions made to cover potential unfavourable rulings in relation to the application of the remuneration model for transmission activities in Spain (see note 3). Changes in the consolidated Group in 2019 primarily reflected provisions in relation to the fair value of the contingent liabilities identified in the HISPASAT business combination, mainly related to legal and tax contingencies in Brazil (see note 6).

In 2019, in view of the first-time application of IFRIC 23 Uncertainty over Income Tax Treatments, Euros 4,367 thousand was reclassified to income tax payable.

The Group has assessed the risks and does not expect any events to arise that would amount to liabilities not considered in its financial statements or that would have a significant impact on its profits. At the 2020 reporting date, the Group is involved in a number of ongoing proceedings, primarily judicial reviews and disciplinary proceedings.

17 Other Non-current Liabilities

Other non-current liabilities basically include contract liabilities for the revenues received in advance from agreements with various telecommunications operators for the use of the telecommunications network capacity, recognised in the consolidated income statement based on the duration of the agreements, with expiry dates up to 2038, and amounting to Euros 28,290 thousand at 31 December 2020 (Euros 32,934 thousand at 31 December 2019).At 31 December 2020 this item also includes Euros 22,293 thousand of revenue received in advance on account of future satellite capacity services to be rendered (Euros 10,354 thousand at 31 December 2019).

This item also includes the non-current liabilities arising from the compensation paid by Électricité de France (hereinafter EDF) under the agreement signed in 1997 for the adaptation of electricity supply contracts, which amounted to Euros 23,625 thousand at 31 December 2020 (Euros 23,625 thousand at 31 December 2019). These are multi-year commitments and are therefore subject to the construction of facilities.

18 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 the Red Eléctrica Group 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 risk management policies disclosed in note 17 to the consolidated annual accounts for 2019. However, as a result of the health crisis stemming from COVID-19 a contingency plan was launched with the primary objectives of protecting employee health, guaranteeing electricity supply and connections through telecommunication assets at all times, and preserving the Group's liquidity.

A summary of the main guidelines that comprise this policy is as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Group's core value, rather than generating extraordinary profits.

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 financial 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, are implemented through the Group's Comprehensive Risk Management System, which is set forth in the Comprehensive Risk Management Policy and in the General Comprehensive Risk Management and Control Procedure.

The financial risks to which the Group is exposed are as follows:

a) Market risk

Market risk reflects variations in the financial markets in terms of prices, interest and exchange rates, credit conditions and other variables that could affect short-, medium- and long-term finance costs.

Market risk is managed on the borrowings to be arranged (the currency, maturity and interest rates), and through the use of hedging instruments that allow the financial structure to be modified. Market risk specifically includes:

- **Interest rate risk**

  Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. The financial debt structure at 31 December 2020 and 2019 is as follows:

Thousands of Euros	2020		2019 (*)	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Non-current issues	3,756,014	14,940	2,669,621	14,933
Non-current bank borrowings	1,516,216	1,142,618	1,485,771	1,071,444
Current issues	4,329	-	702,898	215,081
Current bank borrowings	131,694	29,303	131,083	75,810
Total gross financial debt	**5,408,253**	**1,186,860**	**4,989,373**	**1,377,267**
Percentage	**82%**	**18%**	**78%**	**22%**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Non-current bank borrowings include an additional Euros 12,494 thousand.

The financial debt structure is low risk 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.

The interest rate risk to which the Group is exposed at 31 December 2020 and 2019 derives from changes in the fair value of derivative financial instruments and mostly affects equity, but not consolidated profit for the year. A sensitivity analysis of this risk is as follows (in thousands of Euros):

Thousands of Euros	Effect on consolidated equity of market interest rate fluctuations			
	2020		2019	
	+0.10%	-0.10%	+0.10%	-0.10%
Interest rate hedges:				
- Cash flow hedges. Interest rate swap	4,396	(4,431)	4,895	(4,940)
Interest rate and exchange rate hedges:				
- Cash flow hedges. Cross-currency swap	222	(226)	135	(137)

This rise or decline of 0.10% in interest rates would have decreased or increased consolidated profit by Euros 2,312 thousand in 2020 and by Euros 1,075 thousand in 2019.

The fair value sensitivity has been estimated using a valuation technique based on discounting future cash flows at prevailing market rates at 31 December 2020 and 2019.

- **Currency risk**

Currency risk management considers transaction risk arising on cash inflows and outflows in currencies other than the Euro (essentially USD and BRL), and translation risk, to which the Company is exposed when consolidating its subsidiaries and/or assets located in countries where the 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 October 2035 (see notes 19 and 20).

With the spread of COVID-19, the US Dollar's role as a safe-haven currency has gained strength, unlike the Latin American currencies, which have depreciated in response to the flight of capital to safer locations and the prospect of further economic decline. Brazil, Chile and Peru, where the Group has investments, are among the countries most affected by currency devaluation. However, the US currency has been much weaker against the Euro, feeling the pinch of plummeting interest rates and the growing uncertainty as to the tempo of economic recovery.

To mitigate transaction risk, in 2020 the Group companies arranged forward cash flow hedges in the form of forward derivatives to hedge highly probable cash flows of certain revenue in US Dollars and certain payment commitments in Brazilian Reais (see note 20). Consequently, had the Euro strengthened or weakened by 10% against the hedged currencies at year end, the market values of those derivatives would have changed, and equity would have decreased or increased by approximately Euros 2.2 million at 31 December 2020 (Euros 25 million at 31 December 2019).

In order to mitigate 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. The Group has also arranged hedges of net investments in US Dollars through cross-currency swaps that will be in place until January 2021 (see note 20). Consequently, had the Euro simultaneously strengthened or weakened by 10% against the currencies to which the Group is exposed at year end, equity attributable to the Parent would have decreased or increased by approximately Euros 32 million at 31 December 2020 (Euros 14 million at 31 December 2019).

- **Price risk**

  The Group is exposed to price risk relating to equity instruments classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position. Equity investments on quoted markets basically comprise the 5% interest held by the Group in REN. At 31 December 2020 had the listed share price of the Portuguese company REN been 10% higher or lower, equity would have increased or decreased, respectively, by approximately Euros 6 million (Euros 7 million in 2019).

a) Credit risk

In light of the nature of revenues from electricity transmission and electricity system operation, and the solvency of the electricity system agents, the Red Eléctrica Group's principal activities are not significantly exposed to credit risk. For the Group's other activities, credit risk is mainly managed through instruments to reduce or limit such risk.

In any event, credit risk is managed through policies that contain certain requirements regarding counterparty credit quality, and further guarantees are requested when necessary.

At year end the Group's exposure to credit risk in connection with the fair value of its derivatives is insignificant, having entered into collateral assignment agreements entailing collateral swaps with various counterparties since 2015 in order to mitigate this risk.

At 31 December 2020, less than 2% of balances are past due (less than 1% in 2019), and the companies do not consider there to be any risk as regards recoverability. The credit quality of the receivables is considered to be high.

b) Liquidity risk

Liquidity risk arises due to differences between the amounts or dates of collection and payment of the Group companies' assets and liabilities.

Liquidity risk is mostly managed by controlling the timing of financial debt and maintaining a considerable volume of available capital during the year, setting maximum limits of amounts falling due for each period defined. This process is carried out at Group company level, in accordance with the practices and limits set by the Group. The limits established vary according to the geographical area, so as to ensure that the liquidity of the market in which the companies operate is taken into account. Furthermore, the liquidity risk management policy entails preparing cash flow projections in the main currencies in which the Group operates, taking into consideration the level of liquid assets and funds available according to these projections, and monitoring the liquidity indicators as per the consolidated statement of financial position and comparing these with market requirements.

The Group's financial debt at 31 December 2020 has an average maturity of 5.3 years (5.2 years at 31 December 2019). Details of the maturities of issues and bank borrowings are provided in note 19.

The Group has a robust financial position which has been further strengthened to tackle the COVID-19 health crisis. Liquidity has been bolstered through the issue of new bonds in 2020, amounting to Euros 1,100 million (see note 19).

The Group's liquidity position for 2020 was based on its robust capacity to generate cash flows, supported by undrawn credit facilities. At 31 December 2020 the undrawn amount of these credit facilities is Euros 1,930 million (non-current balance of Euros 1,645 million and current balance of Euros 285 million). Following these transactions, the Group's liquidity position ensures it will be able to meet operating cash flow requirements, honour debt maturities in 2022 and 2023, and address any adverse situations that might arise in the financial markets in the coming months as a result of the current crisis. Thanks to its solid financial position, the Group has not had to request state aid to alleviate the economic effects of the COVID-19 crisis.

19 Financial Assets and Financial Liabilities

a) Financial assets

Details of the Red Eléctrica Group's current and non-current financial assets at 31 December 2020 and 2019 are as follows:

	31/12/2020				
Thousands of Euros	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	79,363	4,078	-	-	83,441
Derivatives	-	-	-	146	146
Other financial assets	-	3,895	28,869	-	32,764
Non-current	**79,363**	**7,973**	**28,869**	**146**	**116,351**
Other financial assets	-	-	35,812	-	35,812
Derivatives	-	-	-	19,991	19,991
Current	**-**	**-**	**35,812**	**19,991**	**55,803**
Total	**79,363**	**7,973**	**64,681**	**20,137**	**172,154**

	31/12/2019				
Thousands of Euros	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	91,206	-	-	-	91,206
Derivatives	-	-	-	14,732	14,732
Other financial assets	-	2,542	18,823	-	21,365
Non-current	**91,206**	**2,542**	**18,823**	**14,732**	**127,303**
Other financial assets	-	-	58,200	-	58,200
Derivatives	-	-	-	11,311	11,311
Current	**-**	**-**	**58,200**	**11,311**	**69,511**
Total	**91,206**	**2,542**	**77,023**	**26,043**	**196,814**

- **Equity instruments**

  Equity instruments 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. This interest was acquired in 2007 for Euros 98,822 thousand. In 2017 the Group subscribed 6,659,563 new shares in the share capital increase carried out by REN for an amount of Euros 12,500 thousand, thereby maintaining its 5% interest in this company.

  At 31 December 2019 REN's consolidated equity totalled Euros 1,446 thousand and the profit after tax amounted to Euros 118,899 thousand.

  These instruments were classified as financial assets measured at fair value through other comprehensive income (see note 2 b). The value of this investment is subject to the listed share price (Level 1). In 2020 the fair value of this equity instrument decreased and the corresponding valuation adjustment was recognised directly under equity.

  At 31 December 2020 the Group has quantified the decrease in value of this investment at Euros 11,843 thousand (a Euros 9,541 thousand increase in 2019).

In 2020 this item also includes the investments made by the Group company Red Eléctrica de Telecomunicaciones, Innovación y Tecnología, S.A.U. (hereinafter RETIT) in various innovative companies, primarily the investments in Zeleros Global S.L. and Capital Call - Adara Ventures III S.C.A., which are measured at fair value through profit or loss. No gains or losses were recognised in the consolidated income statement in 2020 in relation to these investments.

- **Derivatives**

  Details of derivative financial instruments are provided in note 20.

- **Other financial assets**

  The balance at 31 December 2020 mainly comprises the loan of Euros 17,457 thousand extended to TEN (Euros 24,677 thousand at 31 December 2019), which earns interest at a Libor-pegged rate plus 270 b.p., and guarantees and loans extended by the Group to its personnel, which fall due in the long term. There are no significant differences between the fair value and the carrying amount at 31 December 2020 and 2019.

  This item also comprises the investment in economic interest groups (EIGs), measured at Euros 3,895 thousand (Euros 2,542 thousand in 2019). 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 incentives pursuant to Spanish legislation. The Group recognises the tax losses incurred by these EIGs against the investments, together with the corresponding finance income (see note 24 e) reflecting the difference compared to income tax payable to the taxation authorities.

- **Fair value hierarchy levels**

  Details of the Group's financial assets measured at fair value using the inputs defined for this calculation at 31 December 2020 and 2019 are as follows:

	31/12/2020			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Equity instruments	78,895	-	4,546	83,441
Derivatives	-	20,137	-	20,137
Other financial assets	-	3,895	-	3,895

	31/12/2019			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Equity instruments	90,738	-	468	91,206
Derivatives	-	26,043	-	26,043
Other financial assets	-	2,542	-	2,542

Level 1 equity instruments reflect the 5% interest held by the Group in the listed company REN. Level 3 includes the equity investments in ACEFAT and CORESO, and the investments made by RETIT in innovative companies.

b) Financial liabilities

Details of the Red Eléctrica Group's current and non-current financial liabilities at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31/12/2020		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	2,658,888	-	2,658,888
Bonds and other marketable securities	3,768,756	-	3,768,756
Derivatives	-	50,350	50,350
Other financial liabilities [1]	57,760	-	57,760
Non-current	**6,485,404**	**50,350**	**6,535,755**
Loans and borrowings	171,799	-	171,799
Bonds and other marketable securities	43,174	-	43,174
Derivatives	-	220	220
Other financial liabilities	608,794	-	608,794
Current	**823,767**	**220**	**823,987**
Total	**7,309,171**	**50,571**	**7,359,742**

Thousands of Euros	31/12/2019 (*)		
	Financial liabilities	Hedging derivatives	Total
Loans and borrowings	2,554,203	-	2,554,203
Bonds and other marketable securities	2,713,120	-	2,713,120
Derivatives	-	48,266	48,266
Other financial liabilities [1]	60,286	-	60,286
Non-current	**5,327,609**	**48,266**	**5,375,875**
Loans and borrowings	224,852	-	224,852
Bonds and other marketable securities	973,129	-	973,129
Derivatives	-	4,996	4,996
Other financial liabilities	648,556	-	648,556
Current	**1,846,537**	**4,996**	**1,851,533**
Total	**7,174,146**	**53,262**	**7,227,408**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Loans and borrowings include an additional Euros 8,849 thousand under non-current and Euros 3,645 thousand under current.
(1) Mainly reflects non-current payables to suppliers of fixed assets and non-current lease payables.

- **Loans and borrowings, bonds and other marketable securities**

The carrying amount and fair value of loans and borrowings and issues of bonds and other marketable securities at 31 December 2020 and 2019, excluding interest payable, are as follows:

Thousands of Euros	Carrying amount		Fair value	
	2020	2019 (*)	2020	2019
Issues in Euros	3,422,760	3,086,602	3,664,320	3,310,737
Issues in US Dollars	350,324	544,496	475,298	653,965
Bank borrowings in Euros	2,458,241	2,413,796	2,502,412	2,441,959
Bank borrowings in foreign currency	361,589	350,312	387,388	367,612
Total	**6,592,914**	**6,395,206**	**7,029,418**	**6,774,273**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Non-current bank borrowings include an additional Euros 12,494 thousand.

The fair value of all bank borrowings and issues has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date (Level 2 of the hierarchy).

At 31 December 2020 the accrued interest payable amounts to Euros 49,702 thousand (Euros 70,098 thousand in 2019).

Issues in Euros at 31 December 2020 reflect the Eurobonds issued by Red Eléctrica Financiaciones, S.A.U. (hereinafter REF) and REC, totalling Euros 3,422,759 thousand (Euros 2,871,521 thousand in 2019). In 2020 bond issues totalling Euros 1,100 million were carried out, while bonds amounting to Euros 550 million were redeemed.

Issues in US Dollars at 31 December 2020 amounted to Euros 350,324 thousand (Euros 544,496 thousand in 2019), comprising a US Dollars 500 million issue on the US private placement (USPP) market, of which US Dollars 250 million is payable, as well as three US Dollar bond issues made in Peru, of which Euros 147 million is payable at 31 December 2020 (see note 18 for an analysis of currency risk).

Bank borrowings in Euros at 31 December 2020 include non-current loans and credit facilities totalling Euros 1,933,241 thousand (Euros 1,807,881 thousand in 2019) and syndicated credit facilities amounting to Euros 525,000 thousand (Euros 593,420 thousand in 2019).

Bank borrowings in foreign currency at 31 December 2020 mainly include non-current loans and credit facilities in US Dollars amounting to Euros 361,589 thousand (Euros 350,312 thousand in 2019).

Details of the maturities of bond issues and bank borrowings at 31 December 2020 are as follows:

	Maturities at 31 December 2020							
Thousands of Euros	2021	2022	2023	2024	2025	Thereafter	Amortised cost and other adjustments	Total
Issues in Euros	-	400,000	300,000	-	900,000	1,890,000	(67,240)	3,422,760
Issues in US Dollars	4,459	4,797	5,153	5,530	128,164	205,712	(3,492)	350,324
Bank borrowings in Euros	134,592	442,189	318,783	328,853	612,192	616,053	5,579	2,458,241
Bank borrowings in US Dollars	24,645	195,078	86,037	559	669	58,026	(3,424)	361,589
Total	**163,696**	**1,042,064**	**709,973**	**334,942**	**1,641,025**	**2,769,791**	**(68,577)**	**6,592,914**

Thousands of Euros	Maturities at 31 December 2019 (*)							
	2020	2021	2022	2023	2024	Thereafter	Amortised cost and other adjustments	Total
Issues in Euros	765,096	-	400,000	300,000	-	1,690,000	(68,494)	3,086,602
Issues in US Dollars	164,714	4,870	5,240	5,629	6,041	364,696	(6,694)	544,496
Bank borrowings in Euros	160,716	209,353	387,188	117,189	825,665	705,931	7,754	2,413,796
Bank borrowings in US Dollars	46,924	26,407	154,641	58,354	610	64,113	(737)	350,312
Total	**1,137,450**	**240,630**	**947,069**	**481,172**	**832,316**	**2,824,740**	**(68,171)**	**6,395,206**

(*) Maturities restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Bank borrowings in Euros additionally include, under amortised cost and other adjustments, the maturities corresponding to the revaluation of Hispasat's debt in an amount of Euros 12,494 thousand.

The average interest rate of loans and borrowings and bond issues was 1.74% in 2020 (2.29% in 2019).

At 31 December 2020 Group companies have undrawn credit facilities amounting to Euros 1,930 million, of which Euros 1,645 million expire in the long term (Euros 1,576 million at 31 December 2019) and Euros 285 million in the short term (Euros 192 million at 31 December 2019).

Details of bonds and other marketable securities at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31/12/2020				
	Opening outstanding balance at 31/12/2019	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 31/12/2020
Debt securities requiring a prospectus to be filed	3,086,602	2,165,356	(1,830,452)	1,254	3,422,760
Debt securities not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	544,496	-	(152,752)	(41,420)	350,324
Total	**3,631,098**	**2,165,356**	**(1,983,204)**	**(40,166)**	**3,773,084**

Thousands of Euros	31/12/2019				
	Opening outstanding balance at 31/12/2018	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Closing outstanding balance at 31/12/2019
Debt securities requiring a prospectus to be filed	3,144,659	1,342,370	(1,411,377)	10,950	3,086,602
Debt securities not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	458,748	-	(8,606)	94,354	544,496
Total	**3,603,407**	**1,342,370**	**(1,419,983)**	**105,304**	**3,631,098**

In 2020 and 2019 changes in debt securities requiring a prospectus to be filed relate to issues registered in Dublin and Luxembourg.

Details of changes in liabilities related to financing instruments during 2020, distinguishing between those that entailed cash flows and those that did not, are as follows:

Thousands of Euros	31/12/2019 (*)	Movements entailing cash flows	Movements not entailing cash flows		31/12/2020
			Exchange differences	Other changes	
Issues in Euros	3,086,602	334,904		1,254	3,422,760
Issues in US Dollars	544,496	(152,752)	(44,622)	3,202	350,324
Bank borrowings in Euros	2,413,796	46,620		(2,175)	2,458,241
Bank borrowings in foreign currency	350,312	47,323	(33,359)	(2,687)	361,589
Total debt	**6,395,206**	**276,095**	**(77,981)**	**(406)**	**6,592,914**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Bank borrowings in Euros include an additional Euros 12,494 thousand.

- **Derivatives**

  Details of derivative financial instruments are provided in note 20.

- **Other non-current financial liabilities**

  Other non-current financial liabilities mainly comprise in-orbit incentives related to satellites, which form part of the asset acquisition price and are paid over the useful life of the satellite. This price component is subject to the correct functioning of the satellites during their useful life and the manufacturer is paid the amount plus the contractually-stipulated interest, which is reflected in the consolidated income statement.

- **Other current financial liabilities**

  Details of this item at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Dividend payable (note 14)	146,984	147,112
Suppliers of fixed assets and other payables	310,901	334,194
Other payables	150,909	167,250
Total	**608,794**	**648,556**

Suppliers of fixed assets essentially reflect balances incurred on the construction of electricity facilities.

Other payables basically comprise items pending settlement with respect to the Spanish electricity system and security deposits received. They also include current lease payables arising from the application of IFRS 16, amounting to Euros 890 thousand.

- **Fair value hierarchy levels**

Details of Group financial liabilities not included under the headings of loans and borrowings or bonds and other marketable securities measured at fair value using the inputs defined for this calculation at 31 December 2020 and 2019 are as follows:

	31/12/2020			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Derivatives	-	50,570	-	50,570

	31/12/2019			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Derivatives	-	53,262	-	53,262

Level 2 comprises foreign currency and interest rate derivatives. There are no significant differences between the fair value and the carrying amount at 31 December 2020 and 2019. Liabilities at amortised cost are not disclosed by fair value hierarchy level.

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, where appropriate, risk premiums arising from the increased uncertainty and other impacts caused by the COVID-19 crisis, adjusting the estimates for own and counterparty credit risk and taking into consideration the fact that unobservable inputs have become significant.

20 Derivative Financial Instruments

In line with its financial risk management policy, the Red Eléctrica Group has arranged four types of derivative financial instruments: interest rate swaps, forward interest rate swaps, cross-currency swaps and currency forwards. Interest rate swaps consist of exchanging debt at variable interest rates for debt at fixed rates, in a swap where the future cash flows to be hedged are the interest payments. Forward interest rate swaps cover the finance cost of highly probable forecast future transactions. Similarly, cross-currency swaps allow fixed- or variable-rate debt in US Dollars to be exchanged for fixed- or variable-rate debt in Euros, thereby hedging future interest and capital flows in US Dollars. Lastly, currency forwards hedge currency risk related with highly probably forecast transactions denominated in a currency other than the Euro.

As regards the measurement of derivative financial instruments and hedging instruments disclosed in these notes, the application of IFRS 13 (see note 4 n) entails an adjustment to the valuation techniques used to calculate the fair value of derivative financial instruments. The Group has incorporated a credit risk adjustment to reflect own and counterparty risk in the fair value of derivatives using generally accepted measurement models.

To eliminate the credit risk from the cross-currency swaps arranged to hedge the exchange rate for USPP issuance, collateral assignment agreements entailing collateral swaps were entered into with the counterparties in 2015.

When determining the credit risk adjustment for other derivatives, the Group applied a technique based on calculating total expected exposure (which considers current and potential exposure) through the use of simulations, adjusted for the probability of default over time and for loss given default allocable to the Group and to each counterparty.

The total expected exposure of derivative financial instruments is determined using observable market inputs, such as interest rate curves, exchange rates and volatilities based on market conditions at the measurement date.

The inputs used to determine own and counterparty credit risk (probability of default) are mostly based on own credit spreads and those of comparable companies currently traded on the market (credit default swap (CDS) curves, IRR of debt issues, etc.).

Furthermore, adjustments of fair value for credit risk take into account credit enhancements for guarantees and collateral when determining the loss given default to be used for each position. Loss given default is considered to be constant over time. A minimum recovery rate of 40% has been used in cases where there is no credit enhancement for guarantees or collateral.

Based on the fair value hierarchy levels detailed in note 4, the Group has considered that the majority of the inputs used to determine the fair value of derivative financial instruments are categorised within Level 2, including the data used to calculate the own and counterparty credit risk adjustment.

The Group has observed that the impact of using Level 3 inputs for the overall measurement of derivative financial instruments is not significant. Consequently, the Group has determined that the entire derivative financial instrument portfolio can be categorised within Level 2 of the fair value hierarchy.

As regards observable inputs, the Group uses mid-market prices obtained from reputable external information sources in the financial markets.

Details of hedges at 31 December 2020 and 2019 in thousands of Euros are as follows:

			2020			
			Non-current		Current	
Thousands of Euros	Principal	Term to expiry	Assets	Liabilities	Assets	Liabilities
Interest rate hedges:						
- Cash flow hedges:						
Interest rate swap	Euros 225,000 thousand	Up to 2022	-	(3,597)	-	-
Interest rate swap	Euros 21,249 thousand	Up to 2021	-	-	-	(220)
- Forward cash flow hedges:						
Forward interest rate swap beginning in 2021	Euros 260,000 thousand	Up to 2027	-	(17,523)	-	-
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028	-	(15,096)	-	-
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	-	(3,639)	-	-
Exchange rate hedges:						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	-	-	16,228	-
- Forward cash flow hedges:						
Currency forward	US Dollars 40,833 thousand	Up to 2021	146	-	3,713	-
Currency forward	Brazilian Reais 11,075 thousand	Up to 2021	-	-	50	-
Interest rate and exchange rate hedges						
- Cash flow hedges (cross-currency swaps):						
Interest rate hedge	US Dollars 250,000 thousand	Up to 2035	-	(8,297)	-	-
Exchange rate hedges				(2,198)	-	-
Total			**146**	**(50,350)**	**19,991**	**(220)**

Thousands of Euros	Principal	Term to expiry	2019 Non-current Assets	2019 Non-current Liabilities	2019 Current Assets	2019 Current Liabilities
Interest rate hedges:						
- Cash flow hedges:						
Interest rate swap	Euros 325,000 thousand	Up to 2022	-	(4,030)	-	(4,384)
Interest rate swap	Euros 47,460 thousand	Up to 2021	-	(743)	-	-
Interest rate swap	Euros 42,498 thousand	Up to 2021	-	(742)	-	-
- Forward cash flow hedges:						
Forward interest rate swap beginning in 2020	Euros 450,000 thousand	Up to 2029	-	(24,677)	-	-
Forward interest rate swap beginning in 2021	Euros 200,000 thousand	Up to 2027	1,325	(6,016)	-	-
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028	2,718	(8,352)	-	-
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	1,369	(1,346)	-	-
Exchange rate hedges:						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	4,462	-	-	-
- Forward cash flow hedges:						
Currency forward	US Dollars 36,116 thousand	Up to 2021	24	-	159	(93)
Currency forward	Brazilian Reais 1,775,000 thousand	Up to 2020	-	-	-	(519)
Interest rate and exchange rate hedges						
- Cash flow hedges (cross-currency swaps):						
Interest rate hedge	US Dollars 430,000 thousand	Up to 2035	(5,131)	(9,003)	(806)	-
Exchange rate hedges			9,965	6,643	11,958	-
Total			**14,732**	**(48,266)**	**11,311**	**(4,996)**

Details of hedges at 31 December 2020 and 2019 in thousands of Euros are as follows:

Thousands of Euros	Principal	Term to expiry	2020 Non-current Assets	2020 Non-current Liabilities	2020 Current Assets	2020 Current Liabilities
Interest rate hedges:						
- Cash flow hedges:						
Interest rate swap	Euros 225,000 thousand	Up to 2022	-	(3,597)	-	-
Interest rate swap	Euros 21,249 thousand	Up to 2021	-	-	-	(220)
- Forward cash flow hedges:						
Forward interest rate swap beginning in 2021	Euros 260,000 thousand	Up to 2027	-	(17,523)	-	-
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028	-	(15,096)	-	-
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	-	(3,639)	-	-
Exchange rate hedges:						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	-	-	16,228	-
- Forward cash flow hedges:						
Currency forward	US Dollars 40,833 thousand	Up to 2021	146	-	3,713	-
Currency forward	Brazilian Reais 11,075 thousand	Up to 2021	-	-	50	-
Interest rate and exchange rate hedges						
- Cash flow hedges (cross-currency swaps):						
Interest rate hedge	US Dollars 250,000 thousand	Up to 2035	-	(8,297)	-	-
Exchange rate hedges			-	(2,198)	-	-
Total			**146**	**(50,350)**	**19,991**	**(220)**

Thousands of Euros	Principal	Term to expiry	2019 Non-current Assets	2019 Non-current Liabilities	2019 Current Assets	2019 Current Liabilities
Interest rate hedges:						
- Cash flow hedges:						
Interest rate swap	Euros 325,000 thousand	Up to 2022	-	(4,030)	-	(4,384)
Interest rate swap	Euros 47,460 thousand	Up to 2021	-	(743)	-	-
Interest rate swap	Euros 42,498 thousand	Up to 2021	-	(742)	-	-
- Forward cash flow hedges:						
Forward interest rate swap beginning in 2020	Euros 450,000 thousand	Up to 2029	-	(24,677)	-	-
Forward interest rate swap beginning in 2021	Euros 200,000 thousand	Up to 2027	1,325	(6,016)	-	-
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028	2,718	(8,352)	-	-
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	1,369	(1,346)	-	-
Exchange rate hedges:						
- Hedges of a net investment:						
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	4,462	-	-	-
- Forward cash flow hedges:						
Currency forward	US Dollars 36,116 thousand	Up to 2021	24	-	159	(93)
Currency forward	Brazilian Reais 1,775,000 thousand	Up to 2020	-	-	-	(519)
Interest rate and exchange rate hedges						
- Cash flow hedges (cross-currency swaps):						
Interest rate hedge	US Dollars 430,000 thousand	Up to 2035	(5,131)	(9,003)	(806)	-
Exchange rate hedges			9,965	6,643	11,958	-
Total			**14,732**	**(48,266)**	**11,311**	**(4,996)**

Details of expected cash flows from derivatives at 31 December 2020 and 2019, which are similar to the expected impact on profit or loss, by year of occurrence, are as follows:

Thousands of Euros	Principal	Term to expiry	2021	2022	2023	2024	2025	2026 and thereafter	Total
	Maturities at 31 December 2020								
Interest rate hedges:									
- Cash flow hedges:									
Interest rate swap	Euros 225,000 thousand	Up to 2022		(3,597)					(3,597)
Interest rate swap	Euros 21,249 thousand	Up to 2021	(220)						(220)
- Forward cash flow hedges:									
Forward interest rate swap beginning in 2021	Euros 260,000 thousand	Up to 2027						(17,523)	(17,523)
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028						(15,096)	(15,096)
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029						(3,639)	(3,639)
Exchange rate hedges:									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	16,228						16,228
- Forward cash flow hedges:									
Currency forward	US Dollars 40,833 thousand	Up to 2021	3,713	146					3,859
Currency forward	Brazilian Reais 11,075 thousand	Up to 2020	50	-					50
Interest rate and exchange rate hedges									
- Cash flow hedges (cross-currency swaps):									
Interest rate hedge	US Dollars 250,000 thousand	Up to 2035					379	(8,676)	(8,297)
Exchange rate hedges							(1,319)	(879)	(2,198)
Total			**19,771**	**(3,451)**	**-**	**-**	**(940)**	**(45,813)**	**(30,433)**

Thousands of Euros	Principal	Term to expiry	2020	2021	2022	2023	2024	2025 and thereafter	Total
	Maturities at 31 December 2019								
Interest rate hedges:									
- Cash flow hedges:									
Interest rate swap	Euros 325,000 thousand	Up to 2022	(4,384)	-	(4,030)	-	-	-	(8,414)
Interest rate swap	Euros 47,460 thousand	Up to 2021	-	(743)	-	-	-	-	(743)
Interest rate swap	Euros 42,498 thousand	Up to 2021	-	(742)	-	-	-	-	(742)
- Forward cash flow hedges:									
Forward interest rate swap beginning in 2020	Euros 450,000 thousand	Up to 2029	-	-	-	-	-	(24,677)	(24,677)
Forward interest rate swap beginning in 2021	Euros 200,000 thousand	Up to 2027	-	-	-	-	-	(4,691)	(4,691)
Forward interest rate swap beginning in 2022	Euros 300,000 thousand	Up to 2028	-	-	-	-	-	(5,634)	(5,634)
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	-	-	-	-	-	23	23
Exchange rate hedges:									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2021	-	4,462	-	-	-	-	4,462
- Forward cash flow hedges:									
Currency forward	US Dollars 36,116 thousand	Up to 2021	66	24	-	-	-	-	90
Currency forward	Brazilian Reais 1,775,000 thousand	Up to 2020	(519)	-	-	-	-	-	(519)
Interest rate and exchange rate hedges									
- Cash flow hedges (cross-currency swaps):									
Interest rate hedge	US Dollars 430,000 thousand	Up to 2035	(806)	-	-	-	-	(14,134)	(14,940)
Exchange rate hedges			11,958	-	-	-	-	16,608	28,566
Total			**6,315**	**3,001**	**(4,030)**	**-**	**-**	**(32,505)**	**(27,219)**

21 Trade and Other Payables

Details of this item at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Suppliers	460,502	311,879
Other payables	92,257	61,490
Current tax liabilities (note 23)	24,961	23,574
Total	**577,720**	**396,943**

Suppliers comprise amounts not yet due for the purchase of goods and services in the course of the Group's trade operations, essentially payables arising from repairs and maintenance work and modifications to electricity facilities, as well as balances pending settlement vis-à-vis Spanish electricity system agents.

Other payables mainly reflect VAT payable to the taxation authorities, salaries payable and other amounts not yet due for the purchase of goods and services.

22 Average Supplier Payment Period. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

The Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016, concerning the information that must be disclosed in the notes to the annual accounts in relation to the average supplier payment period in commercial transactions, clarifies and systematises the information that trading companies must include in the notes to individual and consolidated annual accounts, in compliance with the reporting requirement of the third additional provision of Law 15/2010 of 5 July 2010, which amends Law 3/2004 of 29 December 2004, establishing measures to combat late payments in commercial transactions.

The scope of this resolution also extends to trading companies that prepare consolidated annual accounts, although only with respect to fully consolidated subsidiaries or equity-accounted investees registered in Spain, irrespective of the financial reporting framework under which the accounts are prepared.

The information on the average supplier payment period for 2020 and 2019 is as follows:

Days	2020	2019
Average supplier payment period	45.9	47.6
Transactions paid ratio	47.2	48.4
Transactions payable ratio	12.9	22.4

Thousands of Euros	2020	2019
Total payments made	372,430	401,252
Total payments outstanding	14,187	12,901

23 Taxation

The tax group headed by Red Eléctrica Corporación, S.A. has filed consolidated tax returns in Spain since 2002 (tax group No. 57/02). At 31 December 2020 the tax group includes the Parent, REE, REI, REF, REINTEL, REINCAN, RESTEL, RETIT, HISPASAT S.A. and Hispasat Canarias S.L.

In 2019, HISPASAT S.A., Hispasat Canarias, S.L. and Hispamar Exterior, S.L., subsidiaries of REC, filed consolidated tax returns in Spain as part of a separate tax group, the parent of which was HISPASAT S.A. This group was dissolved with effect from 31 December 2019, and in 2020 HISPASAT S.A. and Hispasat Canarias, S.L. joined the tax group headed by REC as subsidiaries, while Hispamar Exterior S.L. now files individual tax returns.

Companies that do not form part of the tax group are subject to the legislation applicable in their respective countries.

A reconciliation of the prevailing tax rate in Spain with the tax rate applicable to the Group is as follows:

Thousands of Euros	2020	2019 (*)
Consolidated accounting profit for the year before tax	805,991	950,664
Permanent differences and consolidation adjustments	(41,651)	(31,328)
Consolidated taxable accounting income	764,340	917,397
Tax rate	**25%**	**25%**
Consolidated taxable accounting income multiplied by tax rate	191,085	229,349
Effect of applying different tax rates	6,667	3,660
Tax calculated at the tax rate of each country	197,752	233,010
Deductions	(8,115)	(1,612)
Other adjustments	5,114	4,442
Income tax	194,751	235,840
Current income tax	225,669	254,474
Deferred income tax	(30,918)	(18,633)
Effective tax rate	**24.16%**	**24.27%**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6), resulting in an increase of Euros 5,606 thousand in income tax for 2019.

The effective rate of income tax is primarily influenced by permanent differences and by deductions in tax payable. The effective tax rate in 2020 is 24.16% (24.27% in 2019).

Permanent differences in 2020 and 2019 mainly arise from the capitalisation reserve adjustment resulting from the increase in equity in accordance with article 25 of Income Tax Law 27/2014 of 27 November 2014. As permitted by article 62.1 d) of Law 27/2014, the capitalisation reserve for 2020 will be appropriated by the Company (see note 14).

Deductions mainly comprise those for research, development and technological innovation expenditure, as well as relief for international double taxation and donations.

Given the financial nature of the deduction for investments in fixed assets in the Canary Islands, it is treated as a grant, and its impact on the consolidated income statement is deferred over several years based on the useful lives of the assets for which it was awarded (see note 4 j).

Deductions recognised as grants in 2020 amount to Euros 4,500 thousand (Euros 3,969 thousand in 2019) and the amount still to be recognised at 31 December 2020 is Euros 113,798 thousand (Euros 106,746 thousand in 2019).

Current receivables from and payables to public entities at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Current receivables		
Recoverable VAT	13,416	10,873
Recoverable income tax (note 12)	10,703	10,004
Other recoverable taxes	2,152	3,524
Current payables		
VAT payable (note 20)	64,391	30,284
Income tax payable (note 20)	24,961	23,574
Other taxes payable	6,071	6,923

In 2020 and 2019, adjustments were made to taxable income to reflect recognition of the EIGs in which the Group has interests, amounting to Euros 73,008 thousand and Euros 77,822 thousand, respectively.

Temporary differences in the recognition of income and expenses for accounting and tax purposes in the Red Eléctrica Group at 31 December 2020 and 2019, and the corresponding cumulative tax effect (assets and liabilities) are as follows:

	2020			2019 (*)			
	Income statement, Business combinations and other	Income and expense recognised directly in equity	Total	Income statement	Income and expense recognised directly in equity	Business combinations, first-time application of IFRS and other	Total
Thousands of Euros	Variation	Variation		Variation	Variation	Variation	
Deferred tax assets:							
Originating in prior years	107,845	33,411	141,256	78,088	26,677	269	105,034
Movement in the year	11,044	39,134	50,178	(4,562)	6,734	34,050	36,222
Total gross deferred tax assets	118,889	72,545	191,433	73,526	33,411	34,319	141,256
Offsetting of deferred taxes from the tax group in Spain			(103,418)				(75,247)
Total net deferred tax assets			**88,015**				**66,009**
Deferred tax liabilities:							
Originating in prior years	525,395	16,134	541,530	520,915	16,818	12,441	550,174
Movement in the year	(19,874)	(885)	(20,759)	(23,195)	(684)	15,235	(8,644)
Total gross deferred tax liabilities	505,521	15,249	520,771	497,720	16,134	27,676	541,530
Offsetting of deferred taxes from the tax group in Spain			(103,418)				(75,247)
Total net deferred tax liabilities			**417,353**				**466,283**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6), resulting in an increase of Euros 21,702 thousand in deferred tax assets and Euros 10,028 thousand in deferred tax liabilities.

The column reflecting business combinations, first-time application of IFRS and other for 2019 mainly reflected the deferred tax assets and liabilities from the HISPASAT subgroup and CCNCM (see note 5).

Deferred tax assets and liabilities at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019 (*)
Commitments with personnel	24,944	23,130
Impairment of fixed assets	30,942	136
Financial derivatives	24,763	24,275
Unused deductions	22,842	32,985
Translation differences	32,279	-
Balance sheet revaluations - Law 16/2012	18,715	19,707
Limit on deductible depreciation/amortisation - Law 16/2012	17,302	21,259
Other	19,646	19,764
Offsetting of deferred assets and liabilities	(103,418)	(75,247)
Total deferred tax assets	**88,015**	**66,009**
Accelerated depreciation and amortisation	473,717	492,235
Non-deductible assets	13,251	14,070
Other	33,803	35,225
Offsetting of deferred assets and liabilities	(103,418)	(75,247)
Total deferred tax liabilities	**417,353**	**466,283**

(*) Figures restated as a result of the recognition of the business combination, effective 3 October 2019 (see notes 2.f and 6), resulting in an increase of Euros 21,702 thousand in deferred tax assets and Euros 10,028 thousand in deferred tax liabilities.

In the consolidated statement of financial position the Group has offset deferred tax assets and deferred tax liabilities arising from the Spanish tax group in an amount of Euros 103,418 thousand, as permitted by IAS 12 (Euros 75,247 thousand in 2019).

At 31 December 2020, deferred tax assets and liabilities are expected to be recovered and settled as follows:

	Gross total	More than 1 year	Less than 1 year	Adjustment for offsetting of assets and liabilities	Net total
Deferred tax assets	191,433	189,392	2,041	(103,418)	88,015
Deferred tax liabilities	520,771	500,779	19,992	(103,418)	417,353

The recovery/settlement of the Group's deferred tax assets/liabilities is dependent on certain assumptions, which could change.

Deferred tax assets include reversals of tax prepaid in 2013 and 2014 as a result of applying the limitation on the tax deductibility of depreciation and amortisation charges stipulated in article 7 of Law 16/2012 of 27 December 2012, which introduced several fiscal measures to consolidate public finances and boost economic activity, and those arising as a result of the commencement, in 2015, of depreciation and amortisation for tax purposes of the net increase in value resulting from the revaluations applied to the balance sheet at 31 December 2012, pursuant to article 9 of the same Law. This item also comprises amounts relating to changes in value of cash flow hedges, long-term employee benefits, asset impairment and unused tax deductions.

At 31 December 2020 the Group has unrecognised deferred tax assets amounting to Euros 10,365 thousand in respect of unused deductions for R&D&i expenditure (Euros 12,978 thousand in 2019). These assets were generated in 2011-2019 and are available until 2030-2038.

In 2020, the Group applied for monetisation of the unused deductions of Euros 10,565 thousand in respect of R&D expenditure. Moreover, the Group has deferred tax assets totalling Euros 8,226 thousand for R&D deductions, for which it may request a refund from the taxation authorities in future tax returns.

Deferred tax liabilities essentially relate to the accelerated depreciation for tax purposes of certain fixed assets and the inclusion of the assets and liabilities of REDALTA and INALTA, the companies absorbed by REC in 2006. In 2020, deferred tax liabilities due to accelerated depreciation/amortisation as provided for in the 11th additional provision of Royal Legislative Decree 4/2004, and the 34th transitional provision of Income Tax Law 27/2014, amounted to Euros 415,377 thousand (Euros 433,881 thousand in 2019).

The notes to REC's annual accounts for 2006 contain disclosures on the merger by absorption of REDALTA and INALTA, as required by article 86 of Law 27/2014. The notes to the 2008 annual accounts include disclosures on REC's contribution to REE of the branch of activities encompassing the duties of the system operator, transmission network manager and transmission agent of the Spanish electricity system.

The notes to the annual accounts of REC and REINTEL for 2015 also include the disclosures stipulated in article 86 of Law 27/2014 regarding the spin-off of the telecommunications services business from REI to REINTEL, while the notes to the annual accounts of REC and REI for 2015 contain the disclosures regarding the non-monetary contribution of shares in REN.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period has elapsed.

Therefore, in general, Group companies in Spain have open to inspection by the taxation authorities all main applicable taxes since 2017, except income tax, which is open to inspection since 2016. However, this period may be different for Group companies that are subject to other tax legislation.

In Spain, the Group has certain tax proceedings ongoing in respect of income tax for 2011 to 2016, which are currently being heard either at economic-administrative level or in court proceedings. The Company considers that its conduct was lawful based on reasonable interpretations of the applicable legislation, and does not expect that any penalties will be imposed or that any significant tax liabilities will arise for the Group.

In addition, in 2020 the tax group applied for rectification of the instalments for 2016 to 2020. The Constitutional Court ruled that Royal Decree-Law 2/2016, which approved an amendment to the instalment calculation method, among other measures, was unconstitutional.

At the end of 2020, the taxation authorities resolved the request and refunded the late payment interest related to the instalments for 2016 and 2017. The resolution delivered with respect to the remaining years has been appealed (see note 24.e).

On an international level, at the 2020 reporting date the tax proceedings entailing the review of income tax in Peru for 2009 to 2011 have concluded, finding in favour of the Group's interests.

As a result of the HISPASAT acquisition, the Group has open tax proceedings in Brazil relating to ICMS (Brazilian tax on the circulation of goods and services), as well as other taxes, mainly of an indirect nature. These proceedings stem from inspection assessments, which the Group companies have appealed. Moreover, the Group has specific guarantees to cover this contingency (see note 16.)

With effect from 1 January 2021, Law 11/2020 setting the General State Budgets has introduced a limit of 95% on the exemption of dividends and capital gains arising from Spanish and foreign subsidiaries. This change has entailed the recognition of a deferred tax liability in 2020 amounting to Euros 804 thousand.

Due to the different possible interpretations of tax legislation, additional tax liabilities could arise as a result of future inspections, which cannot be objectively quantified at present. Nevertheless, any additional liabilities that could eventually arise in the event of inspection are not expected to significantly affect the Company's future results.

24 Income and Expenses

a) Revenue

Details of this item in 2020 and 2019, by geographical area, are as follows:

Thousands of Euros	2020	2019
Domestic market	1,860,663	1,919,266
International market	125,088	87,974
a) European Union	21,951	20,050
a.1) Eurozone	21,951	20,050
b) Other countries	103,137	67,924
Total	**1,985,751**	**2,007,240**

Domestic market primarily includes transmission and system operation services rendered, essentially reflecting the regulated revenue (see note 3) for electricity transmission and electricity system operation services. The remuneration for these services is set by the CNMC through Circulars that determine the methods and parameters for calculating the remuneration of the transmission activity based on the costs necessary to construct, operate and maintain the technical electricity facilities, and the remuneration for the system operator, pursuant to the powers bestowed upon this Commission by Royal Decree-Law 1/2019 (see note 3.a).

International market in 2020 and 2019 primarily includes revenue from reinsurance services, presented under European Union; and revenue from the rendering of transmission services in the Peruvian and Chilean companies, and satellite telecommunications services mainly in Brazil, presented under other countries.

b) Other operating income

At 31 December 2020 and 2019 other operating income mostly includes insurance payouts for accidents and breakdowns covered by the policies arranged and other non-trading income of the Group.

c) Supplies and other operating expenses

Details of these items in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019 (*)
Supplies	27,307	34,503
Other operating expenses	316,870	316,410
Total	**344,177**	**350,913**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6). Other operating expenses have been reduced by Euros 1,239 thousand.

Supplies and other operating expenses mainly comprise repair and maintenance costs incurred at facilities as well as IT, advisory, lease and other service costs.

d) Personnel expenses

Details of this item in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Salaries, wages and other remuneration	135,451	123,016
Social security	29,762	27,627
Contributions to pension funds and similar obligations	2,375	2,201
Other items and employee benefits	8,327	7,286
Total	**175,915**	**160,130**

Salaries, wages and other remuneration include employee remuneration, termination benefits and the accrual of deferred remuneration. This item also includes the remuneration of the Company's board of directors.

The Group companies have capitalised personnel expenses (see notes 7 and 8) totalling Euros 42,904 thousand at 31 December 2020 (Euros 40,150 thousand at 31 December 2019).

The Group has not applied for any furlough schemes ("ERTEs" per the Spanish acronym) or carried out any dismissals or personnel restructuring as a result of the COVID-19 crisis. Moreover, it has not changed any employee remuneration policies due to the crisis.

- **Workforce**

The average headcount of the Group in 2020 and 2019, distributed by professional category, is as follows:

	2020	2019
Management team	152	137
Senior technicians and middle management	627	568
Technicians	740	641
Specialist and administrative staff	522	511
Total	**2,041**	**1,857**

The distribution of the Group's employees at 31 December, by gender and category, is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Management team	101	49	150	101	47	148
Senior technicians and middle management	435	220	655	399	200	599
Technicians	579	146	725	616	158	774
Specialist and administrative staff	390	131	521	408	127	535
Total	**1,505**	**546**	**2,051**	**1,524**	**532**	**2,056**

The average number of employees with a disability rating of 33% or higher in 2020 and 2019, distributed by gender and category, is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Management team	-	-	-	-	-	-
Senior technicians and middle management	3	2	5	3	2	5
Technicians	10	1	11	11	1	12
Specialist and administrative staff	3	1	4	1	1	2
Total	**16**	**4**	**20**	**15**	**4**	**19**

At 31 December 2020 the Parent's board of directors, which is not included in the employees of the Group, comprises 12 members (12 members in 2019), of which 6 are men and 6 are women (7 men and 5 women in 2019).

e) Finance income and costs

Finance income mainly comprises the dividends received on the Group's 5% interest in REN, amounting to Euros 5,704 thousand (Euros 5,704 thousand in 2019).

In 2020 this item also includes finance income of Euros 3,977 thousand arising from late payment interest relating to tax instalments settled in prior years, Euros 2,918 thousand (Euros 3,433 thousand in 2019) arising on the investments in the EIGs (see notes 19 and 23), and Euros 759 thousand of finance income (Euros 1,439 thousand in 2019) on the loans extended to TEN (see note 24), as well as income accrued on fixed-term deposits.

Finance costs basically reflect those incurred on loans and borrowings, net of any amounts capitalised, and on bonds and other marketable securities for an amount of Euros 141,101 thousand (see note 19) (Euros 153,670 thousand in 2019).

Capitalised borrowing costs (see notes 7 and 8) totalled Euros 7,488 thousand in 2020 (Euros 7,742 thousand in 2019).

f) Extraordinary expenses resulting from the COVID-19 crisis

The Group has spent an additional Euros 5 million, approximately, as a result of the pandemic triggered by COVID-19, mainly on donations and the acquisition of personal protective equipment, as well as for additional cleaning of workplaces.

25 Transactions with Equity-accounted Investees and Related Parties

a) Balances and transactions with equity-accounted investees

These balances and transactions reflect operations carried out with TEN and Hisdesat. All transactions have been carried out at market prices. The main transactions carried out by Group companies with TEN and Hisdesat in 2020 and 2019 were as follows:

	2020				2019			
	Balances		Transactions		Balances		Transactions	
	Receivables	Payables	Expenses	Revenue	Receivables	Payables	Expenses	Revenue
Transmisora Eléctrica del Norte S.A. (TEN)	17,706	12	(91)	777	25,321	294	(568)	1,439
Hisdesat Servicios Estratégicos, S.A.	540	40	-	1,594	-	-	-	298
Total	**18,246**	**52**	**(91)**	**2,371**	**25,321**	**294**	**(568)**	**1,737**

b) Transactions with related parties

Related party transactions are carried out under normal market conditions. Details are as follows:

	2020		
Thousands of Euros	**Directors and management**	**Other related parties**	**Total**
Expenses and income:			
Leases	-	4	4
Other expenses		87	87
Expenses	-	**91**	**91**
Services rendered	-	1,612	1,612
Finance income	-	759	759
Revenue	-	**2,371**	**2,371**
Other transactions:			
Financing agreements, loans and capital contributions (lender)		17,457	17,457
Other transactions	**-**	**17,457**	**17,457**

Thousands of Euros	2019		
	Directors and management	Other related parties	Total
Expenses and income:			
Leases	-	83	83
Other expenses		485	485
Expenses	-	**568**	**568**
Services rendered	-	374	374
Finance income	-	1,364	1,364
Revenue	-	**1,738**	**1,738**
Other transactions:			
Financing agreements, loans and capital contributions (lender)	123	24,677	24,800
Other transactions	**123**	**24,677**	**24,800**

Transactions with other related parties comprise those with TEN and Hisdesat described in section a) of this note. The balance under financing agreements, loans and capital contributions (lender) at 31 December 2020 and 2019 (see note 19) reflects the amount receivable in respect of the credit facility extended to TEN. The maximum amount drawn down on this facility in 2020 was Euros 28,474 thousand (maximum drawdown of Euros 25,236 thousand in 2019).

There were no transactions with directors and management in 2020. Transactions with these parties in 2019 are detailed in note 27.

26 Remuneration of the Board of Directors

At the proposal of the board of directors and in accordance with the articles of association, the annual report on the remuneration of directors, which includes the remuneration of the board of directors for 2020, was approved by the shareholders at their general meeting on 14 May 2020.

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 2019.

The chairwoman receives fixed annual remuneration in respect of the non-executive chairwoman 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. In 2020 both remuneration components are under the same terms as in 2019.

At its meeting held on 28 January 2020, the board of directors took note of the irrevocable resignation tendered by Mr. Jordi Sevilla Segura from his position as a director, and therefore as non-executive chairman of the board of directors and of the Company.

Further, in its meeting held on 25 February 2020 the board of directors approved, inter alia, the appointment of Ms. Beatriz Corredor Sierra as a director of the Company, in the category of “other external directors”, until the next general shareholders' meeting, and her appointment as non-executive chairwoman of the board of directors and of the Company.

Subsequently, at their general meeting held on 14 May 2020, the shareholders ratified the appointment of Ms. Beatriz Corredor Sierra as a director of the Company.

As regards Mr. Jordi Sevilla Segura, in accordance with his contract approved by the board of directors on 31 July 2018, he has not received any termination benefit as a result of the end of his legal and labour relations with the Company as chairman of the board of directors and of the Company.

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 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'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.

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 due to dismissal by the Parent or changes of control.

As regards the CEO, at its meeting held on 27 May 2019, the board of directors adopted, among others, the following agreements:

- To dismiss Mr. Juan Francisco Lasala Bernad as CEO and to accept his resignation from the position of executive director of the Company.
- To appoint Mr. Roberto García Merino as executive director and, subsequently, as CEO of the Company, until the following general shareholders' meeting.

At their general meeting held on 14 May 2020, the shareholders ratified the appointment of Mr. Roberto García Merino as executive director of the Company.

In line with market practices in such cases, as a result of the appointment of the new CEO, the 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 Red Eléctrica de España, S.A.U. up to the date he was appointed CEO (15 years), plus the period in which he rendered services – if any – following his termination as CEO, would be taken into consideration, in accordance with employment legislation in force. Both the economic regime and the suspension of the employment relationship of the new CEO are in line with those applied to the previous CEO. Following the corporatisation carried out in 2020, this obligation was taken on by Red Eléctrica Corporación, S.A.

In line with standard market practices, Mr. Juan Francisco Lasala Bernad was entitled to a settlement in respect of his labour relations and an indemnity as CEO equal to one year's salary in the event that labour relations were terminated due to dismissal by the Parent or changes of control. The amount associated with his termination as CEO, which included the indemnity paid, was settled when his relationship with the Company was terminated.

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 2020.

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 in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Total remuneration of the board of directors	2,463	2,505
Directors' remuneration in respect of executive duties [1]	743	784
Total	**3,206**	**3,289**

[1] Includes annual fixed and variable remuneration accrued during the year and does not include the indemnity amounting to Euros 818 thousand for the termination of the CEO in 2019.

The decrease in total remuneration of the board of directors with respect to the prior year is primarily because during a certain period in 2020 there was no chair of the board.

The year-on-year decrease in directors' remuneration in respect of executive duties is because the amount accrued for the position of executive director was lower in 2020 than in 2019.

A breakdown of remuneration by type of director at 31 December 2020 and 2019 is as follows:

Thousands of Euros	2020	2019
Executive directors	890	931
External proprietary directors	525	525
External independent directors	1,285	1,287
Other external directors	506	546
Total remuneration	**3,206**	**3,289**

The remuneration accrued by individual members of the Company's board of directors in 2020 and 2019, by components and director, is as follows:

Thousands of Euros	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Committee work	Chair of committee/board and coordinating independent director	Other remuneration (7)	Total 2020	Total 2019 (8)
Ms. Beatriz Corredor Sierra [1]	449	-	15	-	-	-	464	-
Mr. Roberto García Merino	481	263	16	-	-	130	890	531
Mr. Jordi Sevilla Segura [2]	40	-	2	-	-	-	42	546
Ms. Carmen Gómez de Barreda Tous de Monsalve	131	-	16	28	30	-	205	205
Ms. María José García Beato	131	-	16	28	-	-	175	175
Ms. Socorro Fernández Larrea	131	-	16	28	15	-	190	187
Mr. Antonio Gómez Ciria	131	-	16	28	14	-	189	190
Mr. Arsenio Fernández de Mesa y Díaz del Río	131	-	16	28	-	-	175	175
Mr. Alberto Francisco Carbajo Josa	131	-	16	28	-	-	175	175
Ms. Mercedes Real Rodrigálvarez [3]	131	-	16	28	-	-	175	175
Ms. María Teresa Costa Campi	131	-	16	28	-	-	175	175
Mr. Antonio Gómez Expósito [4]	129	-	16	27	-	-	172	175
Mr. José Juan Ruiz Gómez	131	-	16	28	1	-	176	137
Mr. Ricardo García Herrera [5]	3	-	-	-	-	-	3	-
Other board members [6]	-	-	-	-	-	-	-	443
Total remuneration accrued	**2,281**	**263**	**193**	**279**	**60**	**130**	**3,206**	**3,289**

(1) New director since the board meeting held on 25 February 2020.
(2) Stepped down from the board of directors at the board meeting held on 28 January 2020.
(3) Amounts received by Sociedad Estatal de Participaciones Industriales (SEPI).
(4) Stepped down from the board of directors at the board meeting held on 22 December 2020.
(5) New director since the board meeting held on 22 December 2020.
(6) Board members who stepped down from the board in 2019.
(7) Includes the employee benefits that form part of the CEO's remuneration.
(8) Does not include the indemnity for the termination of the CEO in 2019.

In addition to the foregoing, on 31 December 2019 the directors' remuneration scheme for 2014-2019, which encompassed the CEO, drew to a close. The amount paid to the CEO under this plan, for his duties as CEO from 27 May 2019, was Euros 59 thousand.

At the end of 2020, the board of directors began the process of updating the current 2018-2022 Strategic Plan. This enabled it to approve, in November 2020, the structure of the new Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification, the objectives of which are linked to the objectives set out in the Group's new Strategic Plan. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

At 31 December 2020 and 2019 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 31 December 2020 and 2019 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 328 thousand, inclusive of tax, in 2020 (Euros 142 thousand at 31 December 2019). 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 2020 and 2019 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.

27 Remuneration of Senior Management

In 2020 total remuneration accrued by senior management personnel amounted to Euros 662 thousand (Euros 664 thousand in 2019) and is recognised as personnel expenses in the consolidated income statement. 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 year.

The senior management personnel who have rendered services for the Group during 2020 and 2019 are as follows:

Name	Position
Eva Pagán Díaz	General Manager of Transmission
Miguel Duvison García	General Manager of Operations

Euros 15 thousand of the total remuneration accrued by these senior managers consisted of contributions to life insurance and pension plans (Euros 14 thousand in 2019).

No advances or loans have been extended to these senior managers at 31 December 2020. The outstanding balance on loans granted to these senior managers at 31 December 2019 is Euros 123 thousand and they are subject to the same terms and conditions as loans granted to personnel under the collective bargaining agreement. The equivalent interest rate applicable to these loans is 0.7%.

On 31 December the directors' remuneration plan for 2014-2019 drew to a close. The amount paid to the senior management personnel included in this plan was Euros 665 thousand.

At the end of 2020, the board of directors began the process of updating the current 2018-2022 Strategic Plan. This enabled it to approve, in November 2020, the structure of the new Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification, the objectives of which are linked to the objectives set out in the Group's new Strategic Plan. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

The contracts in place with serving senior management personnel do not include guarantee or golden parachute clauses, in the event of dismissal. In the event the employment relationship were terminated, the indemnity to which senior management personnel would be entitled would be calculated in accordance with applicable legislation. The contracts for these executives have been approved by the Appointments and Remuneration Committee and the board of directors has received notice thereof.

Senior management personnel who rendered services in the Group as at 31 December 2020 are included in the Structural Management Plan implemented by the Company in 2015.

At 31 December 2020 and 2019 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 328 thousand, inclusive of tax, in 2020 (Euros 142 thousand in 2019). 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.

28 Segment Reporting

The Red Eléctrica Group 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 31 December 2020, 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 REE. To this end, it manages the electricity transmission network infrastructure that connects the power plants to the consumer distribution points. As transmission network manager, REE 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, REE 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.

- **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 31 December 2020, in Peru, Chile and Brazil specifically.

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

  The telecommunications segment comprises the operation of satellite infrastructure 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 lease and concession of fibre optics, the lease of sites, maintenance of telecommunications and other 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, as well as the provision of satellite capacity and telecommunications services in the wholesale satellite internet services market.

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.

HISPASAT is only included in the telecommunications segment from October 2019 onwards, the date on which control thereof was assumed.

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

Business segments at 31 December 2020

(Thousands of Euros)	Management and operation of domestic electricity infrastructure	Management and operation of domestic electricity infrastructure	Telecommunications (fibre optics and satellites)	Other, corporate and adjustments	Total
Revenue	1,668,263	50,926	292,306	(25,744)	1,985,751
External customers	1,661,902	50,591	249,768	23,491	1,985,751
Inter-segment revenue	6,361	335	42,538	(49,234)	-
Investments in equity-accounted associates (similar activity)	-	25,311	2,669	-	27,980
Depreciation and amortisation	(385,385)	(16,522)	(143,615)	(2,663)	(548,184)
Impairment and gains/(losses) on disposal of fixed assets	164	534	(122,273)	(0)	(121,575)
Results from operating activities	**915,474**	**45,592**	**(38,307)**	**6,248**	**929,007**
Interest income	3,398	8,488	1,215	2,914	16,014
Interest expense	(100,502)	(23,305)	(10,309)	503	(133,613)
Income tax	(205,646)	(2,005)	19,299	(6,399)	(194,751)
Profit/(loss) of the Parent after tax	**612,779**	**27,954**	**(22,705)**	**3,157**	**621,185**
Segment assets	**9,686,711**	**1,172,871**	**1,790,691**	**193,817**	**12,844,089**
Equity-accounted investees	-	456,075	63,237	(0)	519,312
Segment liabilities	**7,539,289**	**669,242**	**1,187,439**	**(43,835)**	**9,352,136**

Business segments at 31 December 2019

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of domestic electricity infrastructure	Telecommunications (fibre optics)*	Other, corporate and adjustments	Total*
Revenue	1,806,997	51,640	175,417	(26,814)	2,007,240
External customers	1,799,904	51,310	134,548	21,478	2,007,240
Inter-segment revenue	7,093	331	40,869	(48,292)	-
Investments in equity-accounted associates (similar activity)	-	7,606	-	-	7,606
Depreciation and amortisation	(463,670)	(11,551)	(52,230)	1,542	(525,910)
Results from operating activities	**967,974**	**24,744**	**83,309**	**7,540**	**1,082,213**
Interest income	97	8,081	1,215	3,424	12,817
Interest expense	(119,701)	(23,399)	(6,945)	7,334	(144,846)
Investments in equity-accounted associates	-	-	1,369	-	1,369
Income tax	(211,453)	(885)	(11,657)	(4,600)	(235,840)
Profit/(loss) of the Parent after tax	**636,921**	**8,101**	**56,106**	**13,624**	**714,752**
Segment assets	**9,679,797**	**895,299**	**483,034**	**86,294**	**12,655,205**
Equity-accounted investees	-	199,026	60,568	-	259,594
Segment liabilities	**7,637,115**	**685,965**	**246,684**	**(385,961)**	**9,070,049**

(*) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6).

Details of revenue and non-current assets, by geographical area, are as follows:

Thousands of Euros

Revenue	**2020**	**2019**
Spain	1,860,663	1,919,266
Other	125,089	87,974
Total	**1,985,751**	**2,007,240**

Thousands of Euros

Fixed assets (*)	**2020**	**2019****
Spain	9,737,164	9,904,965
Other	989,545	766,251
Total	**10,726,709**	**10,671,216**

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

(**) Figures restated as a result of the recognition of the Hispasat business combination, effective 3 October 2019 (see notes 2.f and 6).

29 Interests in Joint Arrangements

The Group (through REE) and Réseau de Transport d'Électricité (RTE), the French transmission system operator, each hold a 50% investment in the INELFE joint arrangement, which has its registered office in Paris. Its statutory activity is the study and execution of interconnections between Spain and France that will increase the electricity exchange capacity between the two countries. Decisions are taken with the unanimous consent of the parties. RTE and REE both have rights to the assets and obligations for the liabilities of INELFE. The joint arrangement has therefore been classified as a joint operation. The Group recognises the assets, including its interest in the jointly controlled assets, and the liabilities, including its share of the liabilities that have been incurred jointly in INELFE, in its consolidated annual accounts (see note 2 d).

The Group has an interest in a joint arrangement through Red Eléctrica Chile S.P.A., which holds a 50% stake in the Chilean company TEN, alongside Engie Energía Chile, S.A. (E.C.L. S.A.). The Group has classified this joint arrangement as a joint venture, inasmuch as the parties have rights to the net assets (see note 11).

In 2020, the Group also has a stake – through Red Eléctrica Brasil Holding Ltda., which holds a 50% interest alongside Grupo Energía Bogotá S.A E.S.P. – in the Brazilian company Argo Energia Emprendimientos y Participaciones S.A. (Argo), which in turn owns Argo Transmisión de Energia S.A. ("Argo I"), Argo II Transmisión de Energia S.A. ("Argo II") and Argo III Transmisión de Energia S.A. ("Argo III"). The Group has likewise classified this joint arrangement as a joint venture, inasmuch as the parties have rights to the net assets (see note 11).

Due to the existence of contractual arrangements under which decisions on relevant activities require the unanimous consent of both parties, the Group has joint control of several "UTEs" (Unión Temporal de Empresas – a form of temporary business association). The Group has classified the investments as joint operations because the parties have rights to the assets and obligations for the liabilities. The UTE has been formed to provide dark fibre services, with an availability guarantee, between the Balearic Islands and the Mediterranean Coast of the Spanish mainland.

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

The Company, together with REE, has jointly and severally guaranteed the private issue in the United States of bonds totalling US Dollars 250 million (US Dollars 430 million in 2019) carried out by the Group company RBV, and REF's Eurobonds programme for an amount of up to Euros 5,000 million at 31 December 2020 (Euros 5,000 million at 31 December 2019). At 31 December 2020, Eurobonds issued under this programme total Euros 3,090 million (Euros 2,940 million in 2019).

Furthermore, at 31 December 2020 and 2019 the Company and REE have jointly and severally guaranteed the promissory notes issued under the Euro Commercial Paper Programme (ECP Programme) by REF for an amount of up to Euros 1,000 million. At 31 December 2020 no amounts have been drawn down under this programme (Euros 215,096 thousand at 31 December 2019).

On 19 February 2015, REDESUR, TESUR and Scotia Sociedad Titulizadora S.A. created a securitisation trust to hold the REDESUR-TESUR trust assets, in order to back the obligations arising from the bond issues amounting to US Dollars 87 million at 31 December 2020 (US Dollars 91 million at 31 December 2019).

At 31 December 2020 the Group has extended bank guarantees to third parties in relation to its normal business operations, amounting to Euros 212,019 thousand (Euros 233,830 thousand in 2019).

31 Environmental Information

In 2020 Group companies incurred ordinary expenses of Euros 23,702 thousand in protecting and improving the environment (Euros 26,149 thousand in 2019), essentially due to the implementation of environmental initiatives aimed at protecting biodiversity, fire prevention, landscape integration, climate change, and prevention of pollution.

In 2020 a total of Euros 5,448 thousand (Euros 3,217 thousand in 2019) was spent on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).

The Group companies are not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. The Group companies received no significant environment-related grants in 2020 or 2019.

32 Other Information

The main auditor of the accounts of the Group companies is KPMG. The total fees accrued for audit services rendered to the Group companies in 2020 amounted to Euros 657.5 thousand (Euros 562.9 thousand in 2019).

Details of the contractual fees for services provided to the Red Eléctrica Group by the audit firm KPMG Auditores, S.L. in the years ended 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Audit services	362.8	319.5
Other assurance services	122.5	69.5
Other services	72.9	30.9
Total	**558.2**	**419.9**

The amounts detailed in the above table include the total fees for services rendered in 2020 and 2019, irrespective of the date of invoice.

Audit services include the fees for the audit of the individual and consolidated annual accounts of Red Eléctrica Corporación and of certain Group companies.

Other assurance services primarily include the limited review of the Group's consolidated interim financial statements, assurance services related to the issuance of comfort letters, and the reasonable assurance audit report on the effectiveness of the Group's ICOFR under ISAE 3000.

Other services include translations and agreed-upon procedures performed for certain Group companies.

Details of the contractual fees for services provided to the Red Eléctrica Group by other entities affiliated with KPMG in the years ended 31 December 2020 and 2019, both in Spain and abroad, are as follows:

Thousands of Euros	2020	2019
Audit services	289.8	238.5
Other services	24.2	40.0
Total	**314.0**	**278.5**

Details of the contractual fees for audit services provided to the Group by PwC for the audit of INELFE in the years ended 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Audit services	4.9	4.9
Total	**4.9**	**4.9**

In addition, the auditors of the equity-accounted investees are KPMG in the case of HISDESAT and ARGO, and EY with regard to TEN.

33 Earnings per Share

Details of earnings per share in 2020 and 2019 are as follows:

	2020	2019
Net profit (thousands of Euros)	621,185	718,040
Number of shares	541,080,000	541,080,000
Average number of own shares	2,239,931	1,558,846
Basic earnings per share (Euros)	1.15	1.33
Diluted earnings per share (Euros)	1.15	1.33

At 31 December 2020 and 2019 the Group has not conducted any operations that would result in any difference between basic earnings per share and diluted earnings per share.

34 Share-based Payments

Details of share-based payments for management and employees at 31 December 2020 and 2019 are as follows:

	2020			2019		
	Number of shares	Average price (Euros)	Amount in thousands of Euros	Number of shares	Average price (Euros)	Amount in thousands of Euros
Senior management personnel	1,456	16.480	24	1,390	17.255	24
Employees	272,641	16.480	4,493	240,829	17.255	4,156
Total	**274,097**	**16.480**	**4,517**	**242,219**	**17.255**	**4,179**

These shares have been valued at the listed price on the delivery date. All shares delivered were approved by the Parent's shareholders at the general meeting, and the related costs incurred have been recognised under personnel expenses in the consolidated income statement.

35 Events after 31 December 2019

No significant events have occurred between the reporting date and the date on which these consolidated annual accounts were authorised for issue.

Appendix I: Details of equity investments at 31 December 2020 and 2019

Red Eléctrica Group

Details of equity investments at 31 December 2020 and 2019

- Company - Registered office - Principal activity	2020 Percentage ownership (1)		2019 Percentage ownership (1)	
	Direct	Indirect	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. (REE) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, operation of the Spanish electricity system and management of the transmission network.	100%	-	100%	-
Red Eléctrica Internacional, S.A.U. (REI) - 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%	-	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.	100%	-	100%	-
Red Eléctrica Infraestructuras en Canarias, S.A.U (REINCAN) - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria. (Spain). - Construction of energy storage facilities in non-mainland and isolated systems.	100%	-	100%	-
Red Eléctrica de España Finance, B.V. (RBV) - Hoogoorddreef 15. Amsterdam (Netherlands). - Financing activities. Incorporated in 2003 in the Netherlands for the purpose of issuing debt to finance the Red Eléctrica Group.	100%	-	100%	-
Red Eléctrica Financiaciones, S.A.U. (REF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-	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%	-	100%	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	-	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%	-	100%	-
Red Eléctrica Andina, S.A.C. (REA) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Rendering of line and substation maintenance services.	-	100%(a)	-	100%(a)

- Company - Registered office - Principal activity	2020		2019	
	Percentage ownership (1)		Percentage ownership (1)	
	Direct	Indirect	Direct	Indirect
Red Eléctrica del Sur, S.A. (REDESUR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)	-	100%(a)
Transmisora Eléctrica del Sur , S.A.C. (TESUR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 2 , S.A.C. (TESUR 2) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 3 , S.A.C. (TESUR 3) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 4 , S.A.C. (TESUR 4) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(j)	-	100%(j)
Red Eléctrica del Norte Perú, S.A.C. (REDELNOR) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)	-	100%(a)
Concesionaria Línea de Transmisión CCNCM, S.A.C. (CCNCM) -Av. Javier Prado Este Of. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(d)	-	100%(d)
Red Eléctrica Chile S.P.A. (RECH) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Acquisition, holding, management and administration of securities.	-	100%(a)	-	100%(a)
Red Eléctrica del Norte S.A. (REDENOR) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	69.9%(e)	-	69.9%(e)
Red Eléctrica del Norte 2 S.A. (REDENOR 2) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(e)	-	100%(e)
Red Eléctrica Brasil Holding Ltda. (REB) -Calle Libero Badaró, 293. Sao Paulo. (Brazil) - Acquisition, holding, management and administration of securities.		100%(a)	-	-
HISPASAT S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of HISPASAT. 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)(2)	-	89.68%(f)(2)
Hispasat Canarias, S.L.U. -Calle Pacticante Ignacio Rodriguez s/n Edificio Polivalente IV. Las Palmas de Gran Canaria (Spain) - Sale and lease of satellites and spatial capacity.	-	89.68%(g)(2)	-	89.68%(g)(2)

- Company

- Registered office - Principal activity	2020		2019	
	Percentage ownership (1)		Percentage ownership (1)	
	Direct	Indirect	Direct	Indirect
Hispasat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	89.68%(g)(2)	-	89.68%(g)
Hispamar Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	72.60% (h)(2)	-	72.60%
Hispamar Exterior, S.L.U. - Paseo de la Castellana 39, 28046 Madrid (Spain). - Commercialisation of satellite capacity.	-	72.60%(i)(2)	-	72.60%(i)
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)(2)	-	89.68%(g)(2)
Consultek Inc. - 1036 Country Club Drive, Suite 202, Moraga, CA 94556. (United States of America) - Technical consultancy services	-	89.68%(g)(2)	-	89.68%(g)(2)
Hispamar Satélites, S.A. (Venezuela) - Torre Phelps, piso 10 ofic. 10, Caracas (Venezuela) - Commercialisation and rendering of satellite telecommunications services	-	72.60%(i)(2)	-	72.60%(i)
Hispasat UK, LTD. 30 Finsbury Square, London. (England) - Commercialisation and rendering of satellite telecommunications services	-	89.68%(g)(2)	-	89.68%(g)
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)	-	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)	-	50%(e)
Hisdesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid (Spain) - Commercialisation of spatial systems for government use.	-	38.56%(g)(2)	-	38.56%(g)
Grupo de Navegación Sistemas y Servicios, S.L. - Calle Isaac Newton 1, Madrid (Spain) - Operation of satellite systems	-	12.82%(g)(2)	-	12.82%(g)

- Company - Registered office - Principal activity	2020		2019	
	Percentage ownership (1)		Percentage ownership (1)	
	Direct	Indirect	Direct	Indirect
Argo Energía Emprendimientos y Participaciones S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (k)	-	50% (k)
Argo Transmisión 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	-	50% (l)	-	50% (l)
Argo II Transmisión 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	-	50% (l)	-	50% (l)
Argo III Transmisión 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)	-	50% (l)

(1) Equivalent to voting rights.
(2) 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 y Participaciones S.A.

Consolidated Directors' Report

2020

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

Contents

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.

1 Position of the entity

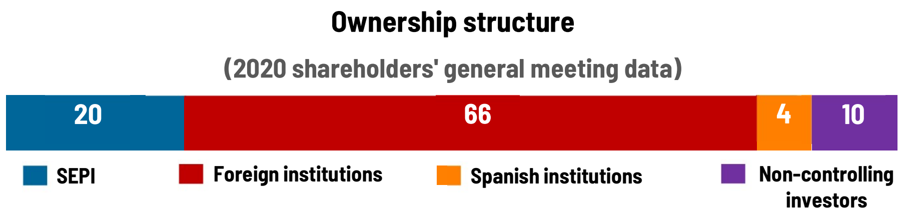
1.1 Organisational structure

Corporate bodies

The board of directors and the shareholders are responsible for governing and managing the Red Eléctrica Group and its Parent, Red Eléctrica Corporación, S.A. (hereinafter REC).

The shareholders' general meeting is governed by the articles of association and the general meeting regulations, in accordance with the Spanish Companies Act.

The ownership structure at the date of the 2020 shareholders' ordinary general meeting was as follows:



The Company has three board committees, namely: the Sustainability Committee, the Audit Committee and the Appointments and Remuneration Committee. These three essentially technical committees created by the board of directors to support it in its duties are designed to enhance efficiency and transparency.

The structure, composition, roles and responsibilities of the committees (legal committees) are specified in articles 22 to 24 of the articles of association and are implemented in articles 14 to 18 TER of the regulations of the board of directors. Both sets of corporate regulations have been fully brought into line with the latest reforms of the Spanish Companies Act, the Good Governance Code of Listed Companies and the most up-to-date international practices and recommendations on committee composition and committee member independence and qualifications. At the board meeting held on 19 February 2019, the directors approved an amendment to the regulations of the board of directors through the restructuring of the board committees, specifically by creating a new Sustainability Committee and updating the duties of the other two board committees, i.e. the Audit Committee and the Appointments and Remuneration Committee. Among other amendments, the responsibilities of this latter committee were reinforced by creating a new relationship framework between the board of directors and the working environment of the Group companies, while the general oversight function to be carried out by the Audit Committee, in coordination with the specific oversight duties assigned individually to the other board committees within the scope of their respective responsibilities, was revised.

Furthermore, at its meeting held on 30 April 2019, the Company's board of directors approved a further amendment to the regulations of the board of directors, essentially with a view to reinforcing the role of the Company's board of directors as the supervisor and guarantor of the functional independence of the electricity system operator – a role that has been legally attributed to Red Eléctrica de España, S.A.U. as regards the assignments and responsibilities required by current legislation.

At its meeting held on 31 March 2020, the board of directors approved a voluntary amendment to the regulations of the board with a view, amongst other aspects, to making the pertinent adaptations pursuant to Law 11/2018 of 28 December 2018 on non-financial and diversity information, updating the duties (enterprise-wide in some cases) of the board and its committees in terms of sustainability, with the formal and material scope agreed by the three board committees, and reinforcing the mechanisms for coordination between these three committees.

At 31 December 2020 the board of directors of REC has 12 members.

At its meeting held on 28 January 2020, the board of directors took note of the resignation tendered that same day by Mr. Jordi Sevilla Segura from his position as a director of Red Eléctrica Corporación, S.A., in the category of "other external directors", and therefore as non-executive chairman of the Company's board of directors.

At that same meeting the board of directors set in motion the Contingency Plan to replace the chairman, whereby:

- The coordinating independent director assumed the management of the board of directors and temporarily chaired the board meetings, and the CEO, in addition to his own duties, took on the management and representation of the Company vis-à-vis the government and the state administration. The CEO was also tasked with conveying information to the media, investors and shareholders.
- The chair of the Audit Committee temporarily assumed the oversight of the internal audit and risk control functions.
- The process to appoint a new chairman/woman was set in motion. This person was to be appointed by the board of directors, convened by the coordinating independent director, on the basis of a favourable report received from the Appointments and Remuneration Committee.

At its meeting on 25 February 2020, the board of directors appointed Ms. Beatriz Corredor Sierra as a director of Red Eléctrica Corporación, S.A. in the category of "other external directors", at the proposal of the Appointments and Remuneration Committee, in order to cover the vacancy on the board of directors until the first shareholders' general meeting.

Pursuant to article 21 of its articles of association and article 9 of the board of directors regulations, and on the basis of a favourable report received from the Appointments and Remuneration Committee, the board appointed Ms. Beatriz Corredor Sierra as chairwoman of the board of directors and non-executive chairwoman of the Company.

On 28 April 2020, the board of directors also agreed to re-appoint independent director Mr. Arsenio Fernández de Mesa y Díaz del Río as member of the Audit Committee for a term of three years.

At their general meeting on 14 May 2020 the shareholders adopted the following agreements regarding appointments to the board of directors:

- Ratification of the appointment of Ms. Beatriz Corredor Sierra as a director of Red Eléctrica Corporación, S.A. in the category of "other external directors", as agreed by the board of directors at their meeting held on 25 February 2020, thus appointing her as a director in the "other external directors" category for a term of four years as established in the articles of association and as per the requirements of article 529 decies of the Spanish Companies Act.
- Ratification of the appointment of Mr. Roberto García Merino as executive director of Red Eléctrica Corporación, S.A. as agreed by the board of directors at their meeting held on 27 May 2019, thus appointing him as executive director for a term of four years as established in the articles of association and as per the requirements of article 529 decies of the Spanish Companies Act.
- Re-appointment of Ms. Carmen Gómez de Barreda Tous de Monsalve, at the proposal of the Appointments and Remuneration Committee, as an independent director of Red Eléctrica Corporación, S.A. for a term of four years as established in the articles of association and as per the requirements of article 529 decies of the Spanish Companies Act.

At its meeting held on 26 May 2020, the board of directors agreed to accept the resignation tendered by Mr. Rafael García de Diego Barber as secretary of the board of directors of Red Eléctrica Corporación S.A. and to appoint in his place Mr. Carlos Mendez-Trelles García.

At its meeting held on 27 October 2020, the board agreed to re-appoint independent director Mr. Antonio Gómez Ciria to the Audit Committee for a term of three years.

Subsequently, at its meeting held on 24 November 2020, the board of directors agreed to appoint independent director Ms. Carmen Gómez de Barreda Tous de Monsalve to the Audit Committee for a term of three years and to remove her from the Sustainability Committee; to appoint independent director Ms. María José García Beato to the Appointments and Remuneration Committee for a term of three years and to remove her from the Audit Committee; and to appoint independent director Mr. José Juan Ruiz Gómez to the Sustainability Committee for a term of three years and to remove him from the Appointments and Remuneration Committee. Later that same day, the Sustainability Committee and the Audit Committee both convened to agree the appointment of independent directors Mr. José Juan Ruiz Gómez and Ms. Carmen Gómez de Barreda Tous de Monsalve as chairman and chairwoman of the Sustainability Committee and Audit Committee, respectively, both for a term of three years, as established in the articles of association and the regulations of the board of directors.

Lastly, at its meeting held on 22 December 2020, the board agreed to appoint Mr. Ricardo García Herrera as a proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI) in order to cover the vacancy on the board of directors until the first shareholders' general meeting, following the resignation tendered by Mr. Antonio Gómez Expósito, who stepped down as a proprietary director representing SEPI, pursuant to the proposal made by SEPI itself and the report issued by the Appointments and Remuneration Committee.

The composition of the board committees at 31 December 2020 was as follows:

- Sustainability Committee:
  - José Juan Ruiz Gómez (chairman)
  - María Teresa Costa Campi (proprietary director)
  - Alberto Francisco Carbajo Josa (independent director)
- Audit Committee:
  - Carmen Gómez de Barreda Tous de Monsalve (chairwoman)
  - Antonio Gómez Ciria (independent director)
  - Arsenio Fernández de Mesa y Díaz del Río (independent director)
  - Mercedes Real Rodrigálvarez (proprietary director)
- Appointments and Remuneration Committee:
  - Socorro Fernández Larrea (chairwoman)
  - María José García Beato (independent director)
  - Vacant proprietary director position at 31 December 2020 (on 26 January 2021, the board of directors agreed to appoint proprietary director Mr. Ricardo García Herrera to the Appointments and Remuneration Committee for a term of three years to cover the above-mentioned vacant position)

The composition and powers of the board of directors and the various committees are as follows:

BOARD OF DIRECTORS

58.33% independent directors

50% women (54.54% external directors)

Segregation of the positions of Chair of the Board of Directors and CEO

Coordinating independent director

MAIN REMIT

Approval of the general strategies and policies of both the Company and the Group.

Group and Company risk control.

Authorisation for issue of the annual accounts and presentation thereof to the shareholders at their general meeting.

Annual assessment of the quality and efficiency of the Board and functioning of its Committees.

AUDIT COMMITTEE

75% independent members

25% proprietary members

50% women

Chair:

Independent

director

Powers relating to:

The process to prepare the Company's and the Group's financial-economic and non-financial information.

The effectiveness of the internal control and risk management systems.

External auditor independence.

Compliance with legal provisions and internal regulations on aspects within its remit.

Company shareholders.

APPOINTMENTS AND REMUNERATION COMMITTEE

66.7% independent members

33.3% proprietary members

100% women (*)

Chair:
Independent director

Powers relating to:

Appointments and dismissals of directors and certain members of management.

The remuneration policy for directors.

Directors' compliance with their duties.

Management of the process of assessing the board and its committees.

The diversity report.

SUSTAINABILITY COMMITTEE

66.7% independent members

33.3% proprietary members

33.3% women

Chair: independent director

Powers relating to:

Ethical leadership, compliance with the Group's sustainability policy, the 2030 Sustainability Commitment, the sustainability policy and its relationship with the Strategic Plan, the Group's Annual Report on Ethical Management and oversight of compliance with the Code of Ethics.

(*) At 31 December 2020, the Appointments and Remuneration Committee included two women, as well as a vacant position for an external proprietary director.

In view of the commitment undertaken by the Company chairman at the shareholders' general meeting held in April 2012, and considering international best practice in the field of corporate governance, at the extraordinary meeting held on 17 July 2015, called specifically for this purpose, the board of directors of Red Eléctrica Corporación, S.A. (REC) submitted for the approval of the shareholders a proposal to segregate the positions of chair of the board of directors and chief executive of the Company, and to appoint an executive director. The two motions were passed, with votes in favour from 99% of the shareholders, compared to the required quorum of 58%. At its meeting held on 28 July 2015, the board of directors appointed the new executive director as CEO of the Company.

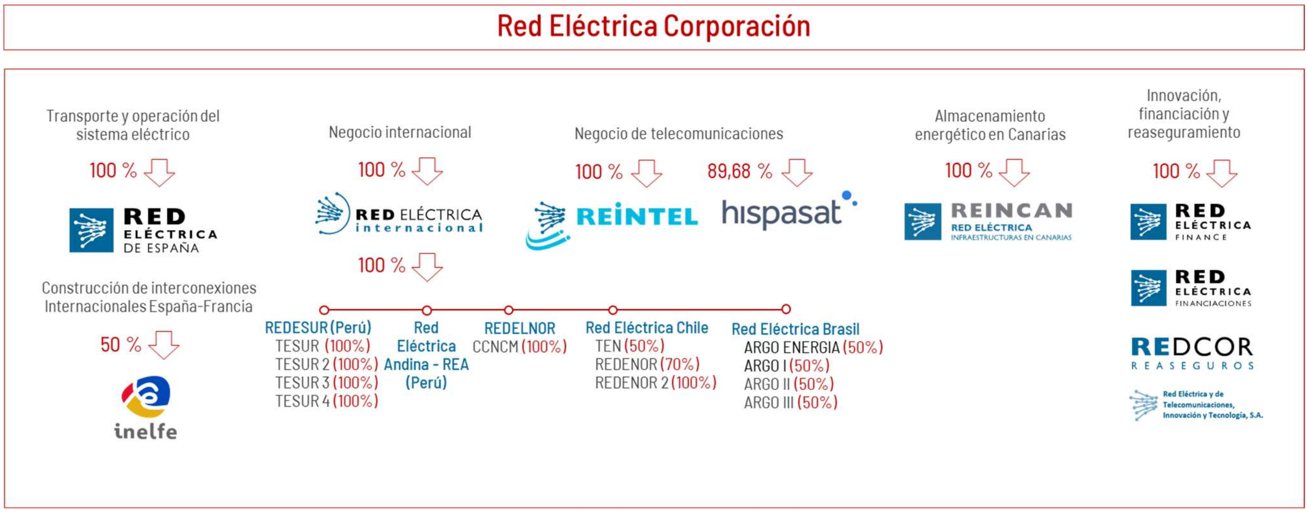
Since 2016, following the specified transition period, the position of chair of the board of directors has only had the responsibilities inherent in that position.

Moreover, the position of coordinating independent director created in 2013 has been maintained, since the shareholders and proxy advisors consider that this position embodies an efficient corporate governance practice through the responsibilities attributed to it.

The Annual Corporate Governance Report, which is attached hereto, contains detailed information regarding the composition and operation of the governing bodies of the Parent.

Composition of the Red Eléctrica Group

The structure of the Group at 31 December 2020 is as follows:



1.2 Activities and business performance

The Group carries out activities both in Spain and abroad. Most notably, its principal activities comprise the management and operation of electricity infrastructure in Spain, Peru, Chile and Brazil, and the rendering of telecommunications services (fibre optics and satellites) to third parties.

Management and operation of domestic electricity infrastructure

The mission of REE, as transmission agent and system operator for the Spanish electricity system, is that of guaranteeing the security and continuity of the electricity supply at all times and managing high voltage electricity transmission. To this end, it oversees and coordinates the generation and transmission 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.

The Group has executed its Investment Plan in Spain, entailing investments in the transmission network, as per the 2015-2020 Planning.

A new remuneration model for the 2020-2025 regulatory period was approved in 2019.

Investments in transmission network facilities in 2020 totalled Euros 383.1 million and were basically to address security of supply issues, to resolve technical restrictions, to execute specific projects for international interconnections and inter-island submarine connections, to supply the high-speed rail system and to provide access for the evacuation of wind power.

During the year, approximately 116 km of new lines came into service, bringing the total transmission network in terms of domestic electricity infrastructure to 44,468 km. Transformation capacity was also increased by 1,080 MVA to a total of 93,545 MVA.

In 2020 the most significant initiatives in terms of development of the transmission network, by major axes, were as follows:

- Mallorca - Menorca interconnection 2. 132 kV underground - submarine transmission line to interconnect the islands of Mallorca and Menorca and to integrate renewable energy. The entire axis entered service in 2020.

- Caparacena - Baza - Ribina Axis. The purpose of this axis is to facilitate the evacuation of energy from the ordinary regime, renewable sources, co-generation and waste, as well as to improve the transmission network mesh and support distribution in the province of Granada.
- Leones Axis The purpose of this axis is to bolster the 220 kV mesh in the area surrounding Zaragoza, to improve the stability of the electricity system and to guarantee distribution supply.
- North - East Axis. The purpose of this axis is to improve the evacuation of electricity from Asturias to supply Cantabria and the Basque Country. The initiatives in progress are the expansion of the Itxaso substation and the Güeñes - Itxaso line.
- Beniferri - La Eliana Axis. The purpose of this axis is to reduce the intensity of the short circuit current in Valencia and expand the network mesh, improving transmission efficiency and supporting supply for demand in adjacent nodes. Part of this axis entered service in 2020, specifically the expansion of the Beniferri substation.
- Oriol Axis. The purpose of this axis is to guarantee the electricity supply, support distribution, and resolve technical restrictions in Caceres. The axis is related to the Navalmoral - Badajoz high-speed rail line, which forms part of the connection envisaged between Madrid and Lisbon.
- Caletillas - El Rosario Axis. The purpose of this axis it to increase the security of supply and transmission network reliability in the Santa Cruz de Tenerife metropolitan area, as well as to make the transmission grid more robust and reduce its vulnerabilities to incidents.
- Lanzarote - Fuerteventura Interconnection. This axis involves the laying of a 132 kV underground-submarine transmission line to interconnect the islands of Lanzarote and Fuerteventura, thus strengthening the inter-island transmission grid.
- Lousame – Tibo – Mazaricos Axis. The purpose of this axis is to reinforce the network, evacuate electricity generated, and support distribution in the northeast of Galicia. Part of this axis entered service in 2019 (the Mazaricos and Lousame substations and the Lousame 220 kV input/output line). Construction of the Lousame-Mazaricos line continued in 2020.
- Tías – Playa Blanca Axis. The purpose of this axis is to guarantee electricity supply in the south of Lanzarote and to reinforce the connection with Fuerteventura. These measures, together with the 132 kV submarine cable interconnecting Lanzarote and Fuerteventura, will increase security of supply in the Lanzarote electricity system. Part of this axis came into service in 2020, specifically the Tías 132/66 kV substation and the associated Tías input/output line of the 66kV Mácher-Punta Grande line.

The most notable occurrences in 2020 in terms of **electricity system operation** were as follows:

Mainland system

- Mainland electricity demand closed the year at 236,525 GWh, down 5.1% on 2019, mainly due to the COVID-19 pandemic, which slowed down economic activity. This decline in some cases was by up to 20% with respect to equivalent periods in the previous year. Having corrected for the effect of working patterns and temperatures, demand attributable primarily to economic activity was also down by 5.1%.
- Maximum instantaneous power was recorded on Wednesday 22 January at 20:22 hours, at a rate of 40,423 MW. This is down 0.1% on the maximum for the prior year, and down 11.1% compared with the record 45,450 MW documented on 17 December 2007. Peak demand in terms of time was posted on 20 January (between 20:00 and 21:00 hours) at 39,997 MWh, 10.9% below the all-time high obtained in 2007.
- Installed capacity on the mainland has risen slightly compared to the prior year, ending 2020 at 105,224 MW, which is 229 MW more than at December 2019 (up 0.2%). In terms of additions, the increase was driven by the incorporation of solar photovoltaic and wind power to the system's installed capacity, with the former increasing by 30% with respect to the prior year, while the latter posted year-on-year growth of 5.4%. On the decommissioning side, there was a sharp drop in coal-fired installed capacity in the wake of the closure of various electrical generators that supplied a total of 3,723 MW. The capacity of other technologies either did not vary or changed only insignificantly.
- Hydropower capacity stood at 30,512 GWh at the end of December 2020, up 2.6% on the historical average and 17.4% higher than in 2019. Reserves of hydroelectric power represented a fill level of 50.8% of total capacity across all reservoirs at the end of 2020, compared with 51.0% in the prior year.

- In 2020, 23.3% of demand was met by nuclear technology (22.6% in 2019), 22.5% by wind power (21.5% in 2019), 16.0% by combined cycle generation (20.7% in 2019), 12.8% by hydroelectric power (10.0% in 2019) and 11.2% by cogeneration (12.0% in 2019). With a contribution of less than 10%, coal, solar technologies, other renewable sources, waste and pump-as-turbine jointly covered the remaining 14.2% of demand.
- Renewable energy's percentage contribution to total energy generation in the electricity system rose to 45.5% (38.9% in 2019).
- In absolute terms, renewable generation is up 13.1% on the prior year, essentially due to the 23.6% rise in hydropower output and the 68.2% growth in solar photovoltaic output.
- With respect to CO_2 emissions by the mainland electricity industry, the decline in nuclear, coal, cogeneration and waste-based generation and, conversely, the increase in generation from renewable sources, except solar thermal and renewable waste, place emission levels for 2020 at 29.5 million tonnes, down 27.9% on the 40.9 million tonnes recorded in 2019. 2020 was the year with the cleanest energy since Red Eléctrica de España's records began.
- Electricity exchanges through the mainland-Balearic Islands link resulted in a net balance of exports to the islands of 1,427 GWh (down 15.8% compared to 2019), covering 28.9% of their demand.
- International electricity exchanges resulted in a net import balance for the fifth year running, totalling 3,280 GWh in 2020.
- Exports amounted to 14,649 GWh (11,859 GWh in 2019) and imports totalled 17,097 GWh (18,721 GWh in 2019).

Non-mainland systems

- At the 2020 year end, total annual demand for electricity in non-mainland systems had declined by 13.7% vis-à-vis the prior year. Per individual system, demand declined by 19.2% in the Balearic Islands and by 10.5% in the Canary Islands, dropping by 3.3% in Ceuta and 1.4% in Melilla.
- The installed capacity of the non-mainland systems slid by 3.5%, due primarily to the closure of two coal-fired generators in the Balearic Islands, which led to a drop of 227 MW.

Pursuant to Law 17/2013 the Group, through REE, is tasked with developing hydroelectric pumping power plants in the Canary Islands, geared towards security of supply, system security and the integration of unmanageable renewable energies.

Red Eléctrica Infraestructuras en Canarias, S.A.U. (hereinafter REINCAN) is, in turn, the Red Eléctrica Group company responsible for executing the development of those hydroelectric pumping power plants in the Canary Islands.

The feedback received during the public consultation stage of the project submitted in 2019 (Modified Project I), primarily the request to bury the 220 kV DC line that evacuates power from the generating plant, led Red Eléctrica to present a new project for submission (Modified Project II).

Modified Project II was prepared during the first half of 2020, as was the new associated environmental impact study. They were both submitted on 13 July 2020 to set the administrative procedure in motion once again. The public information and consultation process was completed in the second half of 2020, with all objections and queries duly answered in a timely manner. The file was then submitted for assessment by the environmental authorities on 14 December with a view to obtaining the pertinent Environmental Impact Statement.

Major headway was also made as regards the requirements for goods and services. The tender process for the Seawater Desalination Plant ("EDAM" per the Spanish acronym) was launched and the consultation phase with bidders in now underway. Progress was also made on adapting the main contracts (equipment and civil engineering works) with a view to these being put out for tender in 2021.

With respect to the possible project to establish a hydroelectric pumping plant in Tenerife, work continued in 2020 to find a suitable location and on possible design configurations, to which end preliminary implementation and feasibility studies were carried out.

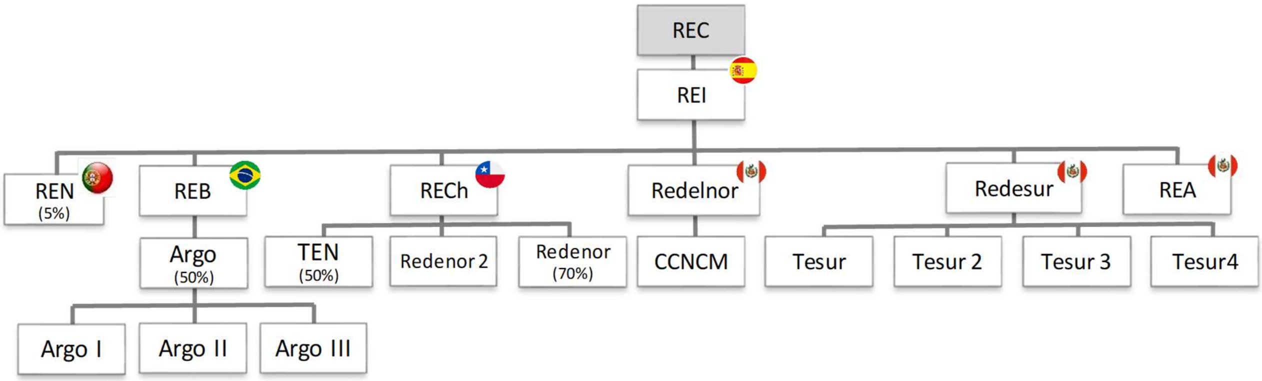
Management and operation of international electricity infrastructure

In addition to its principal activity as the transmission agent and system operator in Spain, the Red Eléctrica Group has been engaged for over 20 years now in other business as a way to create value for shareholders through expansion into the infrastructure management field and the provision of new services to the Group. This vision saw the Group expand internationally into Peru in 1999 and Portugal in 2007, through its ownership interest in Redes Energéticas Nacionais, SGPS, S.A. (hereinafter REN), before moving into the Chilean market in 2016 and Brazil in 2020.

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

The start-up of operations in Peru, Chile and, more recently, in Brazil is the outcome of an ongoing analysis of business opportunities, and meets the Group's criterion of undertaking investments in countries with a favourable economic situation and a stable regulatory framework that ensures an appropriate return on the investments.

Overall, the Group manages a network spanning more than 4,800 km in Peru, Chile and Brazil, of which 4,459 km are up and running at present.



Activity in Peru

The Group is the main transmission agent in the south of Peru, and through the acquisition of CCNCM in 2019 the Group now also has operations in the north of the country.

In 2020, the management excellence of REDESUR, TESUR, TESUR 2 and TESUR 3, which all manage electricity transmission infrastructure on a commercial operation basis, enabled them to offer an energy transmission service with maximum availability, while supporting development in their operating environment.

During 2020, 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 99.735% in REDESUR, 99.865% in TESUR, 100% in TESUR 2, 99.757% in TESUR 3 and 99.916% in CCNCM.

TESUR 3, the concession holder for the 220 kV Montalvo-Los Héroes transmission line in southern Peru, successfully completed its project with commercial operations commencing in March 2020.

March 2020 also saw the expanded section of the Puno substation come into commercial service.

The project awarded in 2018 to TESUR 4 to design, build, operate and maintain the 220 kV Tintaya-Azángaro transmission line, as well as the extension of the Tintaya and Azángaro substations (both 220 kV), is progressing as planned.

REA, meanwhile, renders maintenance services for the concessions under operation, namely REDESUR, TESUR, TESUR 2, TESUR 3 and CCNCM. Furthermore, in 2020 this company completed all of the necessary tasks to develop and implement the special projects undertaken by REDESUR, and also engaged in work for TESUR 3 and TESUR 4. REA also carries out facilities maintenance and supervises works for other clients, strengthening its position in southern Peru as a leading provider of such services.

Activity in Chile

The transmission business in Chile comes under the umbrella of the parent company in that country, Red Eléctrica Chile (RECH). This company was incorporated by REI in 2015 and its principal activities comprise the acquisition, holding and management of the Group's equity investments in Chile, and the provision of commercial advisory, financial and business services to the Group's investees. RECH holds a 50% interest in Transmisora Eléctrica del

Norte (TEN), a 69.9% interest in Red Eléctrica del Norte (REDENOR) and 100% of Red Eléctrica del Norte 2 (REDENOR 2).

TEN constructed and operates the 500 kV Changos – Cumbre – Nueva Cardones axis, which forms part of the National Transmission System, as well as the 220 kV Mejillones – Changos dedicated line. Completion of the 500 kV axis enabled the creation of the National Transmission System in 2017, through the interconnection of the systems existing at that time, namely the Central Interconnected System ("SIC") and the Far North Interconnection System ("SING"). In 2020, TEN completed its third full year of commercial operation, and with a high availability factor for its facilities (99.70%), on a par with prior years' availability.

REDENOR has continued its construction of the transmission facilities in northern Chile, awarded in 2017. In 2020 the first stage of the project entered service (Nuevo Pozo Almonte 220 kV substation, Stage 1 of the project). At the 2020 year end the availability of the facilities stood at 100%. REDENOR has also forged ahead with Stage 2 of the project, which involves the construction of 258 km of 220 kV power lines to the Pozo Almonte, Cóndores and Parinacota substations, which is scheduled for completion in 2022.

REDENOR2 has continued with commercial operation of the facilities in 2020, reaching an availability of 99.90%. It is also immersed in the extension works of its facilities encompassed in the Transmission System Expansion Plan, entailing the construction of the new Centinela 220 kV substation.

Activity in Brazil

On 25 March 2020, Red Eléctrica, through its subsidiary Red Eléctrica Brasil (REB), and Grupo Energía Bogotá (GEB) acquired 50% of the Brazilian holding company Argo, which in turn owns the Argo I, Argo II and Argo III concessions. This acquisition enabled Red Eléctrica to kick off operations in Brazil where it jointly manages, with GEB, three 30-year concessions encompassing high-voltage power lines (500 kV and 230 kV) spanning a total of 1,430 km and 11 electricity substations.

Argo I operates 1,110 km of 500 kV power lines and five substations in the northeast of Brazil. It constitutes 80% of Argo's revenues and has been in service since the end of 2019. The availability of the Transmission System in 2020 stands at 99.34%.

Argo II is executing a project to expand a substation that is currently under construction in the State of Minas Gerais.

Argo III operates 320 km of 230 kV power lines and three substations in the State of Rondonia (the facilities came into commercial service between the end of May and mid-July 2020 and represent 87% of revenues; it has a Transmission System availability in 2020 of 98.79%). The expansion of a further two substations in this Brazilian State is currently under construction.

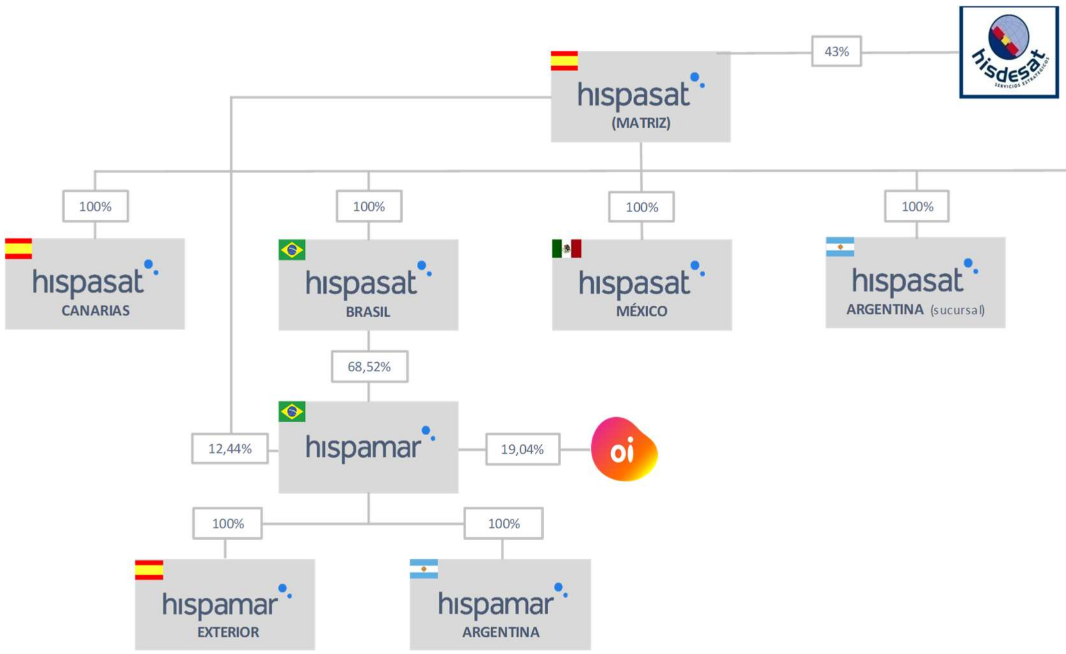
Telecommunications

Satellite business

On 3 October 2019, once the conditions precedent for the contract signed on 12 February 2019 had been met, Red Eléctrica Sistemas de Telecomunicaciones, S.A. (RESTEL) acquired 89.68% of the shares of the HISPASAT Subgroup (hereinafter HISPASAT). The other HISPASAT shareholders are SEPI, with a 7.41% interest, and the CDTI, which holds 2.91%.

HISPASAT is the leading satellite infrastructure operator in Spain and Portugal by volume of business, and also ranks as the fourth operator in Latin America and the eighth operator worldwide. It is the leading distributor of content in Spanish and Portuguese.

HISPASAT's principal activity consists of leasing spatial capacity and providing broadband managed services, through the operation and commercial exploitation of its fleet of satellites in orbit and the related ground segment. These activities are conducted through the Subgroup's parent, HISPASAT, S.A., which operates and commercialises the Subgroup's satellites that are not located in orbit over Brazilian territory, and through Hispasat Canarias, S.L., Sociedad Unipersonal, Hispamar Satélites, S.A., Hispamar Exterior, S.L., Sociedad Unipersonal, and Hispasat México, S.A. de C.V., which jointly operate and commercialise the satellites that are in orbit over Brazilian territory. The corporate structure of HISPASAT is as follows:



HISPASAT has a corporate presence in five countries: Spain, Brazil, Mexico, Argentina and Colombia.

Last year (2020) was full of challenges for the satellite communication market. The sizeable supply of capacity, coupled with the expansive roll-out of terrestrial networks (fibre and 4G) in certain regions, have continued to put downward pressure on spatial capacity prices. Likewise, the emergence of the COVID-19 pandemic has impacted demand, especially in the second half of the year. The pandemic has not only primarily affected the mobility market due to the drastic decline in travel, but also other market segments, such as government-backed connectivity projects (whose roll-outs have been hit by significant delays) and DTH and audiovisual activities due to the reduced number of sporting fixtures and cultural events.

Moreover, 2020 also saw the consolidation of certain trends that had already surfaced in the market, such as the verticalisation of certain satellite operators, which are increasingly taking on the role of service providers in some segments and/or geographical areas. This trend also affected HISPASAT. In addition to pressing ahead with the development of value-added solutions and services, it has also positioned itself as a provider of turnkey solutions, especially in the mobile backhaul segment for telcos, netting a major contract in Mexico to connect over 700 base stations with a data consumption rate in excess of 4 Gbps.

In view of the situation triggered by the COVID-19 pandemic, the transformation process in which the satellite sector is immersed, the renegotiation of prices and contract cancellations, the evolution of government projects and the worsening US Dollar and Brazilian Reais forex environment, HISPASAT embarked upon a strategic rethink, which led to the approval of a new 2021-2025 Strategic Plan at the end of 2020. The new strategy aims to reposition HISPASAT and shift it from an infrastructure operator to a provider of satellite services.

Fibre optics business

The Group's telecommunications business primarily operates in Spain, doing so through the subsidiary Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter REINTEL).

REINTEL is the Group company responsible for operating telecommunications networks and rendering telecommunications services to third parties.

REINTEL is a neutral provider of telecommunications infrastructure. Its principal activity is leasing dark fibre and associated infrastructure. REINTEL also provides maintenance services for fibre optic cables and telecommunications equipment. At present, the company operates a fibre optic network in excess of 50,600 km rolled out over the electricity transmission grid and the railway network, guaranteeing transparent access on equal terms to its customers and to telecommunications sector players.

REINTEL has been awarded, for a period of 20 years until November 2034, the rights to use and operate the fibre optic network not used for railway services, and the related infrastructure, owned by Adif-Alta Velocidad.

2 Business performance

2.1 Key financial indicators

Revenues in 2020 stood at Euros 1,985.8 million, which reflects the decline in transmission income in Spain following the application of new remuneration parameters. This effect was partially offset by greater revenues from the operation of the system in Spain given the entry into force of Circular 4/2019, and the increase in telecommunications activity, thanks to the incorporation of HISPASAT, which contributed Euros 155 million during the year.

EBITDA totalled Euros 1,568.5 million, down by 1.0% on the figure for 2019. This amount includes Euros 118.8 million contributed by HISPASAT. EBITDA also includes the results of ownership interests held in investees, such as the 50% held in electricity transmission companies TEN (Chile) and Argo (Brazil), in a total amount of Euros 25.3 million.

Operating expenses were as follows:

- Supplies and other operating expenses amounted to Euros 344.2 million, down 1.9% on the previous year despite including the expenses of Euros 25 million corresponding to HISPASAT. The figure for 2019 only included the expenses of this company for the last quarter.
- The year-end headcount was 2,051 employees, down 5 on the 2019 year end and including 199 HISPASAT workers. The average headcount was 2,041 employees, up 184 on 2019, which reflects the Group's incorporation of HISPASAT in its figures for the entire year.

  Personnel expenses are therefore up 9.9% on the prior year. This growth would have been 1.9% were it not for HISPASAT-related expenses.

EBIT amounted to Euros 929.0 million, down 14.2% on 2019. This decline is largely due to the impairment of HISPASAT assets amounting to Euros 122.3 million. EBIT would have dropped by 2.9% were it not for this impact.

The net finance cost amounted to Euros 123.0 million, an improvement of Euros 9.9 million compared with the prior year. The average gross financial debt totalled Euros 6,953 million, up by Euros 1,017 million on the previous year; this increase in debt was offset by lower average borrowing costs, which slid from 2.29% in 2019 to 1.74% in 2020.

Lastly, profit for the year totalled Euros 621.2 million, down 13.1% on the same period of the previous year. In recurring terms, net profit would have stood at Euros 703.0 million, i.e. down 1.8% on 2019, had it not been for the HISPASAT-related impairment provision. The tax rate stood at 24.2%.

Operating cash flows after tax stood at Euros 1,232.2 million, reflecting a decline of 2.1% with respect to the prior year. The 15.2% drop in profit before tax was largely offset by the 23.0% rise in depreciation and amortisation, impairment and other adjustments.

Working capital at 31 December 2020 stood at Euros 173.5 million, in stark contrast to the negative figure of Euros 211.6 million in the prior year. This rise in working capital is mainly due to the positive changes recorded in amounts collected from electricity system payments.

The Group's investments during the year amounted to Euros 895.0 million. Euros 383.1 million of this amount were used to develop the national transmission network. Moreover, Euros 417.5 million were channelled into developing the international electricity transmission business, of which Euros 374.3 million went to the acquisition of a 50% interest in the Brazilian business Argo. Lastly, Euros 60.1 million were channelled into the development of the telecommunications business, Euros 16.8 million to operation of the system and the rest to other projects, including most notably the Euros 4.1 million invested by Elewit, the Group's technology subsidiary.

Dividends paid with a charge to the prior year's profit totalled Euros 566.8 million, equivalent to Euros 1.0519 per share.

Net financial debt stood at Euros 6,113.3 million at 31 December, up 1.2% on the Euros 6,038.1 million at the 2019 year end.

At 31 December 2020, all of the Group's financial debt is non-current. In terms of interest, 82% of the Group's debt is fixed-rate and the remaining 18% is variable-rate.

In 2020, the average cost of the Group's financial debt was 1.74%, compared to 2.29% in the prior year. Average gross debt was Euros 6,953 million, compared with Euros 5,936 million in the previous year.

At 31 December 2020, the Red Eléctrica Group's equity stood at Euros 3,487.2 million.

Financial indicators (millions of Euros)	2020	2019 (*)	Δ%
Revenue	1,985.8	2,007.2	-1.1%
EBITDA	1,568.5	1,583.7	-1.0%
EBIT	929.0	1,082.2	-14.2%
Net profit	621.2	714.8	-13.1%
ROE (post-tax profit/Equity)	17.8%	19.9%	-10.6%
Cash flows from operating activities	1,380.4	1,045.2	32.1%
Dividends paid	566.8	530.8	7.0%
Equity	3,492.0	3,585.2	-2.6%
Gearing (Net financial debt / Net financial debt+Equity)	63.6%	62.7%	1.4%
Total assets	12,844.1	12,655.2	1.5%
Debt service coverage ratio (Net debt / EBITDA)	3.90	3.81	2.5%

(*) Figures restated as a result of the recognition of the HISPASAT business combination, effective 3 October 2019.

3 Liquidity and capital

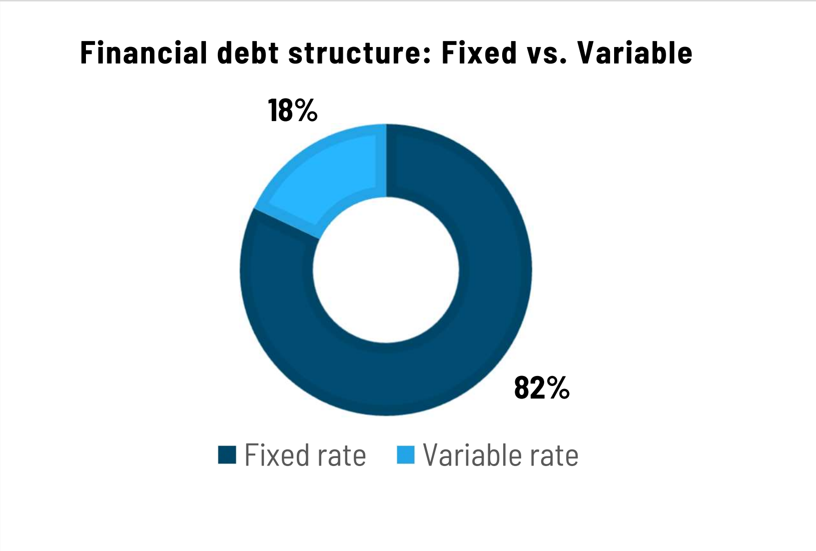
The Group's liquidity policy has been designed to ensure payment obligations are met, by diversifying how financing requirements are covered and when debt matures.

The Group's robust liquidity position allows for prudent liquidity risk management. This position is essentially based on cash flow generation, primarily through regulated activities; appropriate management of collection and payment periods; and the financial capacity obtained through short- and long-term credit facilities.

At 31 December 2020 the undrawn balance on credit facilities amounts to Euros 1,930 million and cash surpluses of Euros 482 million are available.

The average maturity of the debt drawn down at the end of the year is 5.3 years.

The Group's financial strategy has aimed to reflect the nature of its businesses, at all times adhering to the legislation in force. The activities conducted by the Group are very capital-intensive, wherein a major portion of investments mature over extensive periods. In addition, these assets are remunerated over long periods of time, meaning that financial debt is primarily long-term and fixed-rate. The Group's strategic commitment to long-term, enterprise-wide sustainability is also present in its responsible and transparent management style, which promotes sustainable sources of financing.



The Group's capital structure policy ensures a financial structure that optimises the cost of capital through a sound financial position, which balances the generation of value for shareholders with competitive costs of financing.

Capital is periodically monitored through the gearing ratio, which in 2020 stood at 63.7%, compared to 62.7% in 2019. This ratio is calculated as net financial debt divided by equity plus net financial debt.

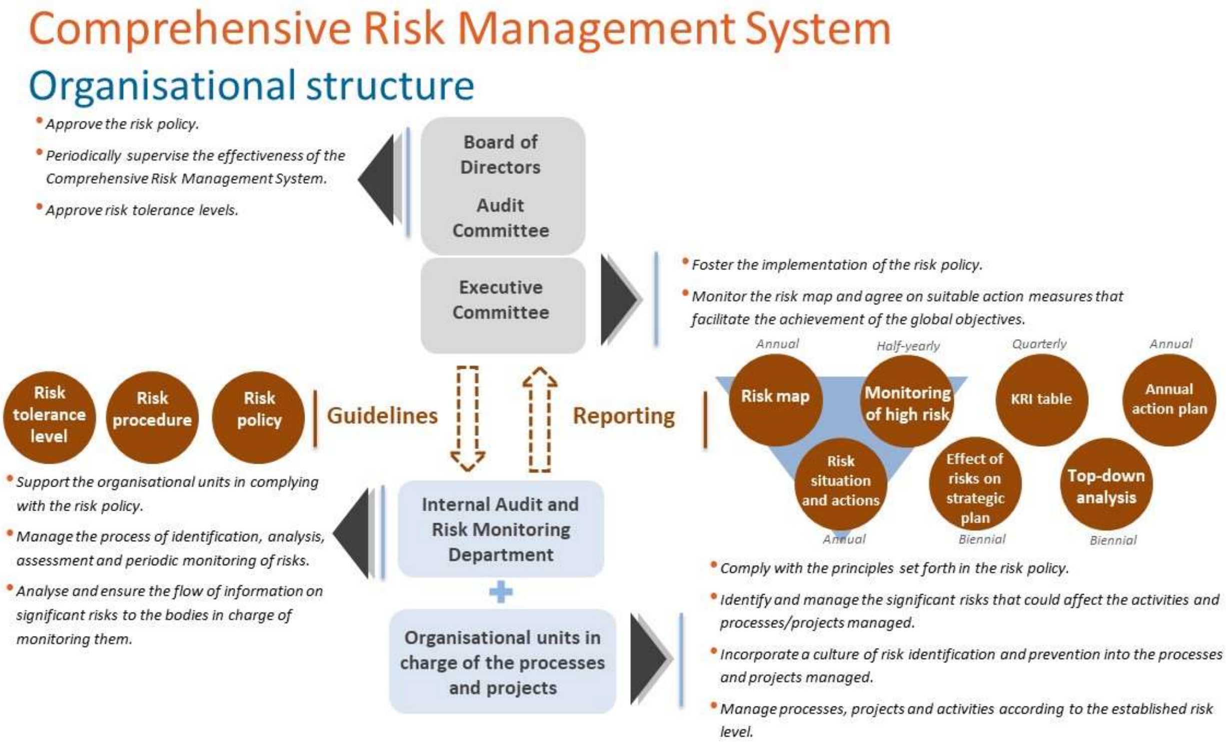
To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

4 Risk management

The Group has implemented a Comprehensive Risk Management System, which aims to ensure that any risks that might affect its 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. The Comprehensive Risk Management Policy was approved by the board of directors of the Parent company of the Group. This Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the COSO ERM 2017 (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management – Integrated Framework.

The risk management system is implemented in accordance with ISO 31000 on risk management principles and guidelines, which is comprehensive and ongoing in nature. Risk management is also strengthened at the business unit, subsidiary, support area and corporate level.

The comprehensive risk management and control policy and procedure define the various duties of the governing bodies and those of each organisational unit, as well as the information flow and activities to be performed, as per the following flowchart:



The types of risk to which the Group is exposed as regards the achievement of its strategies and objectives can be classified as follows:

a) Strategic

- Risks related to the regulatory framework in which the Group operates.
- Business risks associated with the business context itself or with decisions of a strategic nature.

- Risks related to sustainability and good governance.

b) Operational

- Risks associated with planned assets and/or those in progress.
- Risks associated with assets currently in service.
- Risks related to information systems.
- Risks related to personnel and the organisation thereof.
- Compliance risks.

c) Financial

- Market risk.
- Risks related to the solvency of the Company.
- Counterparty risk.
- Assurance risks.

The Corporate Risk Map depicts the Group's most significant risks and is prepared applying a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by Directors, General Managers and Corporate Directors, until their final presentation to the Chair of the Group, the Executive Committee, the Audit Committee and the Board of Directors.

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

The Comprehensive Risk Management Policy includes the policy for controlling and managing tax risks. It also covers financial risk management, as detailed in the note to the consolidated annual accounts on the Financial Risk Management Policy.

The Company's Sustainability Report provides further details of the Group's main risks at present, as well as risks which could emerge in the future.

Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Red Eléctrica Group has taken various steps to adapt the management of climate change risks and opportunities to the TCFD recommendations. In addition to reviewing the governance criteria, the Group has a specific methodology to prioritise these criteria and quantify their economic impact, which was implemented by taking into account different scenarios.

Governance

Significant risks relating to climate change have been included in the Corporate Risk Map, adopting the governance model described above. Moreover, the information on climate change risks and opportunities has been passed on to the Sustainability Committee for supervision, in collaboration with the Audit Committee, as part of its oversight role over the comprehensive risk control system. The Sustainability Committee also supervises the corporate responsibility and climate change policies in order to integrate the results of the climate change risks and opportunities analysis into the Group's decision-making.

The Group's strategic plans reflect the climate change strategy, considering the risks and opportunities identified, detailing the lines of action, setting out the objectives and defining high-level responsibilities.

Based on the strategic guidelines, the business areas will establish specific climate change initiatives within their operational plans with a view to keeping the exposure to these risks below acceptable levels. Such plans will include specific objectives and responsibilities.

Identification and quantification of risks and opportunities

Climate change risks and opportunities comprise both physical risks and opportunities related to changes in climate variables (which could directly affect the facilities or impact the services rendered by the Group) and transition risks and opportunities (related to changes stemming from the fight against climate change: regulatory, technological, market and reputational).

The risks and opportunities have been identified and assessed considering different scenarios:

- For physical risks, AEMET's projections for the most important scenarios of the IPCC AR5 [1] (RCP 4.5 and RCP 8.5) have been considered.
- The regulatory and transition scenarios are based on the proposed National Integrated Energy and Climate Plan sent to the European Commission, having considered the trend scenario and the target scenario.

The transition risks and opportunities analysis focuses on the 2020-2030 horizon, while the physical risks and opportunities analysis focuses on a longer time frame (2030-2050-2070). The economic impact has been quantified for a period of ten years in both cases.

The risks and opportunities identified are assessed considering variables such as exposure, sensitivity and capacity to adapt. They can thus be prioritised based on their importance.

Significant risks and opportunities are scrutinised in order to quantify the Group's exposure based on economic variables and/or business indicators.

The process to identify and quantify risks and opportunities is reviewed and updated at least annually.

Conclusions: risks and opportunities

High-priority risks are as follows:

Physical:

- Impact of extreme events (wind) on outdoor facilities (power lines).
- Fires beneath the lines and near substations.

The economic impact of physical risks is reduced considerably by insurance policies. The estimated annual impact is no more than 2% of the Group's profit.

Transition:

- Stricter legal requirements related to the use of fluorinated gases (SF6).
- Claims due to limitations on renewable energy production and incidents that may affect the security of supply in the Canary Islands.
- Difficulties in bringing into service the necessary infrastructure for the energy transition (this risk is identified and analysed specifically for international interconnections).

The latter has been identified as the most significant climate change transition risk for the Group. In order to meet the objectives of the energy transition, the transmission network must be developed, mainly in respect of the evacuation and integration of renewable power generation. However, due to social aversion to this type of infrastructure and the long waits to obtain the necessary authorisations for its development, there could be difficulties in bringing the required facilities into service.

The annual economic impact estimated for these transition risks would be less than 2% of the Group's profit.

Meanwhile, energy transition policies provide huge opportunities for the Group, connected to the development of infrastructure to make the transition possible: integration of new renewable energy capacity, interconnections, high-speed trains and support for an increased electrification of society. Investment opportunities have been identified in the transmission network (lines and substations), storage and other technical solutions to address the energy transition challenges (protection systems, FACTS equipment, and other control and monitoring equipment).

[1] IPCC Fifth Assessment Report (2014) drawn up by scientists from various countries. RCP 4.5 is a target scenario and RCP 8.5 is a trend scenario contemplating greater changes in climate parameters.

To a lesser extent, the Group's improved performance in respect of mitigating and adapting to climate change could be a boon for its reputation, leading to better financing opportunities or higher stock prices.

5 Average supplier payment period. "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to annual accounts on average payment periods to suppliers in commercial transactions, the average supplier payment period in the case of Spanish Group companies was 45.9 days at the 2020 year end.

The disclosures required by this resolution are contained in note 22 to the Group's annual accounts for 2020.

6 Events after 31 December 2020

No significant events have occurred between the reporting date and the date on which these consolidated annual accounts were authorised for issue.

7 Outlook

As regards the management of the different businesses, the Group will continue to undertake its activities, implementing a model encompassing two major lines of action in equal proportion: operations subject to market risk which offset the concentration of regulatory risk, and regulated operations which offset market risk. To this end, the Group will: continue to develop the role of the Spanish TSO, helping to make the energy transition a reality in Spain; continue to foster connectivity as a leading operator of both fibre optic and satellite telecommunications infrastructure; consolidate its international business; and invest in technological acceleration and innovation.

Executing the strategy, underpinned by efficiency, digital transformation and personnel development, will enable the Group to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

The Group will uphold its commitment to maximising value for its shareholders, offering an attractive return in the form of dividends and generating value through efficient management of its activities, analysing alternatives for expanding its core business, maintaining a robust capital structure and working to guarantee supply with the utmost level of quality.

The Group will therefore continue to seek the generation of long-term value, creating lasting, competitive advantages and improving our corporate reputation, whilst focusing on providing optimum service to society – the differentiating feature of the Group's management.

Lastly, the Group will concentrate on unlocking shared value by working in collaboration with stakeholders and responding to growing societal demands.

The Group is determined to forge ahead with its fulfilment of the 2030 Sustainability Commitment and to leverage the contribution of all Group companies in order to meet the global targets, noteworthy among which are the United Nations Sustainable Development Goals (SDGs).

Outlook for the management and operation of domestic electricity infrastructure

The regulated activities of the TSO, aimed at making the energy transition in Spain a reality, are primarily sustained by the following lines of action:

- The integration of more renewable sources of energy generation in the electricity system, supporting the change to zero emission carriers and greater energy efficiency.
- Making the user the centre of the electricity system, providing new services for an increasingly demanding and discerning user in terms of data and information.
- Development of storage based on the management needs of the system in order to implement a more flexible electricity system.

- The digitalisation and roll-out of smart networks, committing to technology.
- A higher degree of interconnection, furthering integration with the European market and improving the functioning of non-mainland systems.

All of these challenges will require a significant level of investment in the transmission network in the coming years, with a considerable technological component, which will be rolled out in a new, stricter regulatory and remuneration environment

The Group will ensure its financial policy is in line with the new remuneration regime for transmission activities, which involves maintaining a suitable financial structure to safeguard the Group's financial solvency, its compliance with the ratios laid down by the Spanish National Markets and Competition Commission (CNMC) and its credit rating.

Outlook for the management and operation of international electricity infrastructure

The Group will continue to focus its international business activity on strengthening its outreach in countries where it has a presence, specifically Peru, Chile and Brazil, as a way to diversify business.

Moreover, as a way of expanding the core business, efforts will centre on executing projects or acquisitions that meet a number of geographical, strategic and financial criteria, so as to increase the Group's international presence.

Outlook for telecommunication activities

The satellite sector is currently undergoing transformation. The traditional business, based on the wholesale lease of satellite capacity, especially for video services, is now a highly mature segment. Most satellite operators are now shifting towards the provision of data transmission services, such as extending telecommunication networks or connectivity in the mobility sector, which offer better growth prospects. This shift in focus goes hand in hand with more vertical business models, where the provision of higher value-added services is proving to be the springboard strategy to harness the new growth trends in the market.

HISPASAT approved a new 2021-2025 Strategic Plan at the end of 2020. Aligned with the market forecast for the coming years, this plan is based on shifting HISPASAT's commercial activity away from the traditional business in an orderly and measured fashion, while gradually and simultaneously bringing on board a new focus and direction towards vertical business models with greater future growth potential. The lines of action laid down in the plan include the following:

- Protection of the core businesses, such as the provision of video distribution services, through steps designed to enhance efficiencies, strengthen relationships with key customers and extend the maturity period of satellite television.
- Positioning HISPASAT as the turn-to player on the Iberian Peninsula for the provision of connectivity services via satellite in residential and professional contexts, as well as for the provision of services to public authorities. This line of action implies a gradual verticalisation of HISPASAT across the value chain and the implementation of new integrated operational and business models capable of setting it apart from the competition.
- Investment in new satellite infrastructure to participate in the forecast growth in the air, maritime and land-based mobility market.
- Development of capacities for new nascent business niches, such as the Internet of Things in rural areas or the expansion of 5G connectivity.

Over the course of 2020, HISPASAT had to rise to the challenge posed by COVID-19, which impacted the provision of services via satellite, as it did other sectors of the economy, especially in the second half of the year.

In addition, the telecommunications activities carried out by REINTEL, as a provider of telecommunications infrastructure, will focus on the backbone fibre network market, specifically the lease of dark fibre in the infrastructure associated with telecommunications sector players. To this end, REINTEL will continue to implement its commercial plan and undertake the investments requested by customers, as well as broadening its portfolio of fibre products, in order to generate greater revenues.

Furthermore, REINTEL will keep making progress on interconnecting rail and electrical fibre networks with the aim of offering new solutions to customers, such as new redundant sources and access points, whilst continuing to uphold the high standard of service quality offered to its customers.

As regards innovation, RETIT will help the Group to capitalise on its commitment to innovative initiatives, entrepreneurship and technological development, which are the cornerstones of sustainability against a changing backdrop in both the energy and telco sectors.

Through RETIT, the Group will harness the potential of technology to further the Group's business and activity, as well as to explore new value-added business segments. Initiatives focused on new tech niches will be explored, such as cybersecurity, energy, AI and advanced analytics, industry X.0, the Internet of Thing (IoT), new communication technology and satellites, platforms and networks of the future, and any other potential technology detected by the Group while it is constantly scanning and interacting with the tech ecosystem.

RETIT will thus enable the Group to forge stronger ties with society, to increase the availability of its infrastructure, to enhance system security, to maximise the integration of renewables and the use of its assets, to improve the efficiency and sustainable management of its assets, and to improve the health and safety of people.

8 Innovation

Since its incorporation in 2019, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT) has strengthened its position, under the Elewit brand, as the Group's tech platform and transformation engine. Elewit fosters the transition of the energy and telecommunications sectors through innovation and technological development, as well as the conceptualisation, incubation and acceleration of tech-based initiatives, and by attracting and incorporating internal and external talent.

To meet its objectives, Elewit has deployed a number of capabilities, such as the Venture Client and Corporate Venture Capital (CVC) programmes, the creation of an ecosystem, the technology labs, a tech factory, its project management office and its team, all of which are designed to underscore the value offered by the Group's tech solutions.

- The Venture Client programmes establish mechanisms to contact, interact, identify and explore innovative business opportunities. In the current climate of innovation and change, the acceleration programmes for start-ups and investment in venture capital are pivotal tools to strengthen the presence and impact within the innovation and entrepreneurship ecosystem. Elewit launched the following programmes in 2020:

  - **1st Venture Client Programme:**

    The first accelerator programme concluded in June, the feedback from which has been very positive. The value proposal revolved around exploring a business idea with the Group in order to launch a pilot scheme.

    On the back of the first programme, six pilot projects were launched through four startups.

    - Sigma Rail - Track inspection and maintenance using computer vision.
    - Onirix - Digitalisation of engineering processes based on additional augmented reality data; and visualisation of electricity-related risks using augmented reality.
    - Neurodigital - Training on a local site that entails an electricity risk using virtual reality; and training on jobs carried out at height with the aid of virtual reality.
    - FlexiDAO - Visualisation of self-supply investor data <1MW.

  - **2nd Venture Client Programme**

    The call to participate in the 2nd Venture Client Programme was announced at the end of 2020. Over 120 startups in more than 10 countries that could potentially respond to the needs of the Group's business units were identified. Eight startups were selected to take part in the programme, exploring the proposed use cases and launching pilot projects with various business areas in 2021.

- **Corporate Venture Capital (CVC) to invest in tech-based venture capital funds or to acquire a stake in a tech startup, whose activity could potentially be used as a launchpad to explore new digital businesses that are a strategic fit for the energy and telco transition process**.

  The main activities performed by Elewit in this field in 2020 are as follows:

- ○ **Investment in funds**
  - ♦ Adara: a fund with over Euros 180 million in capital under management. Its activity is concentrated in Spain, Portugal, the UK, France and Ireland, especially in the fields of cybersecurity, cloud infrastructure, intensive data use solutions and applied AI.
  - ♦ Cardumen: a Spanish venture capital fund that specialises in investment in early-stage, B2B tech companies; its sights are mainly set on Israel and on the cornerstones of the digital transformation: AI, cybersecurity and Big Data.
- ○ **Direct investments**
  - ♦ Zeleros: investment aligned with the energy transition and the electrification of society, as it facilitates a comprehensive panorama of the new transport modes based on electric-powered mobility, the development of which will shape the needs and challenges for the operation and transmission of the electricity system. The activity of Zeleros is focused on the development of the Hyperloop. This terrestrial electric mode of transport is expected to reach speeds of up to 1,000 km/h, on low energy consumption, thanks to a combination of propulsion and levitation technology.
  - ♦ Countercraft**:** strategic investment for the RE Group from an innovation perspective, given its role as the operator of critical infrastructure. Countercraft is a cybersecurity company.
  - ♦ Nearby Computing**:** investment aligned with the Group's innovation strategy in the field of telecommunications. It involves fostering and supporting the development of connectivity, an area in which Edge Computing is shaping up as a key enabling technology. Nearby Computing is engaged in the deployment of IoT and 5G corporate solutions, offering processing power to users to improve their response times.

- **Creation of an ecosystem**

  The launch in July 2020 of the Elewit trading name (a portmanteau of "elevate" and "wit") has served to endorse the Group's footprint in the innovation ecosystem, increase awareness and visibility around the Group's innovation activity, and to provide greater clarity as regards its presence at the various innovation fora. Testament to this key positioning, Elewit held its first edition of the Innovation Sessions in December 2020.

  As part of the open innovation strategy, several agreements were finalised in 2020 with a view to driving innovation through cooperation with key players in the ecosystem, including:

Spain's BIDA Observatory	An observatory backed by AECA (the Spanish Accounting and Business Administration Association), alongside other Spanish companies and public and private institutions, to share experiences in the BIDA field (Big Data, AI and data analytics).
Startup OLÉ	Mentoring of projects designed to mitigate the effects of COVID-19 from an energy, sustainability and social impact perspective.
ENDEAVOR SPAIN	Collaborative effort aimed at driving awareness and dissemination of the Elewit mission.

- Tech labs to explore new technologies and provide over-arching support to initiatives.
- A technology factory to industrialise minimal viable products swiftly and to put into practice opportunities for the Group that stem from technological innovation.
- Project management office to plan and manage innovation projects and programmes.
- **Team to highlight the value of the technological solutions** resulting from the innovation process.

  Elewit commenced roll-out in 2020 of a joint marketing plan with IBM for the sale of an Advanced Asset Management Solution (SAGA per its Spanish acronym) to companies around the world.

A sample of the most significant projects carried out during the year is briefly described below:

- **5G Project:** the objective of the project is twofold. On the one hand, to gain experience in the installation of 5G systems, while analysing the possible impact of the electricity transmission grid environment on electronic and 5G equipment, and, on the other, to conduct a technical and economic analysis of the possibility of installing mobile/5G infrastructure on transmission pylons

- **The call for bids under RED.es's 5G National Plan banner**: initiative that seeks to develop and assess various use cases for 5G technology. Analysis will be undertaken to verify that electrical safeguards still function correctly if stretches of fibre optic cable were replaced with 5G links; functions within the electricity substation will be automated using SO2 and SF6 sensors, which aid the predictive maintenance of transmission assets, among others.
- **Centre for Construction Knowledge, the C3 Project:** this new platform will enable the digital transformation of the Group's construction activities in areas such as health and safety, control and monitoring of employees, project control, quality management, control of assets, materials and machinery, and sustainability.
- **Project EPICS (Edge Protection and Intelligent Control Solution):** this project consists of integrating, on a single piece of hardware, the safeguard and control functions of an electricity substation, securing major efficiencies and new functionalities.
- **Project for robotic installation of spacers on overhead cables:** use of robotics to install spacers on overhead cables as an alternative to traditional installation techniques and to improve employee efficiency and their health and safety.
- **Project DALIA:** improvements to the overhead cable maintenance process through the use of drone imagery, AI to analyse the images captured and an integrated management platform for the entire inspection process.
- **Positive Energy:** against the backdrop of the pandemic, Elewit, in conjunction with other energy corporates, opened a process to get other companies and institutions on board to look for ways to mitigate the economic and social impact of COVID-19 through innovation and from an energy perspective.

As regards the satellite telecommunications business, HISPASAT continued to dedicate time and effort in 2020 to innovation activities. Work continued on the new two-yearly innovation plan, which will act as a lever to execute the company's new Strategic Plan approved in 2020.

The Innovation Plan defines the lines of action and establishes the guidelines for innovation standardisation, targets, management and its innovation ecosystem in order to improve processes, foster an innovation culture and, ultimately, to bring them into line with the targets of the new Strategic Plan.

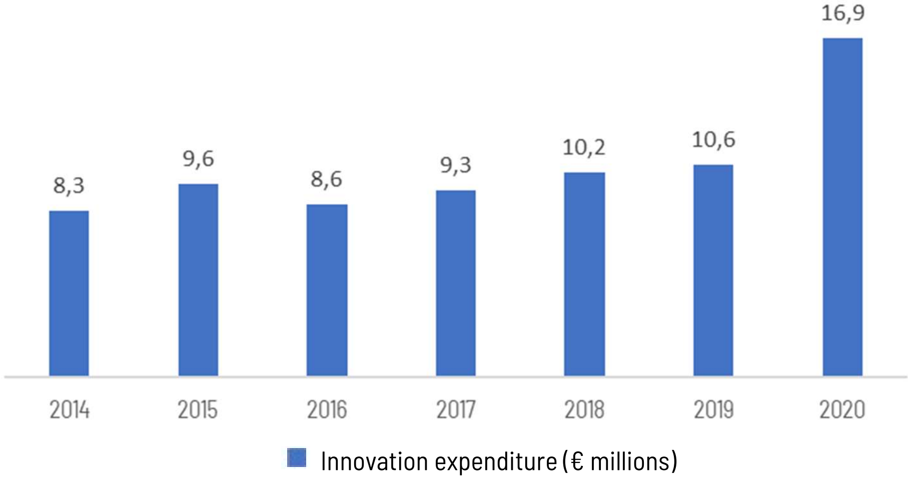
Highlights of the main projects and activities carried out in 2020 include:

- **GOVSATCOM:** awarding of the GOVSATCOM & EuroQCI study. The aim of the study is to analyse a possible European satellite constellation made up of multi-orbit space vehicles to facilitate secure and efficient government communications to protect critical infrastructure, surveillance work, external actions and crisis management, among other uses; EU-wide universal high-speed broadband services; and the integration of 5G standards in various use cases (including the direct provision of 5G in remote areas).
- **In the security and emergency field**, HISPASAT has also participated and continues to participate in the Horizon 2020 UNICRINF project, which employs HISPASAT telecommunications infrastructure in catastrophe scenarios. In addition, work is ongoing to find solutions for the prevention and early detection of forest fires.
- **Mobility:** work is progressing with the leading operators to analyse and possibly develop a "universal modem" via satellite for the purposes of aerial mobility; the aim is to develop a solution whose software can be updated without having to replace the hardware.
- **5G:** satellites are expected to play an important role in the development of new 5G infrastructure, supporting terrestrial networks.
- **IoT** (Internet of Things) remained the focus in 2020. Work was undertaken with a view to a possible tie-up with one of the most promising smallsat IoT initiatives; work is also ongoing to integrate satellite IoT solutions.
- **Rural Spain Solutions:** these consist of internet connectivity adapted to a rural setting; telemedicine and tele-education, as well as solutions to digitalise the agri-food sector.
- **Imagery and Data Analytics:** a data analytics pilot study was carried out. Using satellite imagery, the aim was to build an inventory of self-supply photovoltaic panels in order to estimate electricity demand more accurately.
- **New infrastructure** is being pursued to provide a competitive advantage vis-à-vis costs and performance for HISPASAT.

Innovation investment

The Group's investment in innovation and technological development in 2020 amounts to Euros 17 million, which mainly includes the investment of Euros 8 million in commitments mobilised with two venture capital funds and Euros 3 million of investments made directly. The following graph depicts investment in innovation in recent years.

Trends in innovation expenditure



9 Own shares

At their meeting on 31 March 2020, the board of directors of Red Eléctrica agreed to suspend own share transactions as of 14 April 2020, except where such transactions are associated with employee remuneration.

Until that date, a total of 1,356,421 own shares had been acquired, with an overall par value of Euros 0.68 million and a cash value of Euros 22.84 million. A total of 1,296,536 shares were sold, with an overall par value of Euros 0.65 million and a cash value of Euros 22.49 million.

At 31 December 2020 the Company held 2,084,729 own shares, with a par value of Euros 0.50 per share, representing 0.39% of its share capital. These shares had an overall par value of Euros 1.04 million and an acquisition price of Euros 17.53 per share (see note 14 to the consolidated annual accounts), and the market value was Euros 34.97 million.

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.

10 Other relevant information

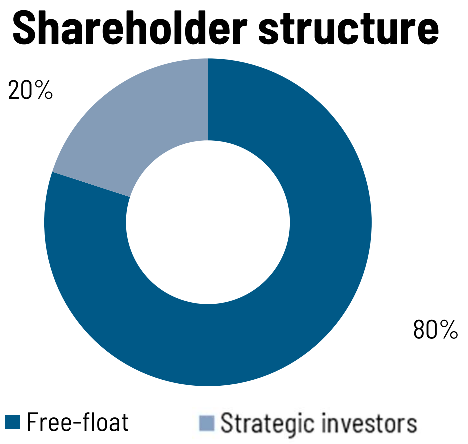
10.1 Stock market performance and shareholder returns

All of the shares in REC, the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system.

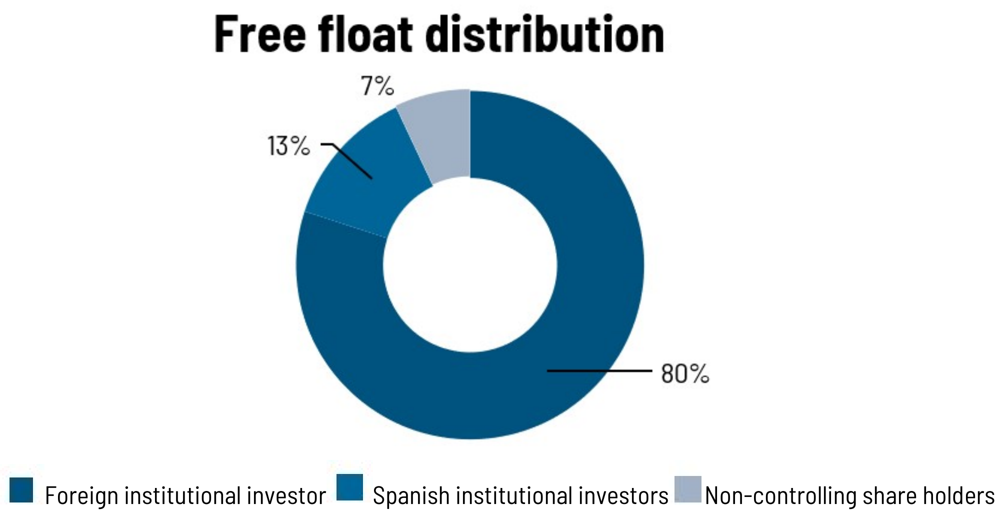
REC also forms part of the IBEX 35 index, of which it represented 2.14% at the end of 2020.

At 31 December 2020 and 2019, the share capital of REC amounted to Euros 270.5 million and was represented by 541,080,000 shares with a par value of Euros 0.50 each, subscribed and fully paid.

During the year REC's free float was 80%.



At the date of the last shareholders' meeting – 14 May 2020 – the free float comprised 432,864,000 shares, of which an estimated 13% is held by non-controlling shareholders, 7% by Spanish institutional investors and 80% by foreign institutional investors, primarily in the United Kingdom and the United States.



In 2020, the performance of the stock market has also been affected by COVID-19. The first few months saw a continuation of the prior year's trends. However, by the end of the first quarter of 2020 equity markets were shaken by the pandemic, causing them to retrace to levels from several years earlier. The expansionary monetary policies implemented with greater intensity by the main central banks, the announcements of strong support for economic recovery through the creation of new incentives and an increase in public spending have since made a gradual recovery of stock market indices possible.

This recovery has enabled Wall Street to end the year on a positive note, with its main indices setting new all-time highs in the final days of 2020. Most notable is the 43.6% rise in the Nasdaq. Conversely, leading European markets have closed the year in the red. Most notable are the drop in the UK FTSE and the Spanish IBEX. The 14.3% slide in the former was possibly as a result of Brexit-related uncertainty. Spain's selective index saw the biggest drop of the major European stock markets after losing 15.5% in the year, reflecting the serious effects of the pandemic on our economy, which is highly dependent on the services sector and especially on tourism. The exception among the European indices was the German DAX, which gained 3.5% for the year as a whole and also ended the year at record highs. In the Asian stock markets, most notable is the Japanese Nikkei, which gained more than 15%.

In addition to this performance by geographical location, there was a clear differentiation by sector in 2020. Stocks related to the technology and pharmaceutical sectors and companies linked to renewable energies have been favoured by investors. Conversely, sectors such as finance, oil and gas suffered severe setbacks during the year.

Red Eléctrica's shares performed similarly to the Spanish stock market throughout 2020, although their decline in the year was less pronounced. The share hit its annual high in the first weeks of the year, reaching Euros 19.74 on 19 February. Its low point occurred in mid-March, coinciding with the major market backslide, which pushed the share down to its minimum for the year of Euros 13.105 on 12 March. The closing price was Euros 16.775, representing a 6.4% decline in 2020 as a whole.

A total of 535.1 million shares were traded on the Madrid Stock Exchange during the year as a whole, which is 1% more than in the previous year and equivalent to 99% of the company's shares. The total volume traded on the spot market was Euros 8,882.3 million, down 9% on 2019.

10.2 Dividend policy

Red Eléctrica shall apply the dividend policy in force at any given moment, described in the Strategic Plan.

The dividend paid in 2020 with a charge to the prior year's profit amounted to Euros 566.8 million, which is 7% more than that paid out in 2019.

The dividend with a charge to 2020 profit proposed by the board of directors and pending approval by the share-holders at their annual general meeting is Euros 1 per share.

The dividend will be paid in two instalments – an interim dividend in January and a supplementary dividend halfway through the year following approval of the annual accounts by the shareholders at their general meeting.

10.3 Credit rating

On 11 June 2020 the credit rating agency Standard & Poor's issued a new report maintaining the same rating and outlook. Following this announcement, REC and its subsidiary REE maintain long-term ratings of 'A-' and short-term ratings of 'A-2', with a stable outlook.

On 23 April 2020 the credit rating agency Fitch Ratings gave the Company a long-term rating of 'A-' with a stable outlook. Following this announcement, REC and REE maintain long-term ratings of 'A-' and short-term ratings of 'F1', with a stable outlook.

10.4 Excellence

In 1999 Red Eléctrica adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, to which end external assessments are performed periodically in accord-ance with the model. Until 2020, Red Eléctrica retained its EFQM 500+ European Seal of Excellence, following the external assessment carried out in 2017, with a score of more than 700 points.

Following the publication of the EFQM 2020 model, Red Eléctrica developed a project to assess the degree of ad-herence to the new model in 2020 as a benchmark framework in the process of transforming the organisation, prior to the external assessment that is scheduled to take place in 2021.

Red Eléctrica's commitment to excellence is corroborated through external certifications from prestigious certify-ing entities, which guarantee that the organisation successfully implements certifiable management systems in the performance of its activities. The Group has quality systems in place in its main subsidiaries that are certified in accordance with the ISO 9001 standard.

Of the actions carried out in 2020 in this area, the stand-out initiatives include the development of a pioneering project for the implementation and certification of the international standard UNE-ISO 19650-1 and two projects for information management systems in building and civil engineering works, which use the collaborative work meth-odology BIM (Building Information Modelling). This initiative was carried out in relation to the project for the con-struction of the Chira-Soria pumped-storage hydroelectric power plant in Gran Canaria; it complements the imple-mentation and certification of the project management systems carried out in 2019, in accordance with interna-tional standards ISO 10006 for quality management in projects and ISO 21500 for project management.

Also noteworthy is the certification carried out in 2020 of Red Eléctrica's criminal and anti-bribery compliance sys-tem, in accordance with the standards UNE 19601 for criminal compliance management systems and UNE 37001 for anti-bribery management systems.

11 Non-financial Information Statement in compliance with Law 11/2018 of 28 December 2018

11.1 About the Non-financial Information Statement

Scope of the NFIS

The Non-financial Information Statement (hereinafter "NFIS") responds to the reporting requirements established in Law 11/2018 of 28 December 2018 on non-financial and diversity information, which are reported in accordance with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines.

Section 11.8 of this document, "Index of content required by Law 11/2018 of 28 December 2018 on non-financial and diversity information", details the specific reporting framework for each item required by the Law.

The scope of the NFIS encompasses the entire consolidated Group formed by Red Eléctrica Corporación, S.A. and Subsidiaries. Law 11/2018 of 28 December 2018 stipulates that the Group's subsidiaries are not required to prepare a NFIS as their information is included in the Group's Consolidated NFIS.

Materiality Study

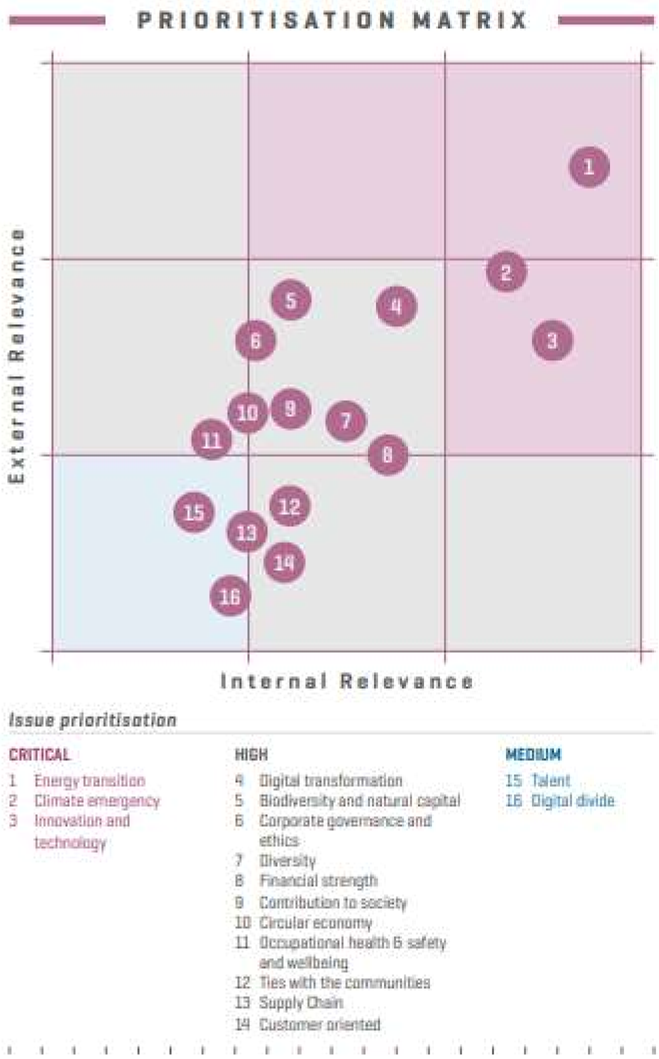
In 2019, with a view to advancing the 2030 Sustainability Commitment, the Group updated its Materiality Study in accordance with the Global Reporting Initiative (GRI) standards for the purpose of identifying relevant issues.

The Materiality Study is based on an analysis of the Group's sustainability context in order to build an overall picture of the environment in which the organisation operates. This then allows the Group to review sustainability planning for the 2019-2022 period. To define the context, the Group considers all the business activities and the geographical areas where it operates.

The sustainability context includes: a trend analysis that defines and/or will define the overall sustainability, industry and geographical framework in which the Group carries out its activity; the identification of good practices to ascertain the level of maturity of the Group's sustainability performance with respect to comparable benchmark companies; and an analysis of internal data to identify the requirements and expectations of stakeholders and other issues of relevance with a view to their incorporation in the commitments and corporate planning. Please note that the Group's stakeholders were involved in this study in order to gauge their requirements and expectations. In this respect, strategic interviews were conducted with Group management, key technical personnel and representatives of external stakeholders in order to collect knowledge on the challenges, risks and opportunities regarding sustainability from both an internal and external perspective. Specifically, representatives of the following stakeholder groups were involved in the 2019 analysis of the sustainability context: business partners, suppliers, technology research and development centres, social agents and associations, environmental groups, consumer associations and end consumers, rating agencies, the media, industry associations, professional and business bodies and associations, other companies in the sector and competitors.

This analysis led to the identification of a total of **16** relevant issues. In order to prioritise issues, an internal and external assessment of the criticality of the identified issues for the achievement of long-term objectives, and thus for long-term continuity, was carried out. The prioritisation matrix provides a dual analysis of the issues, revealing both their internal importance, assigned by the top-level managers and key technical personnel who took part in the analysis of the sustainability context, and their external importance, based on the value assigned by the external stakeholders who were consulted. Linking the prioritisation of issues with the 2018-2022 Strategic Plan and the United Nations Sustainable Development Goals (SDGs) is absolutely fundamental.

Relevant issue prioritisation matrix



The impact of the COVID-19 pandemic on the business model of the Red Eléctrica Group has not necessitated a review of the materiality study results, although it is clear that management of certain issues, especially "Safety, health and well-being" and "Digital Transformation", includes new aspects.

The Red Eléctrica Group's response to COVID-19

The Group provides services that are essential for the safety and well-being of the general public. To this end, ensuring the health and safety of employees and guaranteeing the proper functioning of the electricity system in Spain, as well as that of the electricity, telecom and satellite infrastructure in the countries where it operates, are the primary concerns of the Group during this pandemic.

Ensuring security of supply and the proper functioning of our infrastructure

The Group and more specifically REE, as the electricity transmission infrastructure owner and system manager, has remained fully committed to achieving the targets defined by the Spanish authorities, having implemented a number of extraordinary measures in order to meet its obligations as laid down in Law 24/2013, aimed at ensuring continuity and security of supply. These measures have been executed in parallel with the priority of guaranteeing the health of the Company's employees and observing the health authorities' policy to slow the spread.

Electricity demand fell by 8% in the first six months of the year with respect to the prior year. Specifically, it fell by 13.3% during the state of emergency in Spain from 15 March 2020 to 21 June 2020. Despite this anomalous situation, REE guaranteed the electricity supply to all households and essential services across the country at all times.

The scenario triggered by COVID-19 has not hindered the progress of the energy transition. Renewables were up by 10.3% in terms of GWh output in the first four months of 2020 with respect to the same period in 2019. In fact, renewables accounted for 47.3% of the entire electricity generation mix at the April 2020 close. The boom in renewables, together with the 11.8% decline in electricity generation with respect to the same month in 2019, made April the cleanest month in terms of greenhouse gas emissions: equivalent to 2,154,465.2 tCO_2, almost halving the level of ten years ago.

In order to bolster security of supply even further, the company brought a third control centre into service. Like the first two, it operates entirely autonomously and is manned by independent teams working around the clock, seven days a week.

Additional prevention measures were also implemented for staff operating the Telecommunications Supervision Centre and the Facilities Maintenance Centre, as well as for professional teams on call to respond to possible incidents on the grid.

The development of new electricity transmission and telecommunications infrastructure experienced temporary delays, due to the total or partial stoppage of economic activities imposed by the authorities. These activities resumed in part in the closing months of the year. The impact on the Group as a whole amounts to 5% of the initially envisaged volume of investment. This impact is mainly concentrated in transmission network development in Spain, although Chile has likewise seen delays in the development of the new HISPASAT Amazonas Nexus satellite.

In international business, despite the decline in demand for electricity in Peru and Chile, security of supply has been guaranteed since operations remained ongoing as an essential service through the following activities:

- Contingency Plan to respond to COVID-19 consisting of four execution phases. The contingency plan had to be adapted to the legislative changes in the country.
- ManTop project, which ensured a response at substations, made up of local operations and maintenance personnel.
- "Essential Activities COVID-19" programme, which set out the minimum and vital tasks that had to be undertaken at the outset of the pandemic.
- Changes to shift patterns at mining facilities in Chile from 9x5 to 14x14 and to modes of transport to reduce the number of trips required.

The telecommunications business (fibre and satellite) provided essential services throughout the year without incident.

Looking after the health of our professionals

At the outset of the pandemic, the Group put in place safeguard measures to protect the health of all its professionals and applied action protocols in each case. Red Eléctrica has followed guidelines that have been adapted to the recommendations issued by the various pertinent authorities in Spain, as well as in each market of operations; the priority in all cases was to safeguard the health and safety of all of its employees:

- Working from home was implemented for all Group employees whose duties allowed for it. This encompasses 80% of the workforce in Spain and in Latin America. The remaining 20% work on-site at the electricity and telecommunications control centres where the Group operates and at the worksites that respond to the various needs of the grid.
- All people in high-risk groups continue to work from home. These include people who are vulnerable to COVID-19, people over 60 years old, those who share their home with a pregnant woman or family members that work in the healthcare field, as well as those coming to work by public transport.
- Office-based work resumed in September in Spain and later in Peru and Chile, albeit in the mornings only, and with the following measures in place:
  - Antibody tests for all employees.
  - Mandatory use of masks throughout the working day, even when safe distancing of 2 metres can be respected.

- ○ A rotating shift pattern to ensure 2-metre safe distancing between staff at the office.
- ○ Provision of protective equipment for all employees, including surgical masks, hand sanitizer gel and gloves.
- ○ All meetings still have to be conducted online, even though attendees may physically be at the office.
- ○ Suspension of services such as the staff canteen, vending machines, physiotherapy, and sporting and volunteering activities that require a physical presence.
- ○ Restrictions on international travel, except where deemed absolutely essential and only after approval from the area head.

Strengthening the commitment to digitalisation

The digital transformation of the company has been ongoing for some time now. For example, infrastructure is now widely in place to allow staff that need to work from home to do so. The spotlight has also remained squarely focused on cybersecurity, through strengthening the security measures already in place to protect equipment and to roll out remote access. This has all contributed to the following:

- Over 2,100 users connected (employees and associates) at any given time via VPN (Virtual Private Network).
- Over 3,125 active channels on shared working platforms.
- Over 40,000 virtual meetings held.
- Over 10,000 incidents, requests and queries resolved remotely.

Actively cooperating with those most affected

The Group has been working on various fronts to help those most impacted by the healthcare crisis and its social and economic collateral effects. Activities carried out in this regard include the following:

- The Group has joined the Cruz Roja Responde initiative to help cover the basic needs of 25,000 families at risk of poverty and social exclusion, especially to cover their needs in terms of food and companionship.
- Backing for rural environments through the following initiatives:
  - ○ #Alimentos_Solidarios alongside the Federation of Rural Women's Associations (FADEMUR per its Spanish acronym), which consists of buying food from 70 family-run farms in rural areas for distribution to social organisations to cover the basic needs of families at risk of exclusion. A total of 135,300 basic food parcels have been donated.
  - ○ "Huerta Próxima", which has fostered cooperation among more than 300 smallholder farmers across Spain, providing access to local markets for their products.
- Financial assistance for the production of healthcare material:
  - ○ Open Ventilator pilot project to design a ventilator accredited by the Ministry of Health; the initiative is promoted by the Celera Foundation.
  - ○ Donation of protective equipment to 19 health centres in Cajamarca, Amazonas and San Martín, regions in Peru where the Group has a direct presence.
  - ○ The acquisition of 36 oxygen cylinders and flowmeters for the Moquegua Hospital and the Health Centres located in the Salinas y Aguada Blanca National Reserve in Peru.
  - ○ Awareness-raising and provision of protective equipment for 6 communities in the Peruvian city of Puno.
- Provision of a 3D printer to the Makerspace at the Universidad de Las Palmas de Gran Canaria Library to make over 800 pieces of protective healthcare equipment.
- Donation of bluetooth earphones so that those in hospital could stay in touch with family members.
- Involvement of employees in the corporate volunteering project based on the writing of letters for those in hospital (Solidarity Letters).
- Active involvement in the Positive Energy+ initiative; endorsement of startups capable of projects that could come to fruition in the short term to help mitigate the economic and social impact of the crisis.
- Joining the campaign launched by the Ministry for Equality and the Institute for Women and Equal Opportunities (IMIO per its Spanish acronym) to support victims of gender violence during the lockdown.

Impact on the financial statements

From a financial and economic perspective, throughout this period the Group's financial position has been robust, enabling it to confront these difficult times through measures aimed at bolstering its liquidity. In 2020 the Group made two bond issues for a total amount of Euros 1,100 million, by way of Euros 700 million in January and Euros 400 million in April, and also entered into loan and credit facility agreements amounting to Euros 475 million. Following these transactions, and having already settled due debts and the payments arising from the acquisition of Argo Energia in Brazil, the Group's liquidity position at the end of 2020 stands at Euros 2,412 million, specifically Euros 482 million in available cash and Euros 1,930 million in available credit facilities. This position ensures the Group's ability to meet its operating cash flow requirements, to honour debt maturities for the coming years, and to address any adverse situations that could emerge in the financial markets over the coming months as a result of developments in the current crisis. In the next two years the Group will need to repay debt amounting to Euros 1,206 million, on the basis of Euros 164 million in 2021 and Euros 1,042 million in 2022.

The situation brought on by COVID-19 has not had a significant impact on the Group's activity. Nonetheless, in early February the Company activated a monitoring committee, enabling the implementation of an exhaustive contingency plan.

The Red Eléctrica Group is setting its sights on a green recovery as the only way out of the economic crisis brought on by the COVID-19 pandemic. For the Group, the focal point of this model is to foster an inclusive and fair energy transition. In this regard, the Red Eléctrica Group has joined forces with initiatives both in Spain and in the international arena that endorse sustainability as a springboard to post-crisis economic recovery. These include the "Manifesto for a Sustainable Recovery", championed by representatives from the political, corporate, trade union, scientific and third sector communities in Spain, and which is aligned with the Green Recovery Alliance in Europe, and the "Uniting Business and Governments to Recover Better" statement, promoted by the prestigious Science Based Targets initiative and supported by the United Nations. These two initiatives are seeking to pave a way forward out of the COVID-19 crisis that places people, achievement of the United Nations 2030 Agenda, and an ambitious climate-related action plan at the very heart.

The Group's management and directors will continue to assess the situation and closely monitor any incidents arising in the infrastructure it manages, as well as trends in other external factors and the impact such factors could have on the financial statements.

11.2 Description of the Group's business model

The Group has consolidated itself as a global operator of essential infrastructure, managing electricity transmission networks in Spain and Latin America, and telecommunications networks (fibre optics and satellites).

Management and operation of domestic electricity infrastructure

Construction and maintenance of power lines and electricity substations forming part of the transmission network (including international and inter-island interconnections) that match generation with consumption and operation in real-time in the Spanish electricity system, guaranteeing continuity of supply and the safe integration of renewable energy.

It also includes the design and construction of storage infrastructure in the Canary Islands, which serves as a tool for the operation of the electricity system to improve the integration of renewable energy and the safety of supply on the islands.

Management and operation of international electricity infrastructure

Construction and operation of energy transmission infrastructure in Peru, Chile and Brazil, and provision of electricity infrastructure maintenance services in Peru.

Telecommunications (satellites and fibre optics)

Satellite communications services for video, data transmission and mobility services through satellites in operation. HISPASAT has a corporate presence in five countries: Spain, Brazil, Mexico, Argentina and Colombia.

Commercial operation of the excess fibre optic network capacity associated with both the electricity transmission network and the rail network, as well as technical spaces for storing telecommunications equipment in Spain.

The Group is committed to **innovation and technology**, based on the acceleration of technological innovation, the generation of competitive advantages and business opportunities to turn the Group into a technological benchmark in the energy transition, the traceability and accessibility of information, as well as the provision of innovation and technological development services to third parties.

2030 Sustainability Commitment

The Group has made a strategic commitment to long-term, enterprise-wide sustainability. In 2017, the board of directors approved the Group's 2030 Sustainability Commitment. Through this commitment, the Group aims to achieve long-term continuity through a business model that is capable of responding to the challenges of the future and putting the principles set out in the Sustainability Policy into practice.

The 2030 Sustainability Commitment is backed by the board of directors and the Group's management team, whose message is transmitted to the entire organisation with a view to encouraging a proactive attitude that incorporates sustainability into day-to-day decision making. It is worth noting the creation of the Sustainability Committee within the board of directors in 2018 as a result of the strategic importance of sustainability for the Group. The key role of the Sustainability Steering Committee and the Corporate Division for Sustainability and External Relations, which reinforce the involvement of the highest decision-making levels and the involvement of all areas of the organisation in the implementation, supervision and monitoring of the 2030 Sustainability Commitment.

In 2019, the board of directors approved the Group's 2030 sustainability objectives, which lay out eleven proposals to measure compliance with the commitments established in the four sustainability priorities, focusing on those aspects that provide answers to the great global challenges on the horizon for 2030. The objectives, which are defined by the Sustainability Steering Committee and validated by the Sustainability Committee of the board of directors, are aligned with the priorities of the 2030 Sustainability Commitment, the Group's 2018-2022 Strategic Plan and the United Nations Sustainable Development Goals (SDGs).

Sustainability priorities and objectives for 2030 of the Red Eléctrica Group

DECARBONISATION OF THE ECONOMY	
Act as a proactive agent in the energy transition towards an emissions-free model, based on the electrification of the economy and the efficient integration of renewable energy through a robust and better-connected network and the development and operation of energy storage systems.	
Objectives for 2030	**1** Reduce our Greenhouse Gas emissions by over 40%.
	2 Empower 100% of society to be actively involved in the energy transition process.
	3 Safely integrate 100% of the renewable energy available in the electricity system, minimising waste and accelerating progress towards meeting the energy transition objectives.

RESPONSIBLE VALUE CHAIN	
Extend our responsibility commitment to all the links in the value chain, from our employees to our suppliers and customers, by forging alliances, all underpinned by our model of good governance and integrity.	
Objectives for 2030	**4** Drive change in our suppliers.
	5 Receive (socially responsible) ESG financing in 2030.

CONTRIBUTION TO THE DEVELOPMENT OF THE ENVIRONMENT	
Contribute to economic, environmental and social progress in the environment, by providing an essential service in a secure and efficient way, fostering environmental conservation, enhancing people's quality of life and social welfare and involving communities in the development of our activities so as to generate mutual rewards that are tangible to that community.	
Objectives for 2030	**6** Benchmark in gender equality: parity in the management team by 2030.
	7 Benchmark in diversity: inclusion of collectives at risk of social and workplace exclusion.
	8 Have a net positive impact on the natural capital of the area surrounding our facilities.
	9 Fully eradicate the digital divide: 100% connection rate for people in the areas surrounding our facilities.
ANTICIPATION AND ACTION FOR CHANGE	
Foster a corporate culture of innovation and flexibility that enables us to identify growth opportunities and tackle future challenges by staying ahead of and adapting to global trends and to the regulatory environment emerging from the new energy model.	
Objectives for 2030	**10** Become a benchmark technological player, pushing at least 120 technological innovation initiatives that contribute to the energy transition and telecommunications, making the world a more connected, intelligent and sustainable place.
	11 Become a leading company in the circular economy.

The Group's main objective is to achieve a lasting and trusting relationship with its stakeholders.

The Red Eléctrica Group's **stakeholder management model** incorporates the requirements of regulations and benchmark standards in the field, such as AA1000, IQNet SR10, ISO26000 or Global Reporting Initiative. This model ensures adequate management of the significant economic, social and environmental impacts of the activities and services of the Red Eléctrica Group on its stakeholders, avoiding the risk of not rapidly identifying any problem that may affect the relationship with them. This model is composed of the following stages: identification and segmentation of stakeholders, prioritisation and definition of the framework and relationship channels.

The Group undertakes an annual programme of perception studies aimed at assessing stakeholders' satisfaction with its performance and ascertaining their requirements and expectations. As well as being a tool to foster dialogue and closer relationships with stakeholders, the studies are also an important driver of ongoing improvement for the Group.

The review of the perception studies continued in 2020 and improvements identified in 2019 were brought into the studies carried out during the year. Of note are the following improvements that were incorporated:

- Improvement to the structure of the studies, adapting them to the 2030 Sustainability Commitment and seeking synergies among target issues and audience.
- Inclusion of relevant identified issues, alongside an assessment of their importance for each stakeholder group.
- Identification and reporting of overall indices, both in terms of perception and reputation.

The thorough review of the stakeholder management model, which began in 2020, is expected to continue through 2021. The aim is to build an up-to-date and prioritised inventory for each Red Eléctrica Group company, which will serve as the starting point to define new stakeholder relationship frameworks that are tailored to each subsidiary and in line with the Group's actual situation.

The Group currently classifies its stakeholders into the following categories: investors, shareholders and business partners, regulatory bodies and the administration, customers, people, suppliers, surrounding environment, opinion makers, business sector and professional associations and innovation agents.

11.3 Information regarding environmental issues

The Red Eléctrica Group's commitment to the environment stems from management and is based on environmental policy, which includes the explicit commitment to the prevention of pollution and to precautionary principles. The involvement of all of the organisational units and the commitment of all of the Group's employees are essential to the implementation of this commitment.

REE and REA have an Environmental Management System in place (ISO 14001 certified) to facilitate the ongoing improvement of their environmental performance. REE also meets the requirements established by the EU Eco-Management and Audit Scheme (EMAS).

In 2020 Group companies incurred ordinary expenses of Euros 23.7 million in protecting and improving the environment (Euros 26.1 million in 2019), essentially due to the implementation of environmental initiatives aimed at protecting biodiversity, fire prevention, landscape integration, climate change, and prevention of pollution.

In 2020 a total of Euros 5.4 million (Euros 3.2 million in 2019) was spent on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).

Specifically, in the case of management and operation of the domestic electricity infrastructure business, ordinary expenses for the protection and improvement of the environment amounted to Euros 23.3 million (Euros 25 million in 2019) due to the implementation of environmental initiatives aimed at biodiversity protection, fire prevention, landscape integration, climate change, and prevention of pollution. The amount allocated to environmental aspects associated with investment projects exceeded Euros 4.9 million, significantly more than in prior years (Euros 1.7 million in 2019), due to work carried out on future submarine links.

The Red Eléctrica Group's main environmental impacts are those associated with the presence of the facilities in the area and, therefore, the Company is working to ensure they are compatible with the environment, considering their entire life cycle and paying special attention to the protection of biodiversity. In view of its role as a leading player in the transition towards a carbon-free energy model, the Red Eléctrica Group has taken on board a specific commitment in relation to the fight against climate change. The Group's environmental commitment is based on three pillars: environmental management and the integration of electricity facilities into the environment; the protection of biodiversity; and climate change.

a) Environmental management and integration of electricity facilities into the environment.

The main route to make facilities compatible with the environment is the selection of routes and sites so that the environmental impact is as low as possible. Additionally, the application of preventive and corrective measures and the monitoring of strict environmental criteria, make it possible for potential effects on the environment to be reduced significantly. The best tool to guarantee this process is an Environmental Impact Assessment. By law, most Red Eléctrica Group projects are subject to this procedure.

The measures implemented include those carried out during the construction of facilities to minimise land excavation and the impact on vegetation, fauna and the socio-economic environment (infrastructure, crops and archaeological heritage), and those related to the prevention of pollution. Actions aimed at mitigating the noise generated by certain electrical substations (plans for measuring and adjusting the operating parameters of certain power equipment to reduce noise levels) and reducing light pollution are also noteworthy. To address the latter issue, in recent years the Company has worked on implementing the necessary measures to enable facilities to be shut down at night, thereby limiting light pollution as much as possible while also achieving significant energy savings.

In addition, visual impact assessment methodologies and tools have been improved, areas affected by works have been restored and specific landscape integration projects have been undertaken so as to reduce the visual impact of the facilities.

Lastly, we should highlight the importance for the Group of working towards and making significant headway on the sustainable use of resources. The Group's sustainability ambitions with a view to 2030 is to become a leading player in the circular economy. The goals to be achieved and the actions to be carried out are enshrined in the **Circular Economy Roadmap**, which focuses on improvement in various dimensions:

- Materials: reduction in raw material consumption, promoting the use of materials that are or can be recycled. This notion includes action related to eco-design, which entails close cooperation with suppliers.
- Waste: a target of 0% landfill waste has been set for 2030.
- Land: steps aimed at minimising the risk of land or groundwater contamination due to hydrocarbon leaks or spills, as well as the cleaning up of land affected by accidents using sustainable techniques.
- Water: seeking solutions to improve efficiency and optimise the use of water.

Actions undertaken in 2020 include the development of a methodology for monetising the measures set out in the Roadmap, and Project DIN2020, the purpose of which is to optimise electrical equipment design and increase the efficiency of processes applicable to electricity infrastructure, applying circular economy criteria to raw material consumption, water and energy, waste production and land.

b) Protecting biodiversity

Protecting and preserving biodiversity has always had a high priority in the Group's environmental management strategy. The specific commitment to biodiversity management was revised in 2020 and now includes the goal of having a positive impact on biodiversity wherever the Group is present.

To meet this ambitious goal, the Group has set out a series of strategic steps, which include the "*Development of the 2030 biodiversity roadmap*". The goal of this project is to develop a strategy and a number of action steps aimed at improving the relationship with natural capital, and to strengthen the commitment to protect, preserve and improve biodiversity.

The main effects on biodiversity are associated with the presence of facilities in the area. Most notable is the risk of birds colliding with earth wires in power lines and the effect on vegetation of felling and pruning to open up firebreaks.

Biodiversity management is carried out taking into account the impact mitigation hierarchy. Avoiding areas that are protected or highly biodiverse is a fundamental criterion when deciding on the location of facilities (in energy transmission infrastructure, only 15.5% of lines and 5.73% of substations are located in protected areas). The second step is to minimise possible affects and is achieved through the application of the corresponding preventive and corrective measures, including the restoration of habitats wherever possible. Lastly, different environmental improvement initiatives and projects are implemented, aimed at offsetting any impacts that may occur.

The multiannual Action Plan (2017-2021) currently in force contains the main activities to be executed in this period. The initiatives relating to the following areas are noteworthy:

- Protection of birdlife, the primary objective being to minimise the risk of birds colliding with earth wires, as mentioned above. A plan to use bird-saving devices in sections with the greatest potential impact for birds (more than 760 km of lines) has been devised and is due to be completed in 2023. Flagging of 66.5% of critical priority areas was completed in 2020.
- Prevention of forest fires, through appropriate design and maintenance of firebreaks and the joint efforts of the pertinent authorities in this field. There are currently 12 fire prevention agreements in place and two are being renewed. These agreements have an overall associated budget of more than Euros 960,000 which is allocated for a four-year period and channelled into cleaning up forest land, acquiring fire extinguishing and fire-fighting equipment, training and awareness.
- Implementation of conservation projects in cooperation with the government, NGOs and other bodies, notably including projects relating to birdlife conservation or those devised for the restoration of degraded areas. The latter include the "Red Eléctrica Marine Forest" project to restore posidonia oceanica seagrass (planting of 2 hectares in the bay of Pollensa, Mallorca was completed in 2020), and the "Red Eléctrica Forest", with an investment of over Euros 2 million, through which more than 860 hectares have been restored since 2009.

c) Climate change

The Group, mainly through its activities in the electricity sector, is a key and proactive agent in the energy transition towards a zero emissions model, the main elements of which should be: the electrification of the economy, the full integration of renewable energy into the energy mix and efficiency, while always ensuring the security of supply. Taking on this role, in 2011 the Group decided to formalise a voluntary commitment in the fight against climate change, which materialised into a Climate Change Action Plan, the latest version of which was approved in 2015.

The plan includes the objectives for Horizon 2020 and Horizon 2030, as well as the main initiatives that will be undertaken to achieve them.

As a general objective, the Group is committed to reducing Scope 1 and 2 emissions per MWh transported by 40% in 2030 with respect to 2015. This objective was approved in 2018 by the Science Based Targets (SBTi) initiative and is equivalent to a net reduction of Scope 1 and 2 emissions of 30% by 2030.

The plan covers the following lines of action:

- Contribution to a low-emissions energy model, taking the necessary actions to achieve European objectives for 2020 and 2030:
  - Ongoing investor involvement to develop a robust, intelligent and interconnected transmission network that enables the electrification and connection of new renewable energy capacity.
  - Maximum integration of renewables by optimising the operation of the electricity system and progressing with storage systems.
  - Furthering efficient network management by applying new measures for managing demand, incorporating new elements and services and encouraging technological innovation.
- Reduction in greenhouse gas emissions resulting from the Group's activities. The main measures implemented apply to the following areas of action:
  - Reduction in SF6 gas emissions (mainly by renewing switchgear and improving the detection and control of leaks).
  - Reduction in electricity consumption (energy-efficiency measures for buildings, such as the renovation of the La Lomba building in 2020) and associated emissions (acquisition of 100% renewable energy).
  - Sustainable mobility: reduction in emissions associated with the Group's vehicles, business trips and employee travel.
  - Involvement of the supply chain in the Group's commitments. A programme has been started in this regard with the Group's main suppliers to include their data in the overall scope 3 emissions calculation and to set an ambitious target to reduce them.
  - Progress in including efficiency criteria and reducing materials when designing facilities.
  - Offsetting of emissions, primarily through the Red Eléctrica Forest project.
- Positioning and outreach: dissemination of knowledge of the electricity system and demand management measures, and promotion of other energy efficiency measures.
- Adaptation: the Group regularly identifies and evaluates the risks and opportunities arising from climate change and applies various measures defined within the framework of this analysis. In 2018 work began on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which gave rise to a thorough review of the assessment, considering different scenarios and intensifying the economic quantification of risks and opportunities identified. Details of the TCFD recommendations are provided in note 4 on risk management in this consolidated directors' report.

In 2019 the Red Eléctrica Group joined the United Nations Business Ambition for 1.5º, through which it champions the commitment to review its targets and scale up its ambitions. Work to set new targets will continue through 2021, as will work on a new version of the Climate Change Action Plan to meet these new goals.

Environmental indicators

Indicators of a non-financial character	2020	2019	Δ%
Direct greenhouse gas emissions (scope 1) (tCO_2 eq.)[1]	25,557	23,614	8.23
Indirect greenhouse gas emissions (scope 2) (tCO_2 eq.)[1]	600,824	781,452	-23.14
Power consumption (MWh)[1][2]	18,255	14,051	29.92
Fuel consumption (MWh)[1][3]	9,438	6,854	37.7
Consumption of energy from renewable sources as a percentage of total energy consumption (%)[1][4]	52	58	-10.34
Water consumption (m^3)[5]	27,195	20,347	33.6
Hazardous waste (kg)[6]	236,654	547,100	-56.74
Non-hazardous waste (kg)[6]	794,664	718,987	10.53
Number of environmental accidents[7]	10	5	100
Lines marked with bird-saving devices in critical priority areas (accumulated kilometres at the end of each year).	508.4 (66.5% of the total to mark)	459.7 (60.72% of the total to mark)	11

(1) The data on emissions and energy consumption includes information for all Group companies (Peru, Chile and HISPASAT are included in 2020).
(2) Most of the energy supply contracts managed by the company are for green energy or offer guarantees of the renewable origin of the energy, which represents 79% of the electricity consumed in 2020 (the remaining consumption corresponds to workplaces that are leased, workplaces in Latin America or that do not have electrical hook-ups and therefore receive their supply from the transmission network).
(3) Fuel consumption of fleet vehicles, electrical generators and heating. The increase is due to the inclusion of Peru, Chile and HISPASAT and to a change in the methodology employed to calculate the amount of fuel consumed by electrical generators.
(4) Includes renewable energy as a percentage of total energy consumed (electricity and fuels). It does not include the percentage of renewable energy corresponding to the energy mix of each country (only that acquired contractually) or the percentage of biofuel contained in vehicles fuels.
(5) The data has a coverage of 83.5% in terms of personnel, including collaborators. The water consumed comes from the municipal supply network (68.6%), wells (14.07%), cistern (17.32%). In some centres there are reservoirs for accumulation of rainwater for sanitary use, fire prevention and irrigation. The reservoirs do not have mechanisms to record the stored water so it is not possible to calculate the percentage usage of rainwater.
(6) The 2020 data refers to the generation of waste by various Group companies (REE, Peru, Chile and HISPASAT), whereas the 2019 figure only refers to REE. To analyse and compare the waste generation data against the prior year, it must be borne in mind that REE generates over 95% of hazardous waste and over 70% of non-hazardous waste. The major decline in the generation of hazardous waste is due to the fall in maintenance, renovation and improvement activities in the wake of the pandemic. 63% of all the waste generated (hazardous and non-hazardous) has been recycled (this generic category includes reuse, recycling, composting, anaerobic digestion and regeneration).
(7) Relevant accidents are considered to be those categorised as significant, severe or major in the internal classification (level 3 accidents and above on a scale of 1 to 5). Does not include collisions.

11.4 Information on social and employee-related issues

Our people

Red Eléctrica is fully committed to the professional development of our personnel and to maintaining their internal employability during their tenure, through integration, development and mobility programmes.

Consequently, in 2020 the Red Eléctrica Group continued to work on its talent management model, an essential part of its Human Resources Master Plan, which uses a systematic approach to attract, discover, develop, train, transform and retain talent and exchange knowledge. Through the deployment of five lines of action, the model seeks to pursue excellence in these processes, thus ensuring that the company retains a foremost position both at home and abroad, as follows:

- Employment: recruitment, selection and internal mobility.
- Training: technical training and skills.
- Development: professional development programmes.
- Knowledge management and leadership.
- Assessment of contribution and key skills.

In 2020, work has been carried out on several key actions such as reviewing the selection process, rolling out an efficiency plan for learning and development activities, conducting workforce strategic planning and identifying new professional profiles, and defining and implementing steps for professional recognition linked to employees' performance reviews.

The *Impúlsate* project, which began in 2019, continued to roll out its functionality in 2020 as scheduled, promoting the transformation of the people management function so as to add value to the Group, as a strategic lever for change and to facilitate the achievement of objectives through its various projects: the implementation of a digital mailroom, digital signatures, the introduction of the Agile Mindset in several of the Group's areas, and the definition and implementation of the Transformational Leadership Model.

In this context, in keeping with its strategic objectives, the Group has encouraged the adaptation of its human capital to orient its companies towards greater efficiency and digitalisation.

a) Employment

At the end of 2020, the Group's workforce consisted of 2,051 professionals. Of these, 92.5% (1,897 employees) work in Spain, 7.5% work in Latin America (153 employees) and 1 person in Luxembourg. Staff enjoy stable, high-quality employment (98% of jobs are on a permanent contract), with the focus on employability and functional mobility as a lever for growth and professional development (5% mobility in 2020).

Our commitment to stable, high-quality employment is also reflected in our low overall external turnover (0.5%) and the average seniority of our employees (16 years).

Structure of the workforce by country where the Group is present

2020	Female			Male			Total
Spain	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	0	30	19	0	43	48	140
Technicians	39	247	63	52	836	399	1,636
Administrative personnel	0	38	59	0	4	20	121
Total	**39**	**315**	**141**	**52**	**883**	**467**	**1,897**

2020	Female			Male			Total
Peru	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	0	0	0	0	3	3	6
Technicians	0	14	1	2	42	6	65
Administrative personnel	0	3	0	0	0	0	3
Total	**0**	**17**	**1**	**2**	**45**	**9**	**74**

2020	Female			Male			Total
Chile	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	0	0	0	0	3	0	3
Technicians	0	6	0	2	12	1	21
Administrative personnel	0	2	0	0	0	0	2
Total	**0**	**8**	**0**	**2**	**15**	**1**	**26**

2020	Female			Male			Total
Luxembourg	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	0	0	1	0	0	0	1
Administrative personnel	0	0	0	0	0	0	0
Total	**0**	**0**	**1**	**0**	**0**	**0**	**1**

2020	Female			Male			Total
Argentina	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	1	1	0	0	0	0	2
Administrative personnel	0	0	0	0	0	0	0
Total	**1**	**1**	**0**	**0**	**0**	**0**	**2**

2020	Female			Male			Total
Brazil	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	1	0	1
Technicians	6	4	3	1	12	3	29
Administrative personnel	6	2	1	3	4	4	20
Total	**12**	**6**	**4**	**4**	**17**	**7**	**50**

2020	Female			Male			Total
Colombia	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	0	0	0	0	1	0	1
Administrative personnel	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**1**	**0**	**1**

The information for 2019 was as follows:

2019	Female			Male			Total
Spain	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	34	13	0	47	45	139
Technicians	38	244	55	56	847	395	1,635
Administrative personnel	0	43	60	0	6	24	133
Total	**38**	**321**	**128**	**56**	**900**	**464**	**1,907**

2019	Female			Male			Total
Peru	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	4	1	5
Technicians	1	12	1	3	47	5	69
Administrative personnel	0	3	1	0	0	0	4
Total	**1**	**15**	**2**	**3**	**51**	**6**	**78**

2019	Female			Male			Total
Chile	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	3	0	3
Technicians	0	2	0	2	7	1	12
Administrative personnel	0	2	0	0	0	0	2
Total	**0**	**4**	**0**	**2**	**10**	**1**	**17**

2019	Female			Male			Total
Luxembourg	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	0	0	1	0	0	0	0
Administrative personnel	0	0	0	0	0	0	0
Total	**0**	**0**	**1**	**0**	**0**	**0**	**1**

2019	Female			Male			Total
Argentina	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	0	1	0	0	1	0	2
Administrative personnel	0	0	0	0	0	0	0
Total	**0**	**1**	**0**	**0**	**1**	**0**	**2**

2019	Female			Male			Total
Brazil	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	1	0	1
Technicians	13	5	1	6	14	8	47
Administrative personnel	0	1	1	0	0	0	2
Total	**13**	**6**	**2**	**6**	**15**	**8**	**50**

2019	Female			Male			Total
Colombia	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	0	0	0
Technicians	0	0	0	0	1	0	1
Administrative personnel	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**1**	**0**	**1**

Details of the Group's total workforce in 2020 and 2019 by age, gender and professional category are as follows:

By age	2020	2019
Under 30	112	119
30 to 50	1,308	1,325
Over 50	631	612
Total	**2,051**	**2,056**

By gender	2020	2019
Female	546	532
Male	1,505	1,524
Total	**2,051**	**2,056**

By professional category	2020	2019
Management team	150	148
Technicians	1,755	1,767
Administrative personnel	146	141
Total	**2,051**	**2,056**

Workforce by contract type

By age	Permanent contracts		Temporary contracts	
	2020	2019	2020	2019
Under 30	82	79	30	40
30 to 50	1.298	1.300	10	25
Over 50	631	610	0	2
Total	**2.011**	**1.989**	**40**	**67**

By gender	Permanent contracts		Temporary contracts	
	2020	2019	2020	2019
Female	527	505	19	27
Male	1.484	1.484	21	40
Total	**2.011**	**1.989**	**40**	**67**

By professional category	Permanent contracts		Temporary contracts	
	2020	2019	2020	2019
Management team	150	148	0	0
Technicians	1.715	1.703	40	64
Administrative personnel	146	138	0	3
Total	**2.011**	**1.989**	**40**	**67**

The average number of permanent and temporary contracts by gender and professional category in 2020, and a comparison with the previous year, is as follows:

Gender	2020		2019	
	Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
Female	521.8	18.8	433.0	24.4
Male	1,479.5	20.9	1,357.0	42.6

Professional category	2020		2019	
	Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
Management team	149.3	0	139.2	0.0
Technicians	1,706.9	39.8	1,531.4	64.5
Administrative personnel	145.3	0	119.4	2.5

With regard to the average number of permanent and temporary contracts, in 2020 work has been carried out on improving the information systems, which has led to the use of a different age range breakdown from that of the other indicators. In 2019 the same age range is used as in the information provided in the previous year. As shown by the indicators of the workforce, Group personnel is very stable throughout the year, with an extremely low turnover.

	2020	
	Average permanent contracts	Average temporary contracts
Under 25	13.4	7.5
26 to 35	201.5	23.8
36 to 45	847.6	4.0
46 to 55	548.7	1.0
Over 55	394.5	0.0

	2019	
	Average permanent contracts	Average temporary contracts
Under 30	69.6	40.7
30 to 50	1160.1	24.5
Over 50	560.3	1.8

In 2020 and 2019, the Group's workforce does not include any part-time personnel.

Details of dismissals[2] in the year

By age	2020	2019
Under 30	0	0
30 to 50	15	4
Over 50	7	3
Total	**22**	**7**

[2] Information pertaining to Group employees: including employees who have an employment relationship with a Group company under the provisions of Article 1 of the Workers' Statute, and excluding those engaged under a service contract.

By gender	2020	2019
Female	5	2
Male	17	5
Total	**22**	**7**

By professional category	2020	2019
Management team	6	2
Technicians	16	3
Administrative personnel	0	2
Total	**22**	**7**

Remuneration in the Red Eléctrica Group

The Group is working to consolidate a remuneration model across every company in the Group, which reflects the following common principles:

- Internal fairness and external competitiveness.
- Consistency with the organisational and development model.
- Opportunity for salary progression.
- Differentiating recognition of superior performance.
- Salary equality between men and women.

Red Eléctrica's remuneration model for non-management personnel comprises a fixed portion with broad pay bands that enable wage differentiation and a variable portion or extraordinary bonus that allows for outstanding contributions to be recognised.

The Group has a flexible remuneration system that can be configured to provide personalised employee remuneration. The Group offers its personnel products such as medical insurance, training, life insurance, travel cards, luncheon vouchers and childcare vouchers, as well as REC stock option programmes.

The remuneration model for the management team includes a variable annual element which considers the contribution made to the achievement of individual objectives regarding efficiency, quality and other factors such as security and sustainability. As part of this model, members of senior management have a deferred variable element of remuneration, the purpose of which is to strengthen their motivation and commitment to achieving the Group's Strategic Plan.

Furthermore, the Group continues to foster its leadership goals, which promote and link variable remuneration with the leadership model for the management team and with the Group's strategy.

In 2020 the use of a results-based remuneration model for non-management personnel, based on a system of setting and monitoring challenges and deploying management team goals, was consolidated.

The Group therefore continues to make progress with the "total remuneration" model, which consists of different elements (economic, financial, intangible and emotional), and which enables and supports new ways of working and the organisational and cultural transformation of the Group.

This approach includes recognition programmes linked to the development of innovative and efficient ideas, as well as revenue generation, in order to encourage the participation of all of the Group's professionals.

Details of the average remuneration of the Red Eléctrica Group's workforce

When calculating the average remuneration, the Red Eléctrica Group includes all elements of employee remuneration, as follows:

- Fixed remuneration
- Annual variable remuneration

- Remuneration in kind
- Personal supplements
- Job-related supplements
- Benefits
- Compensation
- Contributions to long-term benefit schemes
- Long-term variable remuneration
- Overtime
- Allowances

Details of the average remuneration of the Group's workforce for 2020 (in Euros):

	Female			Male			Average total for women	Average total for men	Average total
Average total salary for 2020	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50			
Management team	0	121,550	199,155	0	144,021	176,098	151,642	160,218	**157,417**
Technicians	33,711	55,321	62,861	36,408	56,169	69,949	54,104	59,447	**58,277**
Administrative personnel	11,774	36,571	44,247	13,698	34,511	46,811	39,380	41,161	**39,807**
Total	**31,130**	**58,616**	**72,948**	**35,291**	**60,560**	**79,987**	**59,886**	**65,780**	**64,216**

The information for 2019 is as follows:

	Female			Male			Average total for women	Average total for men	Average total
Average total salary for 2019	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50			
Management team	0	126,743	169,385	0	140,204	174,450	139,445	157,868	**151,770**
Technicians	30,239	55,227	64,310	33,391	55,809	69,096	53,314	58,939	**57,753**
Administrative personnel	0	37,512	43,718	0	37,624	44,806	41,203	43,184	**41,635**
Total	**30,239**	**59,797**	**65,116**	**33,391**	**59,692**	**78,292**	**58,406**	**64,793**	**63,141**

The Red Eléctrica Group rewards its professionals under principles of fairness based on their level of responsibility and professional experience, and its annual salary review processes differentiate on the basis of the contribution made over the year and the results of their achievements, never on the basis of gender.

The elements of remuneration used to calculate the gross wage gap are the same as those used to calculate the average remuneration using the following formula:

$$\frac{\text{Average salary for men} - \text{Average salary for women}}{\text{Average salary for women}}$$

The gross wage gap in the Red Eléctrica Group in 2019 and 2020 is shown in the following table:

Red Eléctrica Group	2020	2019
Gross wage gap	9.84%	10.94%

The Group takes great care as regards equal pay for men and women, which has enabled it to reduce the gross wage gap by one percentage point this year.

With a view to promoting transparency and complying with market recommendations and best practices, the Group includes all elements of remuneration and all amounts received by its employees when calculating the gross wage gap. This year, for the first time, it has also included allowances, overtime and supplements for expatriate assignments. The results of recalculating the wage gap for 2019 in accordance with these new criteria are shown in the above table.

Over the coming years, the Group will continue working to develop initiatives that enable us to make further progress in improving these values.

Details of the average remuneration in 2019 and 2020 by gender and age are as follows:

By gender	2020	2019
Female	59,886	58,406
Male	65,780	64,793
Total	**64,216**	**63,141**
By age	**2020**	**2019**
Under 30	33,397	31,918
30 to 50	60,044	59,720
Over 50	78,356	75,417
Total	**64,216**	**63,141**

The remuneration of personnel who did not form part of the Group for the full year in 2020 has been extrapolated to 100% in all calculations.

The average remuneration of the members of the board of directors, including variable remuneration and allowances, according to note 26 to the consolidated annual accounts of the Group, is as follows:

Thousands of Euros	2020	2019
Average remuneration for men (*)	303.7	263.6
Average remuneration for women (**)	230.7	183.4

(*) Includes the CEO. If the CEO were not included, average remuneration for men in 2020 would be Euros 186.4 thousand.
(**) Includes the chairwoman. If the chairwoman were not included, average remuneration for women in 2020 would be Euros 184.0 thousand.

With regard to senior management, according to note 27 to the consolidated annual accounts of the Group, remuneration for 2020 totalled Euros 662 thousand[3] (Euros 664 thousand in 2019). The difference between the average salary for men and women is less than 1%.

Implementation of workplace disconnection policies

[3] Data is not broken down by gender as there is only one woman at senior management level, which would render data privacy an impossibility.

Article 88, the Right to Digital Disconnection from the Working Environment, of the Spanish Data Protection and Digital Rights Act (Organic Law 3/2018 of 5 December 2018), includes an obligation for companies to meet with employees' representatives and draft an internal policy for employees (including those in management positions) that defines how this right to disconnect can be exercised and the actions taken to train employees and raise awareness about the reasonable use of technology to prevent the risk of IT fatigue.

Furthermore, according to this law, the right to digital disconnection must also be upheld in cases where employees are working from home part or all of the time, as well as in employees' homes with regard to the use of technology tools for work purposes.

In 2020 the Group endeavoured to meet the requirements enshrined in the aforementioned Law by introducing a Digital Disconnection Protocol that will go into effect in the first quarter of 2021. It defines how this right to disconnect can be exercised and the actions taken to train employees and raise awareness about the reasonable use of technology to prevent the risk of IT fatigue.

b) Organisation of working hours

The actual effective working day established for employees complies with legal standards of minimum required rights and with the conventional framework applicable at the corresponding Group company.

A real and effective timetable of 1,690 hours per annum has been established for 81% of the Group's workforce. This is distributed according to circumstances at each work centre, with a basic 7-hour day schedule on every working day of the year.

Number of hours of absenteeism

The number of working hours lost due to common illness or occupational accident are shown in the table below:

	2020		
	Male	Female	TOTAL
Hours lost due to occupational accidents	1,207	884	**2,091**
Hours lost due to common illness	64,724	22,932	**87,656**
Hours lost due to health and safety	**65,931**	**23,816**	**89,747**

In Peru, the number of hours lost due to common illness was 1,071.2, while in Chile it was 171.6 hours.
For the Group as a whole, 87,656 hours were lost due to common illness. Zero hours were lost due to occupational accidents in HISPASAT and the Latin American companies.
Hours of absence due to occupational accidents include occupational accidents + commuting accidents
Hours lost due to common illness is the sum of days of temporary disability due to common illness + Illness < 3 days.
Hours lost due to health and safety is the sum of days of common temporary disability + illness < 3 days + commuting accidents.

Information on Group companies in Spain in 2019 was as follows:

	2019		
Spain	Male	Female	TOTAL
Hours lost due to occupational accidents	2,371	650	**3,021**
Hours lost due to common illness	61,532	32,547	**94,079**
Hours lost due to health and safety	**63,903**	**32,197**	**97,100**

The number of hours lost due to common illness is 2,031 hours in Peru and 167 in Chile
For the Group as a whole, the number of hours lost due to common illness is 94,079 hours, with zero hours lost due to occupational accidents (calculation performed using an annual base and extrapolating the period from 1 October to 31 December).
Hours of absence due to occupational accidents include occupational accidents + commuting accidents
Hours lost due to common illness is the sum of days of common temporary disability + illness < 3 days
Hours lost due to health and safety is the sum of days of common temporary disability + illness < 3 days + commuting accidents.

When calculating this data, the number of calendar days of absence was multiplied by 5.20, which is the coefficient deemed to take into account all days of absence without considering whether they are working days or not in order to make them equivalent to the number of days actually lost.

Absences of less than 3 days' duration are accounted for by the number of hours lost (those in which the employee has been temporarily disabled due to a commuting accident, occupational accident and common illness).

Management of work-life balance

Regarding the domestic electricity infrastructure operation and management and Telecommunications (fibre optics) businesses, following the approval in 2019 of the third Comprehensive Work-Life Balance Plan, 2020 saw the roll-out of objectives defined for the year and the extension of a flexible working culture.

This management model is one of the fundamental pillars of the Healthy Company model and the Diversity model and includes over 70 work-life balance measures, structured into different blocks:

- Leadership and management styles
- Quality of employment
- Flexibility of time and location
- Family support
- Personal and professional development
- Equal opportunities

Health and safety

Through the commitment and leadership of the management team, the Red Eléctrica Group promotes best practices in safety, health and well-being. Its healthy company management model, deployed through a multi-year plan, is aligned with the Group's Strategic Plan, the Human Resources Master Plan and the 2030 Sustainability Commitment of the Red Eléctrica Group.

Within this framework, the healthy company model revolves around four main lines of action:

- Physical work environment: within the definition of the future energy model, identifying opportunities to generate value in the services offered.
- Participation in the community: through actions performed by the company that have an impact on improving the state of health and well-being of its employees' families and the communities in which it operates.
- Health resources: providing the workforce with tools to improve their physical and mental health, contributing to their well-being and quality of life.
- Psychosocial work environment: implementing management and work organisation tools and resources that favour the physical and psychosocial well-being of workers.

The model is deployed through annual programmes that aim to facilitate the continuity of the management model through continuous improvement and to consolidate the Group as a leader in best practices for safety, health and well-being, prevention, and promoting health.

The Group has a strategy and a specific action plan that promotes best practices in relation to occupational risk during activities and work carried out at its facilities. The objective is to go beyond mere legal compliance, by training, informing and raising awareness about the obligations and responsibilities that exist and to commit the whole Group to this goal.

In this context, higher risk tasks and activities are monitored on an ongoing basis by means of safety inspection programmes, which are essential to achieving the high levels of safety required. Accordingly, in 2020, 10,285 safety inspections were carried out on works and facilities, incidents having been detected in 11.26% of cases. As a result of all the activities performed to control and monitor works, over 1,700 corrective actions were required, of which 85.34% were resolved while the rest are in the process of being resolved.

To minimise the risks associated with construction and maintenance tasks at electricity facilities, the Group places special emphasis on training, awareness, consultation and participation (through the Health & Safety Committee, internal audits and working groups), improving safe conduct and the safety measures employed while work is being carried out by internal and external (contractors) personnel. In recent years, several initiatives aimed at reducing accidents during the works execution phases have been implemented.

In 2020 the Action Plan to improve health and safety was updated, establishing 2020-2023 as the new timeline in order to address the strategic challenge of being a *Zero Accidents* group. Two main lines of work have been established: **Culture of Prevention and Innovation.**

- **Culture of Prevention:** to instil a culture of prevention focused on the well-being of the people working at Red Eléctrica's facilities, promoting a safe working environment, strengthening the communication of all the aspects that contribute to increased safety when performing an activity.
- **Innovation:** the Red Eléctrica Group is focusing on innovation as a driver of digital transformation in the field of occupational safety. We manage innovation in health and safety, putting technology to work for people.

Through innovation management, we seek to make an impact on health and safety processes and promote the use of technology, with the help of Elewit, the Group's technology company. In 2020 pilot projects were undertaken with several startups specialising in different enabling technologies such as virtual and mixed reality, data analytics (big data), IoT (internet of things, which provides connected workers with sensors), and blockchain, applied to different use cases and proofs of concept.

In 2020, the key accident rates for Group employees were 2.87 (frequency rate) and 0.10 (severity index). In 2019, the rates were 4.13 (frequency rate) and 0.14 (severity index).

Workplace accidents and occupational illnesses

Red Eléctrica conducts preventive monitoring of the health of its employees on an ongoing basis through its in-house medical service, which is responsible for checking employees' health through periodic medical examinations and consultations. As a result of the preventive measures applied, no incidents or risks of specific illnesses associated with the professional activities carried out or related to the workplace were identified.

	2020			2019		
Red Eléctrica Group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Accidents with leave	9	1	**10**	10	3	**0**
Fatal accidents	0	0	**0**	0	0	**0**
Work days lost due to accidents (5)	173	170	**343**	324	109	**433**
Accident frequency index	3.52	1.08	**2.87**	4.28	3.69	**4.13**
Accident severity index	0.07	0.18	**0.10**	0.14	0.13	**0.14**

Frequency rate: number of work-related accidents resulting in leave per million hours worked.
Severity index: number of working days lost due to occupational accidents + incapacity scale, per thousand hours worked.

Moreover, there were no occupational illnesses in either 2020 or 2019.

Red Eléctrica implemented measures at the first news of the spread of COVID-19, which has allowed the contingency plans to be rolled out promptly and effectively.

Since the start of the pandemic alert, reported cases have been monitored both in terms of illness and possible contact, and essential personnel, system operators and technical maintenance specialists have been identified and are subject to special monitoring.

In addition, personnel have been provided with the necessary protective health and safety equipment to carry out their duties and adhere to all requisite safety protocols (masks, gloves and sanitiser gels).

In the specific area of health and health promotion, in addition to the basic actions of individual health monitoring, different campaigns aimed at guaranteeing physical, psychological and social well-being have continued with the aim of improving the overall well-being of people who have been forced to adapt to the circumstances of the pandemic, offering various services through digital platforms in lieu of face-to-face: consultations on nutrition and physical fitness, access to yoga classes, Pilates and mindfulness workshops.

The result of the 2020 audit of the Healthy Company model has been satisfactory.

c) Social relationships

Red Eléctrica considers internal communication a key factor for sharing its mission and goals, involving employees in the organisation's various projects and improving the work climate, thus helping to boost pride in membership.

The main focus of internal communications was as an adjunct to the introduction of new, more agile, flexible and collaborative working methods that would enable the company to achieve the challenges set out in the new Strategic Plan.

New intranet tools continue to be promoted through various internal channels, including the corporate Twitter feed and the new Innovation channel, which aims to foster digital capabilities and co-creation among users.

In 2020, the company continued to increase communication cascading, giving it a closer, more personal touch and designing new listening channels between managers and associates.

In October 2019, the Red Eléctrica Group conducted a Climate Survey to learn about how employees perceived different aspects of the company (commitment, leadership, development, communication, etc.) and to identify opportunities for improvement.

The methodology and the questionnaire have been maintained to provide continuity when tracking results, although new items and categories have been incorporated in response to current needs, for example cultural or digital transformation and innovation.

The Group published its results through the intranet (miRED) and the results for each area were presented by the management team in face-to-face sessions during which constructive dialogue was encouraged.

Throughout 2020, work continued apace on the design, development and communication of action plans for Group areas needing improvement, whether the area as a whole or the area leader.

Employees covered by a collective bargaining agreement

The Group guarantees its employees the right to trade union membership, association and collective bargaining within the framework of the provisions of the International Labour Organisation, current labour laws and the applicable collective bargaining agreement. This involves having workers' representatives at several Group companies as well as collective bargaining agreements, and holding talks and meetings on this topic.

Employees covered by a collective bargaining agreement	2020	2019
Employees in Spain	91%	91%
Employees in Brazil	98%	96%

In 2020, the aggregate figure for the other countries where the Group is present (Peru, Chile, Argentina, Colombia and Luxembourg) is as follows:

Employees covered by a collective bargaining agreement (Peru + Chile + Argentina + Colombia + Luxembourg)	2020	2019
	3%	0%

During the first half of 2020, negotiations were held on REINTEL's 1st Collective Bargaining Agreement. The negotiations concluded successfully and the 1st Collective Bargaining Agreement went into effect on 14 September 2020.

Consequently, relations with employees' representatives were defined by the negotiation of a new agreement through the Negotiating Committee created for the purpose.

During 2020, various meetings were held by Red Eléctrica de España's Intercentre Committee and other committees in which employees' representatives are involved.

Summary of the collective bargaining agreements in the area of health and safety

Red Eléctrica de España has an occupational health and safety committee whose composition and functions are set out in Chapter 7 of the 11th Collective Bargaining Agreement.

This committee is a collegiate body with equal representation intended to provide regular and periodic consultation regarding the company's occupational health and safety actions. The committee consists of six representatives nominated by the company and six health and safety delegates chosen from among the employees' representatives, who represent 100% of the employees. Specialists from the company's health and safety service also attend the committee's meetings.

The committee meets every quarter (in accordance with Occupational Risk Prevention Law 31/1995) although it may also meet at the request of any of the parties. In 2020, the committee met four times in regular sessions in accordance with its objectives.

These meetings serve to monitor all health and safety activities, any new applicable legislation, the reviews of processes and internal regulations, as well as analysing and tracking the results and the occupational health & safety programmes and monitoring safety equipment and materials. The minutes of these meetings are available to all employees under a dedicated section of the miRED corporate intranet. This committee also receives the results of the internal and external audits that are carried out and any improvement actions that are implemented.

As a result of the health emergency triggered by the spread of Coronavirus disease 2019 (COVID-19), four special meetings were held during the year to report on the actions and measures taken by the company, particularly with regard to the work activities of essential personnel.

d) Training

In 2020, the Red Eléctrica Group's Campus was the main hub of Learning and Professional Development within the Red Eléctrica Group.

The Group's transformation continues to be promoted through the new leadership approach and the development of employees' capacities through specific programmes developed by the three institutions (business knowledge and technical training, strategy and leadership, and transformation and innovation).

As a result of the "push yourself" (*Impúlsate*) philosophy, a high component of self-development is encouraged in training, with the launch of programmes and learning spaces wherein the employees themselves decide how and when to participate based on their own interests. This new direction has translated into a new training catalogue composed of more than 200 online courses on different technical, management and skills-based subjects, as part of the "Digital by Campus" programme aimed at the acquisition of skills and knowledge related to digital transformation and the "Self-development Ecosystem" designed to improve the personal and professional skills of all employees.

Employees received 136,748 hours of training, equivalent to 67 hours per employee, at an investment of Euros 3,041.91 per person.

Training hours by professional category and gender:

	2020			2019		
Red Eléctrica Group	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Management team	8,708	4,987	13,695	4,763	2,351	7,114
Technicians	94,164	23,178	117,342	108,452	24,046	132,498
Administrative personnel	1,995	3,716	5,711	635	3,083	3,718
Total	**104,867**	**31,881**	**136,748**	**113,850**	**29,480**	**143,330**

All employees are continuously assessed. The new appraisal model launched in 2019 continued to be used in 2020, effectively individualising the evaluation of an employee's contribution in order to increase objectivity and help align employees with the Group's strategy and encourage a culture of development and recognition.

In 2020 the Group consolidated the implementation of the challenge-based management model, which has contributed towards giving each professional clearer guidance about their work, with greater autonomy and flexibility, allowing employees to work when, where and how they require and with whoever needs them.

The voluntary and proactive internal mobility plan has become well established, together with the use of the LinkRED tool that can be accessed by all employees to share their experiences and interests in relation to development and mobility.

In addition, to help students on higher vocational training courses to obtain qualifications, the Group has been actively involved in creating a vocational training programme with theoretical and practical content, as part of the dual vocational training system leading to the qualification of Senior Power Plant Technician. In 2020, the second graduating class completed their training.

The aim of this initiative is to produce professionals who are qualified in this field and available to immediately take up maintenance specialist technician positions; to furnish the sector with trained professionals equipped with Red Eléctrica know-how; and to enhance the employability of young people, with a view to their becoming part of the domestic industrial fabric.

Due to the preventive measures implemented by the Red Eléctrica Group as a result of the COVID-19 crisis, the programme for the second graduating class had to be redesigned, adapting it to a mixed format. This format combined a wide range of online technical and safety content using remote training via the TEAMS and FORMS corporate applications to teach the theory portion of the programme, with face-to-face practical training in which the participants were divided into several classrooms. This ensured that they attained the minimum required level of proficiency in protection while also acquiring agility and skill in the handling of equipment and tools and receiving the necessary safety training. The 20 students were thus able to complete their traineeships at their assigned work centres in the 8 transmission districts having gained sufficient knowledge of health and safety.

Lastly, every two years the Red Eléctrica Group runs a nine-month theoretical and practical programme led by the company's operators, that enables young engineering graduates to qualify as Electricity Control Centre Operators.

e) Integration and universal accessibility for people with disabilities

Disabilities are one of the main areas of focus of the Comprehensive Diversity Plan approved at the start of 2019.

The General Law on the Rights of People with Disabilities (LGD) is applicable to three of the Group's companies, of which two comply with the law through direct employment: REINTEL (3.33%) and HISPASAT (2.05%). The company that does not comply through direct employment (REE) goes beyond legal compliance with exceptional alternative measures, achieving a rate of 2.47%. Of this percentage, 0.86% corresponds to direct employment and the remainder to the application of exceptional alternative measures within the framework of the LGD, consisting of contracting goods and services from Special Employment Centres and making donations to entities whose mission is the social and labour integration of people with disabilities, and which support the Group in carrying out actions related to disabilities as part of the annual diversity programme and contribute to its social initiatives.

The number of Group employees with disabilities is as follows:

	2020	2019
People with disabilities	20	19

The corporate website of Red Eléctrica was developed using website accessibility criteria with Level AA Conformance to Web Content Accessibility Guidelines 2.0 (WCAG 2.0) of the World Wide Web Consortium (W3C) Web Accessibility Initiative (WAI).

One of the most valuable disability projects is the Family Plan, consisting of personalised assistance to improve social and labour integration of any Group employees' family members with disabilities.

In September 2020 Red Eléctrica took part in the *Carrera de las Capacidades*, a race event organised to raise disability awareness.

f) Equality and diversity

The Group's commitment to diversity, inclusion and non-discrimination has materialised in the form of its 2019-2022 Comprehensive Diversity Plan, which is aligned with the Group's Strategic Plan and the 2030 Sustainability Commitment. It seeks to inspire and become a benchmark for the Group itself and in the wider social, labour and human environment, through the Group's commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers. The goals of the Comprehensive Diversity Plan are:

- Create a corporate culture that encourages diversity among employees and other stakeholders.
- Integrate diversity into all of the Group's processes, especially people management.
- Involve, raise awareness and promote the Group's mission and approach to diversity among collaborators and suppliers.
- Participate with official organisations, academic institutions and other social agents in campaigns and projects that enable the Group to become a leading social agent that will contribute to building a more diverse society.
- The Comprehensive Diversity Plan has the following specific objectives:
  - Ensure that at least 35% of the management team are women.
  - 0% wage gap.
  - Family-Friendly Company (EFR) classification - A+
  - LGD compliance of 70% through direct employment

Gender equality is one of the vectors included in the new Comprehensive Diversity Plan and refers to the principles of equal employment opportunities, the promotion of women to positions of responsibility, salary equivalence between men and women, the promotion of shared family responsibility, the prevention of harassment on moral, sexual and gender grounds and the prevention of gender violence. These aspects are monitored through indicators that enable the Group to measure the progress of the objectives defined.

The percentage of women in the Group's workforce in 2020 was 26.62% (25.88% in 2019). The number of women in management positions has once again increased, totalling 32.67% in 2020 (31.76% in 2019). These results are nearing the targets set for 2022.

The Red Eléctrica Group is committed to equality. The significant female presence on the Executive Committee is notable, with 55.56% women, as well as on the board of directors, where women have a 50% representation, the highest among the IBEX 35 companies.

We continue working on gender equality as shown by the indicators achieved in 2020 for equal opportunities in training: 0.97%, contracts: 1.1%, promotion: 1.38% and promotion to the management team: 1.57%.

During 2020 the Group collaborated with entities and participated in various observatories and academic forums in relation to diversity, including:

- Collaboration in working roundtables and forums on diversity, equality and inclusion promoted by institutions such as IE Business School and the Spanish Association of Women Executives and Directors (EJE&CON), the Real Instituto Elcano and the Spanish Royal Academy of Engineering (participation in the Women and Engineering project to foster the involvement of women in STEM careers).
- Woman Forward event. Presentation of the 1st Report to promote the creation of value and equality in companies: Proposals to move forward.
- Women Action Sustainability (WAS) event related to the European funds and green recovery.
- Women In A Legal World (WLW) first event: forum for women on boards of directors.
- Celebration of the second "Mujer en Red" (*Women in Red Eléctrica*) week (March 2020), with daily initiatives to raise awareness of the importance of women in society at large and more specifically in organisations.
- Campaigns to raise awareness against gender-based violence, of communication on the International LGBTI Pride Day, on the International Day of Persons with Disabilities and the 2020 International Day of Rural Women.

In 2020, various commitments and agreements were signed in relation to diversity, including:

- Signing of the protocol "More women, better companies", an agreement to foster equal participation of men and women on boards of directors.
- Collaboration agreement called "Red de Empresas por una Sociedad Libre de Violencia de Género" (*Network of Companies for a Society Free from Gender-based Violence*).

- Participation in the Observatory on Work-Life Balance and Co-responsibility promoted by Universidad de Comillas.
- Signing of the #CEOPORLADIVERSIDAD commitment with CEOE and Fundación Adecco to promote the De&I strategy (Diversity, equity and Inclusion).

11.5 Information about respect for human rights

Respect for human rights

The Group has an explicit and public commitment to respecting and promoting human rights in every country in which it operates, with special emphasis on the freedoms and rights of vulnerable groups such as indigenous people, women, children and ethnic minorities, among others. This commitment is included in the rules of conduct and guidelines established in the Code of Ethics and the Sustainability Policy, and applies to the whole supply chain through the Code of Conduct for Group Suppliers. Lastly, as a member of the Spanish network of the United Nations Global Compact, Red Eléctrica has strengthened its commitment to human rights by signing up to the ten principles of the Global Compact.

In 2017 the company formalised a human rights management model, approved by the Sustainability Steering Committee, which applies to all of the Group's activities and is based on the United Nations' Guiding Principles on Business and Human Rights.

The Group takes an approach based on control and continuous improvement, implementing actions that help to prevent potential human rights violations, while seeking solutions to redress such violations in the event that they arise. In 2020 a total of 45 social audits were performed and 38 action plans were designed to redress major non-compliances, which apply to 18 suppliers. As regards human rights commitments, improvements aimed at fostering supplier development are agreed, and changes are measured so as to verify whether such improvements have been made, and otherwise to ban the supplier temporarily or permanently. In 2020 the Group did not identify any supplier contracts which have generated human rights incidents and there is no record of any such complaints being received.

In order to continue making progress in human rights management and to strengthen its commitment to upholding them, the company is working on improving the due diligence mechanisms to identify and evaluate actual or potential negative implications on human rights, specifically those affecting local communities in the areas of activity.

The Group has set up a whistleblowing channel that is available to all stakeholders as a formal mechanism for addressing any human rights-related enquiries or complaints. The Group also has the DÍGAME Service and ASA (the Procurement Support Service), through which stakeholders can express their concerns about any grievances in this area. In 2020, the DÍGAME Service received five human rights-related complaints (two in 2019). 100% of these complaints have been resolved.

The whistleblowing channels available to stakeholders have not received any human rights-related complaints in respect of HISPASAT. None were received in 2019 either.

11.6 Information about the fight against corruption and bribery

Ethics and Compliance in the Red Eléctrica Group

Ethics and Compliance are fundamental pillars of the proper course of business at the Group. This means acting with the utmost integrity in discharging the Group's obligations and commitments, and in relations and cooperation with its stakeholders.

The Group has a series of corporate rules of conduct establishing the values, principles and standards of conduct that must be adhered to by all persons in the Group in the performance of their professional activities.

Code of Ethics and Conduct

The Group's Code of Ethics and Conduct applies to all Red Eléctrica Group personnel. It establishes and facilitates commitment to the ethical values, principles and standards of conduct that must govern our professional activity within the organisation.

In 2018 the company embarked upon a process of reviewing and updating the Code of Ethics in order to bring it into line with best practices for ethical management and compliance, as well as the structural changes in the Red Eléctrica Group. This process was completed on 26 May 2020 when the board of directors approved the Red Eléctrica Group's Code of Ethics and Conduct.

Ethics and Compliance Channel

The Red Eléctrica Group has set up an Ethics and Compliance Channel available to all the organisation's members and stakeholders, through which they can:

- Raise any queries regarding interpretation of the ethical values, principles and standards of conduct laid down in the Code, or propose improvements.
- Report any violations of the Code, legislation, internal regulations or commitments taken on by the organisation.
- Report any potential irregularities or violations related to financial, accounting or business malpractice.

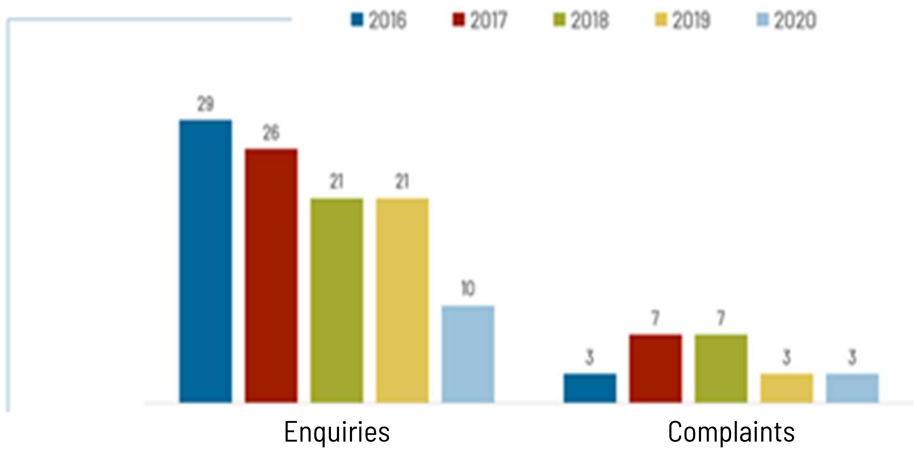
The Red Eléctrica Group's Ethics and Compliance Channel is managed by the Ethics Office in coordination with the Compliance area and its activity is governed by guidelines on the channel's management.

On 1 December 2020 the Red Eléctrica Group's Executive Committee approved the "Guidelines for managing the Ethics and Compliance Channel", comprising the internal regulations for management of said channel. The new guidelines have been approved to bring the channel's activity into line with: the criteria of the Code of Ethics and Conduct; the Spanish Data Protection and Digital Rights Act (article 24 of which regulates whistleblowing systems); and Directive (EU) 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law.

Enquiries and complaints processed in 2020

A total of 10 enquiries were made to the Ethics Officer via the Ethics and Compliance Channel in 2020. Three complaints were received in relation to compliance with the Code of Ethics and Conduct in 2020, all of which were resolved by year end (three complaints in 2019, one of which was unresolved at the 2019 year end). None of the complaints were about non-compliance linked to the organisation's criminal risks.

The chart below shows the number of queries and complaints made in each of the last five years.



Compliance system

The Group's Compliance System is aligned with the best practices in this area, so as to support the organisation in fulfilling its obligations and commitments.

The Red Eléctrica Group's Compliance Policy expresses the organisation's commitment to the prevention and detection of and response to any conduct that contravenes the legal obligations and commitments assumed voluntarily, in accordance with the values, principles and behaviour guidelines of the Code of Ethics and Conduct.

The Group has a Compliance area that is entrusted with the design, development, implementation and monitoring of the organisation's compliance system.

The main goals of the compliance system are:

- Establish a control and supervision system to mitigate compliance risks, optimising and improving their management.
- Make available to the entire organisation the content of the principles and rules that should govern their performance within the Group and the instruments required to this end.
- Raise awareness among Group members of the importance of the Compliance System and the necessary adaptation of their conduct to the values and behaviour guidelines of the Code of Ethics and Conduct.
- Formalise the Group's commitment to the prevention of any conduct that is contrary to the applicable legislation and to the commitments assumed voluntarily.
- Inform the persons subject to the Compliance System that violation of the principles and guidelines of the System will lead to disciplinary measures.
- Establish appropriate control measures to mitigate the Group's compliance risk, as well as reaction and correction when a breach is detected.
- Maintain supporting evidence of compliance with the Group's obligations and commitments.

Criminal and anti-bribery compliance system

The Group has a criminal and anti-bribery compliance system that aims to identify the rules, procedures and tools in place in the Group to prevent non-compliance with the criminal legislation applicable to the Group and its personnel. The management and prevention of criminal risks that could affect the Group, based on its activities and business sectors, are thus incorporated into the Group's control processes.

The board of directors, as the ultimate body in charge of the Group's risk management, in accordance with applicable regulations, has designated the Criminal Compliance Committee as the specific body in control of the Group's Criminal Compliance System. The Criminal Compliance Committee is responsible for the supervision and monitoring of the Group's Criminal Compliance System and its objective is for the main criminal risks to be properly identified and managed, and to raise awareness of such risks within the organisation.

In 2020 the criminal and anti-bribery compliance system of the Parent of the Red Eléctrica Group (REC) and its subsidiary Red Eléctrica de España (REE) was certified under UNE 19601 and ISO 37001. The certification process for this system was carried out by AENOR in December 2020.

In 2020, none of the Group's companies were investigated or found guilty of acts of non-compliance linked to the organisation's criminal risks. Likewise, no complaints were filed in connection with potential cases of corruption and no Group company was investigated or found guilty by any court in connection with non-compliances linked to corruption cases.

Prevention of corruption and money laundering

The Code of Ethics and Conduct and the criminal and anti-bribery compliance system, which include aspects related to the fight against corruption and money laundering, constitute an effective mechanism for the detection and treatment of possible cases of corruption and fraud. The Group has a guide for the prevention of corruption, "zero tolerance", which was approved by the board of directors in 2015 and sets out conduct guidelines and commitments, as well as the performance criteria and main controls in place at the company associated with corruption, including money laundering.

11.7 Information regarding society

Impact of the activity on employment and local development

The activities carried out by the Red Eléctrica Group undoubtedly have benefits for society, notably that they maintain the continuity and security of electricity supply in conditions of high quality.

Once again this year, the Red Eléctrica Group's investment in the transmission network has benefitted society due to its dynamic effect on economic activity because by encouraging production it leads to an increase in wealth (as measured by GDP), in jobs and in tax revenue, which can be used to improve the general well-being of society. All this is the result not only of the Group's direct investments but also of the increase in activity driven by the circular flows of the economy.

Since 2017, the Red Eléctrica Group has used a methodology based on multipliers computed using Input-Output Tables to estimate the level of general activity generated as a result of an initial investment. Calculations are performed taking into account three main effects:

Effects of investments

Direct effect	Indirect effect	Induced effect
Estimation and valuation of the production chain and job and income creation generated in the economic system by an initial investment.	Income and jobs created when the beneficiaries of the initial investments acquire other goods and services (intermediate consumption) from other production systems, which in turn acquire goods and services from their own suppliers.	Impact arising from all the income generated in the previous stages. This effect thus incorporates the effect of the final consumption arising from the wage income generated and the tax revenue obtained by governments when taxing the different economic activities and the income they generate.

Socio-economic contribution in Spain

In 2020, the Red Eléctrica Group's total investment in the transmission network in Spain amounted to Euros 383.1 million, of which an estimated Euros 71 million was spent on importing the products needed to carry out the activity. The remainder, totalling around Euros 312 million, consisted of direct investment in Spain, the effect of which, after applying the chosen methodology, is broken down in the following table:

	Direct	Indirect	Induced	Total
Production (millions of Euros)	312	296	31	**639**
Income - GDP (millions of Euros)	129	126	10	**265**
Employment (no. of jobs)	2,350	2,250	316	**4,916**
Tax revenue (millions of Euros)	50	48	4	**102**

The investment made in Spain has generated Euros 639 million of output in the business sectors concerned, which is more than double the investment made (Euros 312 million). This represents a contribution of Euros 266 million to Spanish GDP (around 14% of the Group's revenues in 2020), generating activity equivalent to 4,916 jobs. All of this combined has generated tax revenue of Euros 102 million (approximately 9.2 % of the amount provisionally collected in 2020 in respect of the special electricity tax).

Socio-economic contribution in Chile

In 2020, through its subsidiary Red Eléctrica Chile, the Red Eléctrica Group invested a total of US Dollars 42 million in the transmission network, reflecting direct investment in Chile the effect of which, after applying the chosen methodology, is broken down in the following table:

	Direct	Indirect	Induced	Total
Production (millions of US$)	42	30	6	**78**
Income - GDP (millions of US$)	22	14	3	**39**
Employment (no. of jobs)	572	407	92	**1,071**
Tax revenue (millions of US$)	6	2	1	**9**

The investment made in Chile has generated US Dollars 78 million of output in the business sectors concerned, which is almost double the investment made (US Dollars 42 million). This represents a contribution of US Dollars 39 million to GDP, generating activity equivalent to 1,071 jobs. All of this combined has generated tax revenue of US Dollars 9 million.

Socio-economic contribution in Peru

In 2020, through its subsidiaries in Peru, the Red Eléctrica Group invested a total of US Dollars 11 million in the transmission network, reflecting direct investment in Peru the effect of which, after applying the chosen methodology, is broken down in the following table:

	Direct	Indirect	Induced	Total
Production (millions of US$)	11	7	2	**20**
Income - GDP (millions of US$)	5	4	1	**10**
Employment (no. of jobs)	265	357	90	**712**
Tax revenue (millions of US$)	1	1	0	**2**

The investment made in Peru has generated US Dollars 20 million of output in the business sectors concerned, which is almost double the investment made (US Dollars 11 million). This represents a contribution of US Dollars 10 million to GDP, generating activity equivalent to 712 jobs. All of this combined has generated tax revenue of US Dollars 2 million.

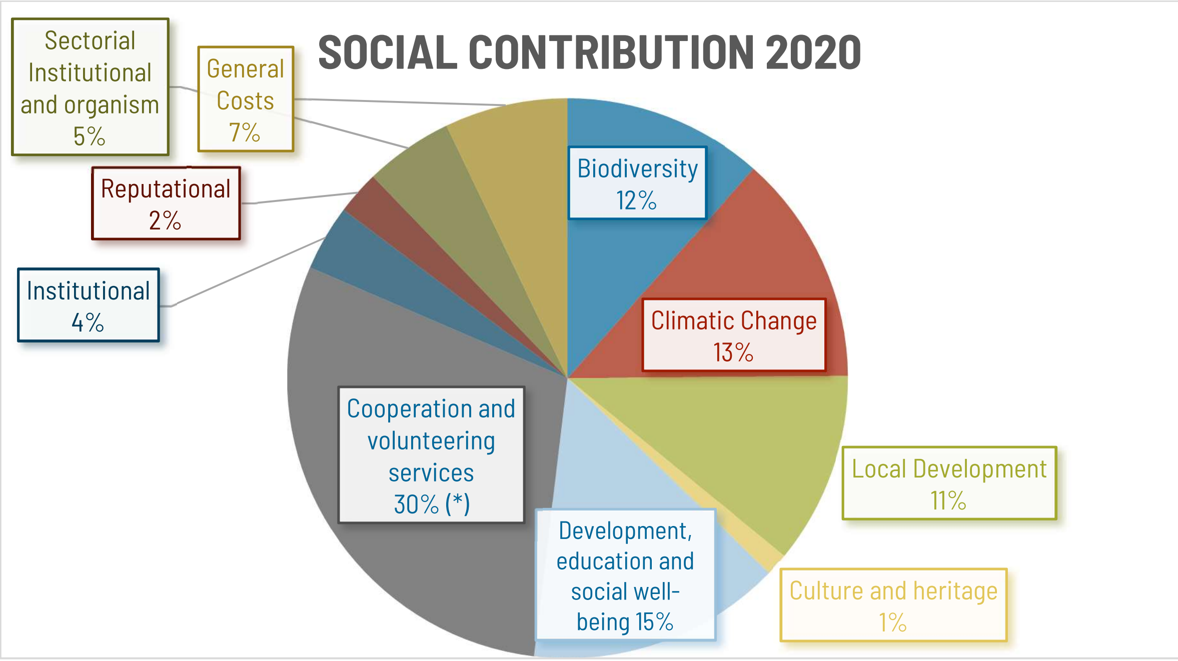
Impact of the activity on local communities and the local area

The Group focuses its socio-environmental commitment towards unlocking shared value with society by pursuing actions and investments that are aligned with its business goals and, while generating value for the Group, also have a positive impact on society, the local area and its inhabitants. It also contributes to the attainment of various challenges, such as the UN's Sustainable Development Goals or those envisaged as part of the European 2020 energy strategy.

Shared value is created by the Group both in the way it develops and builds infrastructure and in the way it operates and delivers services to the effective systems it operates in and to its customers. This activity generates opportunities to unlock shared value throughout the infrastructure life cycle.

In addition, the Group supplements its projects in the area with collaboration schemes to nurture institutional and social relationships, transparently seeking collaboration agreements, disseminating information about the electricity network's performance and fostering involvement in projects and initiatives that boost socio-economic development, education, social well-being and the conservation, protection and enhancement of natural and cultural heritage in the countries and regions in which it operates.

In 2020, the Group contributed over Euros 9 million (amount calculated using the London Benchmarking Group methodology) to social initiatives (over Euros 8 million in 2019). Of particular note is the contribution of more than Euros 2.4 million to mitigate the social and economic impacts of the global pandemic triggered by COVID-19. Contributions to foundations and non-profit organisations, totalling Euros 1.4 million (Euros 1.7 million in 2019), accounted for 53 (62 in 2019) of all the social initiatives carried out by the Group in 2020.



(*) Including extraordinary initiatives for COVID-19 contributions

In 2020, the company signed 89 agreements with public and social entities, mainly to cooperate on socio-economic, environmental, educational and cultural development projects.

Among the 377 social initiatives undertaken, special attention has been paid to those focused on a rapid and effective response to needs arising as a result of COVID-19, the mitigation of population drift, and the conservation of biodiversity.

With regard to knowledge-sharing, the Group has always played an important role through activities that seek to enhance knowledge of the Spanish electricity system. This now takes on even greater importance given the sizeable challenge posed by the new energy transition model through the decarbonisation of the economy, since a better informed society has greater capacity to develop and maintain a new sustainable energy model.

On this front, the company overcame the restrictions on movement and the social distancing rules imposed as a result of the healthcare crisis by offering virtual tours of its facilities. This allowed 1,100 people (in 53 tours) to see them.

The Group has rolled out initiatives to reduce the impact of the COVID-19 pandemic and the resulting economic and social crisis, particularly on more vulnerable areas of society.

Corporate volunteering

Corporate volunteering actions have had to be adapted to the conditions imposed as a result of the pandemic. Those actions that required in-person participation have been replaced by remote actions, which help to mitigate the effects of the pandemic on different social groups and the environment.

This change did not stop the volunteering actions carried out in 2020 reaching a level of participation of individual volunteers of 26.48%, which is higher than the target set at the beginning of the year (20%).

Main corporate volunteering actions in 2020

Social volunteering	
Food bank donations campaign	Virtual campaign to gather basic goods (food) to mitigate the effects of the pandemic • 59 volunteers • Euros 2,670 collected by the volunteers, equivalent to 2,519 kg of food
Event with CREATICA during the second "Mujer en Red" (Women in Red Eléctrica) week	Promoting higher education, particularly in STEM, among adolescents in vulnerable circumstances • Practical workshop on programming involving six volunteer employees
Letters Against Loneliness in collaboration with HandsOn Spain	Sending of letters and drawings to the elderly in care homes • 25 volunteers • 25 letters sent
Cruz Roja donations campaign	Virtual campaign to gather basic goods (food, hygiene products and school material) to mitigate the effects of the pandemic • 106 volunteers • Euros 5,000 collected
Christmas activities with Cruz Roja	Collection of a total of 175 new books for children aged 0 to 9 in all regions of Spain • 175 volunteers
Christmas activities with FDI (Development and Integration Foundation) and care homes for the elderly.	Sending of Christmas cards to the elderly in care homes • 9 volunteers • 13 cards sent
Environmental volunteering	
#Plantemos (*Let's plant*) a new world with Fundación Juan XXIII	Environmental and social project where participants receive a kit of seeds and sustainable and compostable material (prepared by people with disabilities) to plant at home •368 volunteers
STAY IN YOUR NEST with SEO/BirdLife	Insight into urban birds to highlight their importance to biodiversity. Virtual training workshop and use of the e-bird app •6 volunteers
Nest boxes with SEO/BirdLife	Raising awareness about the importance of caring for urban biodiversity and engaging different players (citizens, governments, businesses, associations) in conservation •8 volunteers

Participation in organisations

The Group is a member of and is active in various international organisations and associations, particularly within the European Union, with a view to raising awareness of its stance on fundamental aspects of its activity, building strong alliances and contributing to the achievement of common objectives.

The Group participates in international electricity-related organisations such as ENTSO-E (European Network of Transmission System Operators for Electricity), RGI (Renewable Grid Initiative), IESOE (Electricity Interconnection in South-Western Europe), Med-TSO (Mediterranean Transmission System Operators), EASE (European Association for the Storage of Energy), and CIGRE (International Council on Large Electric Systems). Regarding the satellite business, HISPASAT participates in the International Telecommunications Union (ITU), the Brazilian National Telecommunications Agency (ANATEL), the Inter-American Telecommunications Commission (CITEL), the European Satellite Operators' Association (ESOA), and the Inter-American Association of Telecommunications Companies (ASIET).

The Group participates in organisations or domestic associations that seek different objectives:

- Share and extend best business practices

Spanish Quality Association (AEC)	An association aimed at defending and promoting quality as a driver of competitiveness in business and improvement in society.
Spanish Compliance Association (ASCOM)	The first association created to professionalise the compliance function and facilitate the exchange of ideas and best practices.
Spanish Association for Standardisation and Certification (AENOR)	An association that contributes to improving the quality and competitiveness of companies by developing technical standards and certifications.
Spanish Issuers (Emisores Españoles)	An association that fosters measures to reinforce legal certainty in the issue of listed securities and contributes to the development of high standards of corporate governance.

- Enhance knowledge of the Group's activities
  - Electricity sector

Spanish Energy Association (ENERCLUB)	An association that contributes to a better understanding of various energy-related issues among interested parties in society.
Madrid Energy Foundation (Fundación de la Energía de la Comunidad de Madrid)	The foundation drives initiatives and research programmes for the development and application of energy technologies.
Energy Cluster (Clúster de la Energía) of various autonomous regions	A group that promotes the development and competitiveness of energy companies in Spain.

  - Telecommunications and aerospace sector

Madrid aerospace cluster (Clúster aeroespacial)	An association that fosters and contributes to development and innovation in the aerospace industry in the Madrid Region.
Spanish Association of Technology Companies for Defence, Aeronautics and Space (TEDAE)	This Spanish association brings together technology companies in the fields of defence, security, aeronautics and space, encompassing the Spanish tech industries in these domains, and makes a meaningful contribution to the national objective of changing the Spanish economy's production model.
Spanish Aerospace Technological Platform	A group which furthers aeronautics and space research consultancy in Spain, currently charged with updating the Strategic Aerospace Research Agenda.

- **Promote the Group's commitment to sustainability**

Sustainability Excellence Club (Club de Excelencia en Sostenibilidad)	A business association aimed at driving sustainability by sharing and building awareness of good practices.
Forética	An association of companies and sustainability professionals promoting the integration of environmental, social and good governance issues in companies' strategy and management.
Association for Excellence in Management and Innovation (Club Excelencia en Gestión e Innovación)	A business association aimed at strengthening the global competitiveness of organisations and professionals through the values of excellence.
Integrity Forum (Foro de Integridad) of Transparency International Spain	A think tank for improving compliance and ethical management in companies.
Voluntare Foundation	A global corporate volunteering network that helps to connect companies with third sector organisations.

Subcontracting and suppliers

The globalisation of markets has extended the limits of companies' responsibilities and triggered a change in the role of suppliers, which have become a pivotal element. The Group extends its responsibility over the supply chain and adheres to a responsible management model, based on the principles of non-discrimination, mutual recognition, proportionality, equal treatment and transparency, as well as a framework of legislation and internal Group codes, policies and rules.

In 2020 the Red Eléctrica Group worked with 1,292 suppliers in transactions worth Euros 599.6 million. Of that amount, 85.4% relates to services and works, while the remaining 14.6% pertains to materials and equipment.

Besides the aforementioned suppliers, an additional 718 subcontractors also did work on electricity network facilities, bringing the total number of companies that worked within the framework of the Group's contracts to 2,010.

The local purchases indicator (purchases from suppliers based in the same country) was 88.2% for Red Eléctrica Group companies in Spain, 97.5% for those in Chile and 97.0% for those in Peru; which means the Group acts as a driver of growth, favouring business, industrial and social development by creating employment throughout the supply chain.

The Group verifies that approved suppliers meet the minimum requirements, which vary depending on the supply contract: they must have accepted the Code of Conduct for Suppliers, show evidence of a stable financial position, fulfil certain minimum quality guarantee criteria, have adequate public liability insurance, and provide references and records of previous work.

Should more specific environmental and social criteria be needed (in addition to those required for approval), these are conveyed by the Group's technical areas as part of the technical specifications that will form part of the tender process. Their evaluation would form part of the technical assessment of the tender bids received.

The monitoring process verifies the suppliers' performance in the context of the contracts with the company and the ongoing fulfilment of the requirements made upon approval. The main areas screened are: (1) business (monitoring of the financial solvency of all approved suppliers and application of mitigating measures, continuous oversight of legal matters such as being up-to-date with payments to the Spanish taxation authorities, Social Security, public liability insurance, etc.), (2) technical, and (3) social responsibility (verification of proper adherence to the Code of Conduct for Suppliers through social audits).

Social audits were conducted at 45 suppliers during 2020 (53 in 2019) to verify compliance with the Code of Conduct for Suppliers. As a result of the audits, 38 action plans have been agreed with 18 suppliers, so that supplier development can be monitored and improvements recorded. The results of these audits and their findings are shared internally, placing special emphasis on the detection of major non-compliances.

Consumers

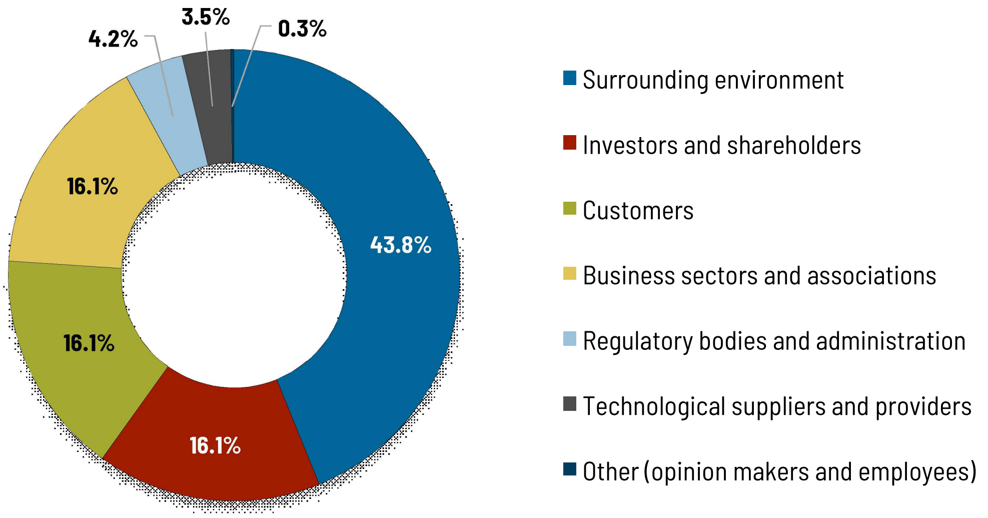
In the fourth quarter of 2020 the Group launched a project to analyse the way in which each Group company deals with stakeholder interactions. The aim is to draw conclusions to establish a procedure defining common grounds for managing such interactions from a Group perspective, allowing the company to consolidate existing information and function as a single corporate system that improves interactions with external stakeholders. Once defined, the Group will apply this master procedure to each company and iron out the specifics which could not be regulated in the general procedure.

Red Eléctrica de España

Since 2008 the "Dígame" service has provided a professional response to requests from external stakeholders, who have several channels of communication at their disposal (telephone, email, online contact form, post or certified fax), regarding REE's electricity system operation and transmission network management services. The service is manned by employees of Fundación Juan XXIII Roncalli, a non-profit entity that facilitates the workplace integration of people with disabilities.

Interactions through the Dígame service in 2020

In 2020 a total of 3,559 interactions were received and managed through the Dígame service[4], with stakeholders from the surrounding environment accounting for the highest number (1,560), followed by investors and shareholders (573), and then customers and business sectors and associations (572 each). To a lesser extent the Group has recorded interactions with regulatory bodies and governments, suppliers and other stakeholders.



Claims handled through the Dígame service in 2020

Of the 260 claims received, 219 fell under Red Eléctrica's remit and were admitted. Of these, 58 were upheld (accepted on correct and reasonable grounds, whether fully or partially).

[4] *"Interactions" comprise any communication between Red Eléctrica de España and a stakeholder. Interactions are classified into: queries, case files, notifications, requests, grievances, claims, recognitions and suggestions.*

Most claims received fall into two categories: quality and continuity of supply and impacts of the facilities. The first type primarily consists of claims related to the incidents in Tenerife in September 2019 and August 2020, while the second type mainly comprises claims concerning tree felling and clearing of vegetation.

By type	2020	2019
Quality and continuity of supply	173	196
Impacts of facilities	41	47
Measures	2	0
Other	3	3
Total	**219**	**246**
By stakeholder complainant		
Surrounding environment	187	198
Business sectors and professional associations	28	46
Customers	4	2
Total	**219**	**246**

While some claims remain open, 95% of the claims accepted have been closed. Of the 21 claims that remained open at the end of 2019, 19 were fully closed in 2020 and the other two more complex claims, relating to the Tenerife incident, are in the process of being resolved.

International business

In 2020 the Group consolidated the channel for queries, requests, grievances and claims through a Latin America-wide procedure that establishes the response times and prioritisation of communications received from external stakeholders (bodies, entities, communities, associations, customers or the general public).

Moreover, the Dígame channel was opened for the business in Chile and an application was developed to record cases in the field, for direct use by community relations personnel and maintenance workers.

By type	Peru	Chile
Claims	4	0
Grievances	12	1
Queries	2	0
Requests	401	15
Total	**419**	**16**

Most of the claims received in Peru relate to the CCNCM concession and one pertains to TESUR 2, while the grievance made in Chile refers to REDENOR. All such claimants seek compensation for the impact of facilities.

In Peru, 53 of the interactions are in the process of being resolved, whereas all cases in Chile were closed during the year.

REINTEL

REINTEL has its own 24/7 service and supervision centre, which controls and monitors the status of the network and handles incidents and scheduled work of customers, with the aim of offering a reliable service of the utmost quality. In 2020 a total of 533 network incidents affecting customers were handled. Of these, 63% stemmed from power failures, third party works and natural causes, while the remaining 37% were due to scheduled network work. These incidents were handled and resolved as part of normal business within the timeframes established in the customers' contracts.

HISPASAT

HISPASAT also maintains an ongoing dialogue with its customers, providing them with various tools for direct communication: 24/7 customer service call centre offered in three languages (Spanish, Portuguese and English) with local phone numbers, a support centre and a web portal, allowing customers to open service incidents or request information.

HISPASAT classifies such interactions into queries, incidents, grievances or suggestions. In 2020 it received a total of 3,769 interactions, primarily queries (58.6%).

By type	2020	2019 [5]
Queries [6]	2,207	393
Incidents [7]	1,558	343
Grievances [8]	4	0
Total	**3,769**	**736**

HISPASAT surveys customer satisfaction every two years. The overall net satisfaction rate was 83.6% in 2017 and 82.1% in 2019.

Lastly, it is worth highlighting that the activity of the Group companies has no impact on the health and safety of consumers. In the case of the electricity transmission activity, it should be noted that due to the criteria applied in the design of the facilities, the levels of the electric and magnetic fields (EMFs) remain below those recommended by the Council of the European Union (Official Journal of the European Communities 1999/519/EC: limitation of exposure of the general public in areas where they spend significant time – 5 kV/m for the electric field and 100 µt for the magnetic field). The main criteria applied are as follows:

- Construction of double circuits and phased translocation in lines.
- Raising the height of supports, thereby increasing the safety distances.
- Minimum distances from the lines to population centres and isolated homes.

To verify compliance with recommendations, the Group has a tool that uses certain line parameters to accurately gauge the maximum levels of EMFs that the facilities can generate.

Tax information

The Group is committed to compliance with tax laws and the fulfilment of its tax obligations, seeks a cooperative relationship with the taxation authorities and considers it important to contribute to economic and social development by paying taxes in all the countries in which it operates.

The Red Eléctrica Group was recognised by the Commitment and Transparency Foundation for topping the rankings in the Tax Responsibility Transparency Report on the IBEX 35 in 2019. This analyses the voluntary transparency of content related to the tax obligations of IBEX 35 companies. The Red Eléctrica Group scored maximum points and led the transparent companies category.

The Group's tax strategy was approved by the board of directors on 30 June 2015 and is intended to define a consistent approach to tax matters in line with the Group's strategy. It embodies the Group's vision and objectives in tax matters and is based on three core values: transparency, good governance and responsibility.

[5] *As HISPASAT was acquired in October 2019, the total only includes interactions in October, November and December.*

[6] *Includes operational matters, information requests, non-operational incidents and others.*

[7] *Includes operational incidents, incidents, problems, terminal-related incidents, platform-related incidents, provision of service, alignment, service incidents, scheduled work and changes.*

[8] *Includes complaints and claims.*

On 29 September 2015, the board of directors approved the Group's Tax Risk Control and Management Policy and its inclusion in the Comprehensive Risk Management Policy. The tax risk control and management systems are described in the corporate governance report.

The Group's Tax Strategy and Comprehensive Risk Management Policy may be consulted on the corporate website.

Both the Code of Ethics and Conduct and the Tax Strategy state the Group's commitment not to create companies in countries considered tax havens in order to evade tax.

The Group has no presence and carries out no activity in countries considered tax havens under applicable laws and regulations [9].

Profits obtained, broken down by country

Millions of Euros

Profit before corporate income tax (*)	2020	2019
Spain	726	930
Peru	10	7
Chile	-5	-7
Brazil	-2	3
Argentina	-1	-
Others (**)	-	-

(*) Comprises the pre-tax income and expenses of each company, excluding dividends received from Group entities, aggregated at country level.

(**) Includes France, the Netherlands, Luxembourg and the United Kingdom in Europe and other countries in the Americas, with amounts under Euros 1 million.

Corporate income tax paid

With a view to following best practices in sustainability and voluntarily providing greater transparency in tax matters for its various stakeholders, since 2014 the Group has calculated and published its total tax contribution, highlighting the significant economic and social importance of its tax contribution.

The Group's total 2020 tax contribution in all the countries in which it operates amounted to Euros 743 million, consisting of Euros 259 million paid and Euros 484 million collected.

The corporate income tax paid in each country in 2020 and 2019 is as follows:

Millions of Euros

Corporate income tax paid	2020	2019
Spain	192	195
Peru	3	4
Chile	-	1
Mexico	2	-
Other (*)	-	-
Total	**197**	**200**

(*) Includes France, the Netherlands, Luxembourg and the United Kingdom in Europe and other countries in the Americas, with amounts under Euros 1 million.

Corporate income tax in 2020 accounts for 76% of the taxes paid by the Group to public entities, mainly the Spanish taxation authorities.

[9] *Royal Decree 1080/91 of 5 July 1991, subsequently amended by Royal Decree 116/2003 of 31 January 2003; EU list of non-cooperative countries and jurisdictions in taxation matters and list of non-cooperative tax havens drawn up by the OECD.*

Government grants received

In 2020 Euros 1.8 million was received in grants from official bodies (Euros 0.3 million in 2019). The grants received in 2020 and 2019 broken down by country, are as follows:

Millions of Euros

Government grants received	2020	2019
Spain	1.8	0.3
Total	**1.8**	**0.3**

11.8 Index of content required by Law 11/2018 of 28 December 2018 on non-financial and diversity information

CONTENTS	Page	Reporting framework
Description of the business model: Business environment Organisation and structure Markets in which the Group operates Objectives and strategies Key factors and trends that may affect future developments	30	(1) 102-1, 102-2, 102-4, 102-6, 102-7, 102-40, 102-43, 102-44, 102-46, 102-47, 102-49
I. Information regarding environmental issues		
Management approach	32	(1) 103-1, 103-2.103-3
Present and foreseeable impact of the company's activities on the environment, health and safety	32	Internal framework. Description of the impact of the activity on the environment, health and safety
Environmental assessment or certification procedures	32	Internal framework. Certified Environmental Management System
Resources allocated to preventing environmental risks	32	Internal framework. Ordinary expenses incurred for environmental protection and improvement
Application of the precautionary principle	32	(1) 102-11
Provisions and guarantees for environmental risks	32	Internal framework. Amount allocated to environmental aspects associated with investment projects
Pollution		
Measures for the prevention, reduction or remediation of the effects of carbon emissions (also includes noise and light pollution)	34	Internal framework. Measures for the prevention of noise, light and atmospheric pollution, as well as measures for the reduction of carbon emissions
Circular economy and waste prevention and management		
Measures for the prevention, recycling, reuse and other recovery and disposal of waste	33	Internal framework. Circular economy measures
Actions to combat food waste	Not significant	These types of actions are not carried out due to the nature of our activities
Sustainable use of resources		
Water consumption and supply	36	(1) 303-1
Consumption of raw materials and measures to improve efficiency	Not significant	The company's activities do not entail direct consumption of raw materials
Direct and indirect energy consumption	36	(1) 302-1 / 302-2

Measures taken to improve energy efficiency	35	Internal framework. Initiatives to combat climate change and energy efficiency measures
Use of renewable energies	36	Internal framework. Qualitative/quantitative information on the use of renewable energy
Climate change		
Key elements of the greenhouse gas emissions generated	32	(1) 305-1 / 305-2 / 305-3 / 305-4
Measures taken to adapt to the consequences of climate change	32	(1) 305-5
Voluntary medium and long-term emission reduction targets set and steps taken	32	Internal framework. Objective for reducing emissions and combating climate change
Protection of biodiversity		
Measures taken to preserve or restore biodiversity	34	(1) 304-1 / 304-3
Impacts caused by activities or operations in protected areas	33	(1) 304-2
II. Information on social and employee-related issues		
Management approach	36	(1) 103-1, 103-2.103-3
Employment		
Total number and distribution of employees by gender, age, country and professional qualifications	37	(1) 102-8
Total number and distribution of employment contract types by gender, age and job category	40	(1) 102-8
Average annual number of permanent, temporary and part-time contracts, by gender, age and professional category	41	Internal framework. Average annual number of contracts by type, broken down by gender, age and professional category
Number of dismissals by gender, age and professional classification	41	Internal framework. Details of dismissals for the year by gender, age and professional classification
Wage gap	43	(1) 405-2
Average pay by gender, age and professional classification	43	Internal framework. Average total salary by gender, age and professional classification
Remuneration of like positions or average remuneration in the company	43	(1) 405-2
Average remuneration of directors by gender	44	Internal framework. Average remuneration of members of the board of directors by gender
Average remuneration of management personnel by gender	44	Internal framework. Average remuneration of senior management personnel by gender
Implementation of workplace disconnection policies	44	Internal framework. Workplace disconnection measures
Employees with disabilities	50	Internal framework. Percentage of employees with disabilities
Organisation of work		
Organisation of working hours	45	Internal framework. Real and effective working day
Number of hours of absenteeism	45	Internal framework. Number of hours of absenteeism
Measures aimed at facilitating a work-life balance and encouraging the joint and responsible sharing thereof by both parents	46	(1) 401-2
Health and safety		
Occupational health and safety conditions	46	(1) 403-10 / 404-1 / 404-2
Number of workplace accidents and occupational illnesses by gender, frequency and severity	47	Related regulations per Ministry of Work standards https://herramientasprl.insst.es/Accidentesdetrabajo/RecursosAdicionales.aspx

Social relationships		
Organisation of social dialogue, including procedures on worker communication, consultation and negotiation	47	(1) 402-1
Percentage of employees covered by collective bargaining agreements by country	48	(1) 102-41
Summary of collective bargaining agreements, particularly in the field of health and safety	48	(1) 403-4 / 403-8
Training		
Policies implemented	49	(1) 404-2
Total hours of training by professional category	49	(1) 404-1
Universal accessibility for people with disabilities		
Universal accessibility for people with disabilities	50	Internal framework. Accessibility measures
Equality		
Measures taken to promote equal treatment and equal opportunities for women and men	50	Internal framework. Measures adopted to promote diversity
Equality plans: job stimulation measures, protocols against sexual harassment and gender bias	51	Internal framework. Diversity plan
Integration and universal accessibility for people with disabilities	50	Internal framework. Hiring of people with disabilities and integration and accessibility measures
Policies against all kinds of discrimination and, as the case may be, diversity management	50	Internal framework. Anti-discrimination policy
III. Information about respect for human rights		
Management approach	52	(1) 103-1, 103-2.103-3
Implementation of due diligence procedures in relation to human rights	52	(1) 407-1 / 408-1 / 409-1
Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress any potential abuses committed	52	(1) 411-1 / 412-1 / 412-3
Reporting of human rights infringements	52	(1) 102-17
Promotion of and compliance with the provisions of the conventions of the International Labour Organisation with regard to respect for freedom of association and the right to collective bargaining; elimination of discrimination in employment and occupation; elimination of forced or compulsory labour; effective abolition of child labour	47	Internal framework. Compliance with ILO provisions
IV. Information about the fight against corruption and bribery		
Management approach	52	(1) 103-1, 103-2.103-3
Measures to prevent corruption and bribery	52	(1) 102-16 / 102-17 / 406-1
Measures to combat money laundering	55	(1) 102-16 / 102-17 / 406-1
Contributions to foundations and non-profit organisations	57	Internal framework. Contributions to foundations and non-profit organisations
V. Information regarding society		
Management approach	55	(1) 103-1, 103-2.103-3
The company's commitments to sustainable development		
Impact of the company's activity on employment and local development	56	(1) 413-1
Impact of the company's activity on local populations and the local area	56	(1) 413-1
Relations with local community actors and types of dialogue	56	(1) 413-1
Association and sponsorship actions	56	(1) 102-13
Subcontracting and suppliers		
Inclusion of social, gender equality and environmental issues in the purchasing policy	60	(1) 414-1
Attention given to social and environmental responsibility in relations with suppliers and subcontractors	60	(1) 414-1
Supervision systems and audits and results	60	(1) 308-1 / 308-2

Consumers		
Measures to protect consumer health and safety	61	(1) 416-1
Grievance mechanisms in place	61	(1) 102-43 / 102-44
Complaints received and resolution thereof	62	(1) 102-43 / 102-44
Tax information		
Profits obtained, broken down by country	64	(1) 207-4
Corporate income tax paid	65	(1) 207-4
Government grants received	65	Internal framework. Government grants received

(1) This table shows the equivalence between the requirements of Law 11/2018 and the GRI indicators. Red Eléctrica has published non-financial information since 2003 in accordance with successive versions of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

12 Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the directors' report and can be viewed at the following address:

http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-78003662

Independent Limited Assurance Report of the Consolidated Non-Financial Statement for the year ended December 31, 2020

RED ELÉCTRICA CORPORACIÓN, S.A. and SUBSIDIARIES

INDEPENDENT LIMITED ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL STATEMENT

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of RED ELÉCTRICA CORPORACIÓN, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2020, of RED ELÉCTRICA CORPORACIÓN, S.A. and subsidiaries (hereinafter, the Group), which is part of the Group's accompanying Consolidated Management Report.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our assignment has been exclusively limited to the verification of the information shown in section "11.8. *Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information*" of the aforementioned Statement.

Responsibility of the Board of Directors

The Board of Directors of the Group are responsible for the approval and content of the NFS included in the Group's accompanying Consolidated Management Report Consolidated of RED ELÉCTRICA CORPORACIÓN, S.A. The NFS has been prepared in accordance with the content established in prevailing mercantile regulations and the criteria of the selected *Global Reporting Initiative Sustainability Reporting Standards*, as well as other criteria described in accordance with that indicated for each subject in section "11.8. *Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information*" from the aforementioned NFS.

The directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control procedures

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of professional integrity, objectivity, competence, diligence as well as confidentiality and professional behavior.

Our Firm complies with the International Standard on Quality Control No. 1 and thus maintains a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work performed, that refers exclusively to 2020. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and execution timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.

- Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2020 based on the materiality analysis made by the Group and described in section "Materiality Analysis", considering the content required by prevailing mercantile regulations.

- Analyzing the processes for gathering and validating the data included in the 2020 Non-Financial Statement.

- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2020 NFS.

- Checking, through tests, based on a selection of a sample, the information related to the content of the 2020 NFS and its correct compilation from the data provided by the information sources.

- Obtaining a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter came to our attention that would lead us to believe that the 2020 NFS of the Group for the year ended December 31, 2020 has not been prepared, in all material respects, in accordance with the content established in prevailing mercantile regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in section "11.8. *Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information*" of the aforementioned Statement.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 23, 2021

Auditor's Report on Red Eléctrica Corporación, S.A.

(Together with the annual accounts and directors' report of Red Eléctrica Corporación, S.A. for the year ended 31 December 2020)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(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.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Red Eléctrica Corporación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recoverability of current and non-current investments in Group companies and associates: Euros 2,646,582 thousand and Euros 1,333,654 thousand, respectively

See notes 4 e), 4 f), 8 and 21 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
As mentioned in notes 8 and 21 to the annual accounts, the Company holds investments in Group companies and has extended loans to these companies, Euros 2,646,582 thousand of which are recognised in the balance sheet under non-current investments in Group companies and associates, and Euros 1,333,654 thousand under current investments in Group companies and associates. As required by the applicable financial reporting framework, each year the Company assesses whether there are indications of impairment of these investments, and if this is the case, calculates the recoverable amount of these investments. The Company calculates the recoverable amount by applying valuation techniques that often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to the process of measuring investments; - assessing the criteria used by the Company's Directors and management to identify indications of impairment of the investments; - evaluating the methodology and reasonableness of the assumptions used by management and the Directors and considered in the testing of impairment of the investments in Group companies, with the involvement of our valuation specialists, and based on the reports drawn up by the independent experts engaged by the Company to contrast the reasonableness of the assumptions used. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors’ Report

Other information solely comprises the 2020 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors’ report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors’ report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the specific information mentioned in section a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the preparation and presentation of the annual accounts.

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

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Audit Committee of Red Eléctrica Corporación, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide the entity's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the Audit Committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's Audit Committee dated 23 February 2021.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 14 May 2020 for a period of one year, beginning after the year commenced 1 January 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2013.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Eduardo González Fernández
On the Spanish Official Register of Auditors ("ROAC") with No. 20,435

23 February 2021

RED ELÉCTRICA CORPORACIÓN

Grupo Red Eléctrica

Annual Accounts

2020

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

Red Eléctrica Corporación, S.A.

Balance Sheet at 31 December 2020

Thousands of Euros

	Note	31.12.2020	31.12.2019
Non-current assets		**2,733,406**	**2,613,657**
Intangible assets	5	**3,312**	**-**
Computer software		3,312	-
Property, plant and equipment	5	**70,059**	**71,205**
Land and buildings		64,955	65,709
Other installations, machinery, equipment, furniture and other items		1,157	892
Under construction and advances		3,947	4,604
Investment property	6	**1,325**	**1,346**
Land		558	558
Buildings		767	788
Non-current investments in Group companies and associates		**2,646,582**	**2,531,544**
Equity instruments	8	2,196,905	1,818,405
Loans to companies	21	449,677	687,739
Non-current interest on loans to companies		-	25,400
Non-current investments	12	**5,109**	**7,043**
Equity instruments		3,895	2,542
Loans to third parties		1,192	25
Derivatives	11	-	4,462
Other financial assets		22	14
Deferred tax assets	17	**7,019**	**2,519**
Current assets		**1,648,399**	**915,777**
Trade and other receivables	13	**1,118**	**608**
Trade receivables from Group companies and associates	21	873	16
Other receivables		30	89
Personnel		215	4
Public entities, other		-	499
Current investments in Group companies and associates	21	**1,333,654**	**763,747**
Equity instruments	8	-	(750)
Loans to companies		1,333,654	764,497
Current investments	12	**16,229**	**1**
Derivatives	11	16,228	-
Other financial assets		1	1
Prepayments for current assets		**1,488**	**1,506**
Cash and cash equivalents		**295,910**	**149,915**
Cash		295,910	149,915
Total assets		**4,381,805**	**3,529,434**

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.

Balance Sheet at 31 December 2020

Thousands of Euros

	Note	31.12.2020	31.12.2019
Equity	14	**2,886,471**	**2,735,386**
Capital and reserves		**2,867,472**	**2,716,387**
Capital		270,540	270,540
Reserves		2,050,203	2,058,684
(Own shares)		(36,550)	(36,504)
Profit for the year		730,263	570,669
(Interim dividend)		(146,984)	(147,002)
Valuation adjustments		**18,999**	**18,999**
Non-current liabilities		**1,290,244**	**609,136**
Non-current provisions	15	**20,118**	**4,605**
Non-current payables	16	**1,266,796**	**601,156**
Bonds and other marketable securities		397,699	-
Loans and borrowings		869,081	601,140
Other liabilities		16	16
Group companies and associates, non-current	21	**1,565**	**1,565**
Deferred tax liabilities	17	**1,765**	**1,810**
Current liabilities		**205,090**	**184,912**
Current payables	16	**161,975**	**160,261**
Bonds and other marketable securities		2,512	-
Loans and borrowings		811	2,116
Other current payables		158,652	158,145
Group companies and associates, current	21	**7,380**	**303**
Trade and other payables	18	**35,735**	**24,348**
Payables to Group companies	21	726	87
Other payables		9,641	10,777
Personnel		5,968	682
Current tax liabilities		16,413	12,704
Public entities, other		2,987	98
Total equity and liabilities		**4,381,805**	**3,529,434**

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.

Income Statement 2020

Thousands of Euros

	Note	2020	2019
Revenue	20.a	**758,382**	**591,951**
Services rendered		20,708	10,141
Finance income on investments in equity instruments		727,926	565,103
Group companies and associates		727,926	565,103
Finance income on securities and other financial instruments of Group companies and associates		9,748	16,707
Self-constructed assets	5	**69**	**-**
Supplies		**(69)**	**-**
Raw materials and other consumables used		(69)	-
Personnel expenses	20.b	**(10,858)**	**(4,625)**
Salaries and wages		(8,117)	(4,363)
Employee benefits expense		(1,119)	(104)
Other items and employee benefits		(1,622)	(158)
Other operating expenses		**(11,104)**	**(12,664)**
External services		(10,584)	(12,118)
Taxes		(520)	(546)
Depreciation and amortisation	5 and 6	**(1,887)**	**(1,449)**
Impairment and gains/(losses) on disposal of fixed assets	20.d	**-**	**(111)**
Impairment and losses		-	(128)
Gains/(losses) on disposal and other		-	17
Results from operating activities		**734,533**	**573,102**
Finance income	20.c	**2,919**	**3,433**
Marketable securities and other financial instruments		2,919	3,433
Other		2,919	3,433
Finance costs	20.c	**(9,841)**	**(7,555)**
Other		(9,840)	(7,554)
Provision adjustments		(1)	(1)
Change in fair value of financial instruments	11	**482**	**499**
Trading portfolio and other		482	499
Exchange (gains)/losses		**2,602**	**(149)**
Net finance cost		**(3,838)**	**(3,772)**
Profit before tax		**730,695**	**569,330**
Income tax	17	**(432)**	**1,339**
Profit from continuing operations		**730,263**	**570,669**
Profit for the year		**730,263**	**570,669**

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.

Statement of Total Changes in Equity at 31 December 2020

Thousands of Euros

	Subscribed capital	Reserves	(Own shares)	Profit for the year	(Interim dividend)	Subtotal capital and reserves	Valuation adjustments	Total equity
Balance at 31 December 2018	**270,540**	**1,942,465**	**(21,303)**	**645,597**	**(147,250)**	**2,690,049**	**18,999**	**2,709,048**
Total recognised income and expense	-	14	-	570,669	-	570,683	-	570,683
Transactions with shareholders or owners								
(-) Distribution of dividends	-	-	-	(531,634)	248	(531,386)	-	(531,386)
Transactions with own shares (net)	-	1,449	(15,201)	-	-	(13,752)	-	(13,752)
Other changes in equity								
Distribution of prior year's profit	-	114,756	-	(113,963)	-	793	-	793
Other	-	-	-	-	-	-	-	-
Balance at 31 December 2019	**270,540**	**2,058,684**	**(36,504)**	**570,669**	**(147,002)**	**2,716,387**	**18,999**	**2,735,386**
Total recognised income and expense	-	(1,759)	-	730,263	-	728,504	-	728,504
Transactions with shareholders or owners								
(-) Distribution of dividends	-	(419,772)	-	-	(146,984)	(566,756)	-	(566,756)
Transactions with own shares (net)	-	(330)	(46)	-	-	(376)	-	(376)
Other changes in equity								
Distribution of prior year's profit	-	423,667	-	(570,669)	147,002	-	-	-
Other (Note 14-b)	-	(10,287)	-	-	-	(10,287)	-	(10,287)
Balance at 31 December 2020	**270,540**	**2,050,203**	**(36,550)**	**730,263**	**(146,984)**	**2,867,472**	**18,999**	**2,886,471**

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.

Statement of Recognised Income and Expense 2020

Thousands of Euros

	2020	2019
Profit for the year	**730,263**	**570,669**
Actuarial gains and losses and other adjustments	(2,345)	19
Tax effect	586	(5)
Income and expense recognised directly in equity	**(1,759)**	**14**
Amounts transferred to the income statement	**-**	**-**
Total recognised income and expense	**728,504**	**570,683**

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Red Eléctrica Corporación, S.A.

Statement of Cash Flows. 2020

Thousands of Euros

	2020	2019
Cash flows from operating activities	**750,191**	**582,219**
Profit for the year before tax	**730,695**	**569,330**
Adjustments to profit	**(731,193)**	**(576,234)**
Depreciation and amortisation	1,887	1,449
Change in provisions	756	244
(Gains)/losses on disposals of fixed assets	-	(17)
Finance income	(740,593)	(585,243)
Finance costs	9,841	7,555
Exchange (gains)/losses	(2,602)	149
Fair value measurement of financial instruments	(482)	(499)
Other income and expenses	-	128
Changes in operating assets and liabilities	**2,000**	**7,828**
Trade and other receivables	(297)	(171)
Other current assets	18	(734)
Other current assets – Group companies and associates	-	1,426
Trade and other payables	2,279	7,307
Other cash flows from operating activities	**748,689**	**581,295**
Interest paid	(7,616)	(6,429)
Dividends received	727,926	565,103
Interest received	6,822	6,626
Income tax paid	21,632	16,244
Other payments/receipts	(75)	(249)
Cash flows used in investing activities	**(710,342)**	**(882,992)**
Payments for investments	**(810,558)**	**(1,379,062)**
Group companies and associates	(792,898)	(1,361,187)
Property, plant and equipment, intangible assets and investment property	(1,539)	(8,836)
Other financial assets	(15,857)	(9,038)
Other assets	(264)	(1)
Proceeds from sale of investments	**100,216**	**496,070**
Group companies and associates	100,150	495,880
Property, plant and equipment, intangible assets and investment property	-	188
Other assets	66	2
Cash flows from (used in) financing activities	**106,159**	**(117,663)**
Proceeds from and payments for equity instruments	**(376)**	**(13,752)**
Acquisition and sale of own equity instruments	(376)	(13,752)
Proceeds from and payments for financial liability instruments	**673,308**	**426,930**
Bonds and other marketable securities	397,324	-
Loans and borrowings	275,984	426,930
Dividends and interest on other equity instruments paid	**(566,773)**	**(530,841)**
Dividends	(566,773)	(530,841)
Effect of exchange rate fluctuations	**(13)**	**(53)**
Net increase/(decrease) in cash and cash equivalents	**145,995**	**(418,489)**
Cash and cash equivalents at beginning of year	149,915	568,404
Cash and cash equivalents at year end	295,910	149,915

Notes 1 to 29 form an integral part of the accompanying annual accounts.

Contents

1 Company Activity

Red Eléctrica Corporación, S.A. (hereinafter the Company) was incorporated in 1985 and its registered office is located in Alcobendas (Madrid). The Company's principal activities are as follows:

- Managing the corporate Group, which comprises investments in the share capital of its Group companies and investees.
- Rendering assistance and support services to its investees.
- Operating the buildings owned by the Company.

2 Basis of Presentation of the Annual Accounts

a) True and fair view

The accompanying annual accounts were authorised for issue by the Company's directors at their board meeting held on 23 February 2021 and have been prepared to give a true and fair view of the Company's equity and financial position at 31 December 2020, as well as the results of its operations, changes in equity and cash flows for the year then ended.

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand. The annual accounts have been prepared on the basis of the accounting records of the Company in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments thereto contained in Royal Decree-Law 1159/2010 and Royal Decree 602/2016.

The Company holds investments in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles in Spain, annual accounts must be prepared to give a true and fair view of the financial position of the Company, the results of operations and changes in its equity and cash flows. Details of investments in Group companies are provided in note 8.

The Company files separate consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council, and the related interpretations (IFRIC) adopted by the European Union.

The annual accounts for 2019 were approved by the shareholders at their general meeting held on 14 May 2020. The annual accounts for 2020 are currently pending approval by the shareholders. However, the board of directors of the Company consider that these annual accounts will be approved with no changes.

b) Mandatory accounting principles

The Company has not omitted any mandatory accounting principle with a significant effect on the annual accounts.

c) Estimates and assumptions

The preparation of the annual accounts requires Company 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 are based on past experience and other factors that are considered reasonable under the circumstances. Actual results could differ from these estimates.

The annual accounts for 2020 occasionally include estimates calculated by management of the Company, and subsequently endorsed by its directors, to quantify certain assets, liabilities, income, expenses and commitments disclosed therein. These estimates are essentially as follows:

- Estimated recoverable amount of real estate assets. Asset impairment testing has brought to light insignificant impairment, as defined by prevailing legislation, reflecting adjustments to the carrying amount of facilities included under property, plant and equipment that are not expected to generate sufficient cash flows in the future to enable the recovery of their value.
- Estimates and assumptions used to assess the recoverability of investments in Group companies and associates.
- Estimated useful lives of property, plant and equipment.
- Assumptions used in the actuarial calculations.
- Assumptions and estimates used in measuring the fair value of derivative financial instruments.
- Liabilities are generally recognised when it is probable that an obligation will give rise to an indemnity or a payment. The Company assesses and estimates amounts to be settled in the future, including additional amounts for income tax, contractual obligations, pending lawsuit settlements and other liabilities. These estimates are subject to the interpretation of existing facts and circumstances, projected future events and the estimated financial effect of those events.

To facilitate comprehension of the annual accounts, details of the different estimates and assumptions are provided in each separate note.

The Company has taken out insurance policies to cover the risk of possible claims that might be lodged by third parties in relation to its activities.

Although estimates are based on the best information available at 31 December 2020, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding income statement as a change in accounting estimates, as required by the Spanish General Chart of Accounts.

d) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2020 include comparative figures for 2019, which formed part of the annual accounts for that year, except for lease income, which has been classified as revenue (see note 4-m).

e) Considerations regarding COVID-19

The emergence of Coronavirus disease 2019 (COVID-19) in China early in the year and its rapid spread to a number of countries across the globe led the World Health Organization (WHO) to declare the viral outbreak a pandemic by mid-March.

In this context, the Company has acted in coordination with the other companies in the RED ELÉCTRICA Group, and has followed the guidelines that have been adapted to the recommendations issued by the various pertinent authorities. The priority in all cases was to safeguard the health and safety of all of its workers, customers and suppliers. The following measures have been taken by way of a guarantee:

- A focus on the health of its professionals, applying the action protocols adapted to the recommendations issued by the various competent authorities.
- A heightened commitment to digitalisation, ensuring the infrastructure is now widely in place to allow staff that need to work from home to do so, while maintaining the focus on cybersecurity.
- Active collaboration with the groups most affected by the healthcare crisis and its collateral effects, through various initiatives.

From a financial and economic perspective, throughout this period the Group's financial position has been robust, enabling it to confront these trying times through measures aimed at bolstering its liquidity.

The situation brought on by COVID-19 has not had a significant impact on the continuity of the Company's operations. Based on the most up-to-date estimates and on the cash position and availability of financing, the directors consider that the situation caused by COVID-19 does not compromise the application of the going concern principle.

3 Proposed Distribution of Profit

The proposed distribution of profit for the year ended 31 December 2020, prepared by the directors and pending approval by the shareholders at the general meeting, is as follows:

Thousands of Euros

Profit for the year	730,263
Total	**730,263**

Distribution

Voluntary reserves	181,592
Capitalisation reserve	8,160
Dividends:	
Interim dividend	146,984
Supplementary dividend	393,527
Total	**730,263**

This proposed distribution entails a supplementary dividend of Euros 0.7273 per share, which would result in a total dividend for the year of Euros 1 per share, calculated on the basis of total shares.

The interim dividend for the year is explained in note 14.

4 Significant Accounting Policies

The accounting principles used in preparing the accompanying annual accounts are as follows:

a) Intangible Assets

Intangible assets are recognised at cost of acquisition or production, as appropriate, which is periodically reviewed and adjusted in the event of a decline in value. Intangible assets include the following:

- Computer software: Computer software licences are capitalised at cost of acquisition or cost of preparation for use. Computer software maintenance costs are charged as expenses when incurred. Computer software is amortised on a straight-line basis over a period of three to five years from the date on which each program comes into use.
- Development: Development expenses directly attributable to the design and execution of tests for new or improved computer programs that are identifiable, unique and likely to be controlled by the Company are recognised as intangible assets when it is probable that the project will be successful, based on its economic and commercial feasibility, and the associated costs can be estimated reliably. Costs that do not meet these criteria are charged as expenses when incurred. Development expenses are capitalised and amortised, from the date the associated asset comes into service, on a straight-line basis over a period of no more than five years. Computer software maintenance costs are charged as expenses when incurred.

b) Property, plant and equipment

Property, plant and equipment primarily comprise land and buildings and are measured at cost of construction or acquisition, as appropriate, less accumulated depreciation and impairment. Cost of construction includes the following items, where applicable:

- Borrowing costs accrued on external financing during the construction period.

- Operating expenses directly related to property, plant and equipment constructed for projects executed under the supervision and management of the Company.

The Company transfers work in progress to property, plant and equipment in use provided that the assets are in working condition.

Costs incurred to enlarge or improve items of property, plant and equipment which increase capacity or productivity or extend the useful life of the asset are capitalised as an increase in the cost of the related asset.

Repair and maintenance costs on property, plant and equipment that do not increase productivity or capacity and which do not lengthen the useful life of the assets are charged as expenses when incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, which is the period during which the Company expects to use the assets, applying the following rates:

	Annual depreciation rate
Buildings	2%-10%
Other installations	4%-25%

The Company periodically assesses the depreciation criteria taking into account the useful life of its assets. There have been no significant changes in the depreciation criteria compared to the prior year.

The Company reviews the residual values and useful lives of assets and adjusts them, if necessary, at the end of each reporting period.

c) Investment property

The Company measures its investment property at cost of acquisition. The market value of the Company's investment property is disclosed in note 6.

Investment property, except land, is depreciated on a straight-line basis over the estimated useful life, which is the period during which the Company expects to use the assets (annual depreciation rate of 2%).

d) Leases

The Company classifies leases on the basis of whether substantially all the risks and rewards incidental to ownership of the leased asset are transferred.

Leases under which the lessor maintains a significant part of the risks and rewards of ownership are classified as operating leases.

Leases under which the significant risks and rewards of ownership of the goods are transferred to the Company are classified as finance leases. Assets recognised as finance leases are presented in the balance sheet based on the nature of the leased asset.

e) Financial assets

The Company classifies its financial assets into the following categories:

- **Loans and receivables:** non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended for trading in the near term. These assets are classified as current, except those maturing in over 12 months after the reporting date, which are classified as non-current.

  Loans are initially recognised at fair value, including transaction costs incurred in arranging the loan, and are subsequently measured at amortised cost, which is basically the amount granted, less repayments of the principal, plus accrued interest receivable.

  Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

- **Available-for-sale financial assets:** investments that the Company intends to hold for an unspecified period of time which are likely to be disposed of to meet one-off liquidity needs or in response to interest rate fluctuations. They are classified as non-current, unless they are expected to be disposed of in less than one year and such disposal is feasible. These financial assets are measured at fair value, which is the quoted price at the reporting date in the case of securities quoted in an active market. Any gains or losses arising from changes in the fair value of these assets at the reporting date are recognised directly in equity until the assets are disposed of or impaired, whereupon the accumulated gains and losses are recognised in profit or loss. Impairment, where applicable, is calculated on the basis of discounted expected future cash flows. A significant or prolonged decline in the fair value of the asset below its cost is also objective evidence of impairment. Dividends from equity investments classified as available-for-sale are recognised in the income statement when the Company's right to receive payment is established.

  In the case of share capital increases by a subsidiary that are fully subscribed through a non-monetary contribution consisting of a portfolio of securities classified under available-for sale financial assets, the Company adopts the response to query 1, published in the Spanish Accounting and Auditing Institute's Official Gazette (BOICAC) no. 77/2009, and any gains or losses arising from changes in the fair value at the date of the non-monetary contribution therefore continue to be recognised in the Company's equity. As provided for in Recognition and Measurement Standard 9.2.5.3. of the Spanish General Chart of Accounts, when an investment was made in a Group company, jointly controlled entity or associate before it was classified as such, and valuation adjustments for the investment were recognised directly in equity prior to this classification, these adjustments shall be maintained after classification until disposal or derecognition of the investment, at which point they shall be recognised in the income statement.

- **Equity investments in Group companies and associates:** these investments are measured at cost less any accumulated impairment. If there is objective evidence that the carrying amount is not recoverable, the amount of the impairment loss is measured as the difference between the carrying amount and the recoverable amount, the latter of which is understood as the higher of the fair value less costs to sell and the present value of estimated future cash flows from the investment. Unless better evidence of the recoverable amount is available, when estimating impairment of such investments, the investee's equity is taken into consideration, corrected for any net unrealised gains existing at the measurement date. Impairment losses are recognised and reversed in the corresponding income statement. The Company performs impairment testing to verify the recoverability of its investments for which it has identified indications of impairment.

- **Cash and cash equivalents**: including cash on hand, demand deposits in financial institutions and other short-term, highly liquid investments.

f) Impairment

The Company analyses the recoverability of its assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised immediately in the income statement. An impairment loss is the difference between the carrying amount of an asset and its recoverable amount.

Recoverable amount is the higher of:

- Fair value less costs to sell
- Value in use

Recoverable amount is calculated on the basis of expected cash flows. Impairment is calculated for individual assets. Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which that asset belongs is calculated. Any reversals are recognised in the income statement.

In its analyses carried out in 2019, the Company identified indications of impairment of certain buildings classified as investment property (see note 6).

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. For held-to-maturity debt instruments the Company uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised.

The Company has not identified any indications of impairment of loans extended to Group companies in its analysis.

g) Capital and reserves

Share capital is represented by ordinary shares.

Interim dividends are recognised as a reduction in equity for the year in which the dividend is declared, based on the consensus of the board of directors. Supplementary dividends are not deducted from equity until approved by the shareholders at their general meeting.

For a dividend in kind in the form of a business received from a Group company, recognition and measurement standards 19 and 21 of the Spanish General Chart of Accounts approved through Royal Decree 1514/2007 are applicable. This entails the business received being recognised at its carrying amount, while the difference with respect to the fair value of the dividend received is recorded against reserves (see notes 5, 14-b, 15 and 17).

Own shares are measured at cost of acquisition and recognised as a reduction in equity. Any gains or losses on the purchase, sale, issue or redemption of own shares are recognised directly in equity.

h) Provisions

- Employee benefits
  - Pension obligations

    The Company has defined contribution plans, whereby the benefit receivable by an employee upon retirement – based on one or more factors such as age, fund returns, years of service or remuneration – is determined by the contributions made. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

  - Other long-term employee benefits

    Other long-term employee benefits include defined benefit plans for benefits other than pensions (such as health insurance) for the Company's serving personnel. The expected costs of these benefits are recognised over the working life of the employees. These obligations are measured each year by independent qualified actuaries. Changes in actuarial assumptions are recognised, net of taxes, in reserves under equity in the year in which they arise, while the past service cost is recorded in the income statement.

    Defined benefit liabilities recognised in the balance sheet reflect the present value of obligations at the reporting date, minus the fair value at that date of plan assets, minus any past service cost not yet recognised. The Company records actuarial gains and losses in recognised income and expense for the year in which they arise.

    This item also includes deferred remuneration schemes and the Structural Management Plan, (hereinafter the "Plan"), which are measured each year.

- Other provisions

  The Company makes provision for present obligations (legal or constructive) arising as a result of a past event whenever it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made when the liability or obligation is recognised. No provision is made for proceedings with a probability of occurrence of less than 50% as it is considered that their future resolution will not have a significant impact on the Company's financial statements.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax interest rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

i) Financial debt

Loans, payment obligations and similar commitments are initially recognised at the cash amount received, less transaction costs. Such debt is subsequently measured at amortised cost, using the effective interest method.

Financial debt is classified under current liabilities unless the debt falls due more than 12 months after the reporting date, in which case it is classified under non-current liabilities.

j) Transactions in currency other than the Euro

Transactions in currency other than the Euro are translated by applying the exchange rate in force at the transaction date. Exchange gains and losses arising during the year due to balances being translated at the exchange rate at the transaction date rather than the exchange rate prevailing on the date of collection or payment are recognised as income or expenses in the income statement.

Fixed income securities and balances receivable and payable in currencies other than the Euro at 31 December each year are translated at the closing exchange rate. Any exchange differences arising are recognised under exchange gains/losses in profit or loss.

Transactions conducted in foreign currencies for which the Company has chosen to mitigate currency risk by arranging financial derivatives or other hedging instruments are recorded using the criteria for derivative financial instruments and hedging transactions.

k) Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognised in the balance sheet at their fair value on the date the arrangement is executed (acquisition cost) and this fair value is subsequently adjusted as necessary. The criterion used to recognise the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the hedged item.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that price is directly observable or estimated using another valuation technique.

The Company documents the relationship between the hedging instruments and the hedged assets or liabilities, its risk management objectives and its hedging strategy at the inception of the hedge. The Company also documents its assessment, at inception and on an ongoing basis, of whether the hedging derivatives used are highly effective in offsetting changes in the hedged item's fair value or cash flows.

Details of the fair value of the derivatives used to hedge currency risk are disclosed in note 11.

l) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. However, trade payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount.

m) Income and expenses

Income and expenses are recognised on an accruals basis, irrespective of payments and receipts.

Interest income is recognised using the effective interest method. Dividends are recognised when the right to receive payment is established.

The Company, as the Parent of the Red Eléctrica Group, has adopted the Spanish Accounting and Auditing Institute's (ICAC) response to the query (Ref: 546/09) of 23 July 2009, regarding the classification for accounting purposes of a holding company's income and expenses in individual accounts and the method for determining revenues, and classifies dividends from investments held in investees and interest on loans extended to these companies as revenues.

In addition, lease income is also included as revenue, as the operation of the properties owned by the Company is one of its principal activities. For comparison purposes, this income has also been included as revenue in the 2019 figures.

n) Taxation

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised in the same year, directly in equity, or from a business combination.

Current tax is the estimated tax payable for the year using the enacted tax rates applicable to the current year and to any adjustment to tax payable in respect of previous years.

Tax credits and deductions arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Deferred taxes and the income tax expense are calculated and recognised using the liability method, based on temporary differences arising between the balances recognised in the financial information and those used for tax purposes. This method entails calculating deferred tax assets and liabilities on the basis of the differences between the carrying amount of the assets and liabilities and their tax base, applying the tax rates that are objectively expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

As the parent of the tax group, the Company records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables from (payables to) Group companies and associates.

o) Insurance

The Company has taken out various insurance policies to cover the risks to which it is exposed through its activities. These risks mainly comprise damage that could be caused to its facilities and possible claims that might be lodged by third parties due to the Company's activities. Insurance premium expenses are recognised in the income statement on an accruals basis. Payouts from insurance companies in respect of claims are recognised in the income statement applying the matching of income and expenses principle.

p) Share-based payments

The Company has implemented share purchase schemes whereby employees can opt to receive part of their annual remuneration in the form of shares in the Company. This remuneration is measured based on the closing quotation of these Company shares at the delivery date. The costs incurred on such schemes are recognised under personnel expenses in the income statement. All shares delivered as payment are taken from the own shares held by the Company.

q) Transactions between Group companies

Transactions between Group companies are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

5 Intangible Assets and Property, Plant and Equipment

5.1 Intangible assets

Movement in intangible assets in 2020 and details of accumulated amortisation and impairment are as follows:

Thousands of Euros	31 December 2019	Additions	Disposals	Dividend in kind	31 December 2020
Cost					
Computer software	-	1,649	-	3,892	5,541
Total cost	**-**	**1,649**	**-**	**3,892**	**5,541**
Accumulated amortisation					
Computer software	-	(163)	-	(2,066)	(2,229)
Total accumulated amortisation	**-**	**(163)**	**-**	**(2,066)**	**(2,229)**
Carrying amount	**-**	**1,486**	**-**	**1,826**	**3,312**

In 2020 the additions of computer software are due to the Company's acquisition and development of corporate software.

In 2020, the dividend in kind consists of intangible assets received by the Company in the form of a business (see notes 4-g and 14-b).

The Company has fully amortised intangible assets totalling Euros 826 thousand at 31 December 2020.

In 2020, operating expenses of Euros 61 thousand directly related to intangible assets were capitalised.

5.2 Property, plant and equipment

Movement in property, plant and equipment in 2020 and 2019 and details of accumulated depreciation and impairment are as follows:

Thousands of Euros	31 December 2018	Additions	Disposals	Transfers	31 December 2019	Additions	Disposals	Dividend in kind	Transfers	31 December 2020
Cost										
Land and buildings	78,285	-	-	9,038	87,323	-	-	-	821	88,144
Other installations, machinery, equipment, furniture and other items	14,944	-	-	705	15,649	-	-	1,850	69	17,568
Under construction and advances	4,495	9,852	-	(9,743)	4,604	233	-	-	(890)	3,947
Total cost	**97,724**	**9,852**	**-**	**-**	**107,576**	**233**	**-**	**1,850**	**-**	**109,659**
Accumulated depreciation										
Buildings	(20,217)	(1,397)	-	-	(21,614)	(1,575)	-	-	-	(23,189)
Other installations, machinery, equipment, furniture and other items	(14,734)	(23)	-	-	(14,757)	(128)	-	(1,526)	-	(16,411)
Total accumulated depreciation	**(34,951)**	**(1,420)**	**-**	**-**	**(36,371)**	**(1,703)**	**-**	**(1,526)**	**-**	**(39,600)**
Carrying amount	**62,773**	**8,432**	**-**	**-**	**71,205**	**(1,470)**	**-**	**324**	**-**	**70,059**

Land and buildings correspond to buildings owned by the Company and used mainly for its principal activity as detailed in note 1.

Additions to property, plant and equipment under construction in 2020 and 2019 mainly reflect the adaptation of the buildings owned by the Company in the autonomous region of Madrid.

In 2020 and 2019, transfers from property, plant and equipment under construction to land and buildings and to other installations, machinery, equipment, furniture and other items primarily relate to the foregoing buildings in the autonomous region of Madrid.

In 2020, the dividend in kind consists of property, plant and equipment received by the Company in the form of a business (see notes 4-g and 14-b).

At 31 December 2020 the Company has fully depreciated property, plant and equipment with a cost of Euros 16,704 thousand (Euros 15,548 thousand in 2019), Euros 14,683 thousand of which are other installations (Euros 14,683 thousand in 2019).

In 2020, operating expenses of Euros 8 thousand directly related to property, plant and equipment were capitalised.

Law 16/2012, which introduced several tax measures to consolidate public finances and boost economic activity, provided for the revaluation of property, plant and equipment and/or investment property using the ratios set forth in this Law, with a credit to a revaluation reserve under equity. According to the Spanish Accounting and Auditing Institute Resolution of 31 January 2013, any revaluation of balances should be recognised in the annual accounts for 2013. Pursuant to this Law, the Company revalued its property, plant and equipment on 1 January 2013, making a single tax payment of 5% of the revalued amount.

The amount resulting from the revaluation, net of the single tax payment of 5%, was credited to reserves (see note 14). The balancing entries were recognised under the pertinent revalued asset items, with no changes to the accumulated depreciation recorded at that date (Euros 6,304 thousand under land and buildings and Euros 56 thousand under other installations).

The net increase in value deriving from the revaluation is depreciated over the remaining useful life of the revalued assets. The revaluation has led to an increase of Euros 182 thousand in the depreciation charge for 2020 (Euros 177 thousand in 2019).

6 Investment Property

Movement in investment property in 2020 and 2019 is as follows:

Thousands of Euros	31 December 2018	Additions	Disposals	31 December 2019	Additions	Disposals	31 December 2020
Investment property	2,839	-	(441)	2,398	-	-	2,398
Total cost	**2,839**	**-**	**(441)**	**2,398**	**-**	**-**	**2,398**
Accumulated depreciation	(569)	(29)	99	(499)	(21)		(520)
Total accumulated depreciation	**(569)**	**(29)**	**99**	**(499)**	**(21)**	**-**	**(520)**
Impairment of investment property	(615)	(128)	190	(553)	-	-	(553)
Total impairment	**(615)**	**(128)**	**190**	**(553)**	**-**	**-**	**(553)**
Carrying amount	**1,655**	**(157)**	**(152)**	**1,346**	**(21)**	**-**	**1,325**

Disposals of investment property in 2019 reflected the sale of various premises (see note 20-d).

At the 2020 year end, the analysis of the market value of investment property had not brought to light any impairment losses. In 2019, Euros 128 thousand was recognised in the income statement in this respect (see note 20-d).

Investment property has a market value of approximately Euros 1.9 million in 2020 (Euros 2 million in 2019) and does not generate or incur significant operating income or expenses.

7 Operating Leases

The Company has leased certain assets to Group companies. The types of assets fully or partially leased under operating leases are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Cost		
Land and buildings	86,358	85,538
Other installations, machinery, equipment, furniture and other items	17,568	15,649
Total cost	**103,926**	**101,187**
Accumulated depreciation		
Buildings	(23,189)	(21,614)
Other installations, machinery, equipment, furniture and other items	(16,411)	(14,757)
Total accumulated depreciation	**(39,600)**	**(36,371)**
Carrying amount	**64,326**	**64,816**

The Company has entered into operating lease agreements with Red Eléctrica de España, S.A.U. (REE), Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL), Red Eléctrica Internacional, S.A.U. (REI), Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN), Red Eléctrica y de Telecomunicaciones, Innovación y Tecnológica, S.A.U. (RETIT) and HISPASAT, S.A. (HISPASAT), whereby it leases areas inside the buildings it owns to these Group companies.

These lease agreements are renewed periodically and generated lease income of Euros 10,843 thousand in 2020 (Euros 9,988 thousand in 2019). In 2020 and 2019, approximately 95% of this lease income is from REE and 5% from the remaining Group companies.

8 Investments in Group Companies and Associates

At 31 December 2020 and 2019, none of the Group companies in which the Company holds a direct or indirect interest are listed on the stock exchange.

Details of investments in Group companies and associates at 31 December 2020 are as follows:

Red Eléctrica Corporación, S.A.
Details of equity investments at 31 December 2020
- Company
- Registered office
- Principal activity

Thousands of Euros	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)	Dividends received
	Direct	Indirect		Paid-in share capital	Share premium	Reserves				
Red Eléctrica de España, S.A.U. (REE) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, operation of the Spanish electricity system and management of the transmission network.	100%	-	1,014,326	800,006	54,319	701,192	(20,875)	612,779	915,474	517,812
Red Eléctrica Internacional, S.A.U. (REI) - 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%	-	542,542	186,037	356,505	40,265	(6,238)	2,345	3,745	-
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.	100%	-	74,417	30,000	44,417	5,541	(53,144)	60,017	80,500	209,946
Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN) - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria. (Spain). - Construction of energy storage facilities in non-mainland and isolated systems.	100%	-	5,000	5,000	-	45	-	89	115	-
Red Eléctrica de España Finance, B.V. (RBV) - Hoogoorddreef 15. Amsterdam. (Netherlands). - Financing activities. Incorporated in 2003 in the Netherlands for the purpose of issuing debt to finance the Red Eléctrica Group.	100%	-	2,000	18	1,982	-	-	94	172	168
Red Eléctrica Financiaciones, S.A.U. (REF) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-	60	60	-	10,474		2,430	205	-
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%	-	549,060	549,060	-	(391)	-	(1,361)	(69)	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnológica, S.A.U. (RETIT) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	-	5,000	1,000	4,000	(511)	-	(1,371)	(1,809)	-
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%	-	4,500	4,500	-	49,481	-	3,379	4,117	-
Red Eléctrica Andina, S.A.C. (REA) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Rendering of line and substation maintenance services.	-	100% (a)	-	1,488	-	1,503	-	1,415	2,008	-

Thousands of Euros	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)	Dividends received
	Direct	Indirect		Paid-in share capital	Share premium	Reserves				
Red Eléctrica del Sur, S.A. (REDESUR) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (a)	-	10,593	-	27,806	-	5,337	8,191	-
Transmisora Eléctrica del Sur , S.A.C. (TESUR) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (c)	-	31,621	-	(1,860)	-	3,061	5,296	-
Transmisora Eléctrica del Sur 2 , S.A.C. (TESUR 2) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (c)	-	18,480	-	256	-	799	1,992	-
Transmisora Eléctrica del Sur 3 , S.A.C. (TESUR 3) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (c)	-	4,075	-	(281)	-	103	510	-
Transmisora Eléctrica del Sur 4 , S.A.C. (TESUR 4) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (j)	-	1,238	-	(13)	-	(116)	(29)	-
Red Eléctrica del Norte Perú, S.A.C. (REDELNOR) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (a)	-	28,523	-	(78)	-	(44)	(42)	-
Concesionaria Línea de Transmisión CCNCM S.A.C. (CCNCM) - Av. Javier Prado Este Nº 492 Int. 1001 Urb. Jardín San Isidro. Lima. (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (d)	-	22,687	-	(9,555)	-	(3,998)	5,143	-
Red Eléctrica Chile S.P.A (RECH) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago. (Chile). - Acquisition, holding, management and administration of securities.	-	100% (a)	-	115,528	-	(14,526)	-	(4,045)	(545)	-
Red Eléctrica del Norte S.A. (REDENOR) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago. (Chile). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	69.9% (e)	-	2,852	-	(216)	-	(584)	(432)	-
Red Eléctrica del Norte 2, S.A. (REDENOR 2) - Avenida El Golf nº 40, piso 20. Comuna de Las Condes, Santiago. (Chile). - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100% (e)	-	25,887	-	(582)	-	397	1,723	-
Red Eléctrica Brasil Holding Ltda. (REB) -Calle Libero Badaró, 293. Sao Paulo (Brazil). - Acquisition, holding, management and administration of securities.	-	100% (a)	-	265,012	-	-	-	(1,112)	(26)	-

Thousands of Euros	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)	Dividends received
	Direct	Indirect		Paid-in share capital	Share premium	Reserves				
Hispasat S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of the Hispasat Group. 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) (4)	-	121,946	76,265	323,921	22,270	(8,.615)	(172,909)	-
Hispasat Canarias, S.L.U. -Calle Pacticante Ignacio Rodriguez s/n Edificio Polivalente IV, Fundación Canarias Parque Científico Tecnológico ULGPC, Planta 3, oficinas 304-305, 35017 Las Palmas de Gran Canaria. (Spain). - Sale and lease of satellites and spatial capacity.	-	89.68% (g) (4)	-	102,003	-	197,801	(6,273)	6,817	5,877	-
Hispasat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro. (Brazil). - Commercialisation of satellite capacity.	-	89.68% (g) (4)	-	16,663	-	10,315	-	121	79	-
Hispamar Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro. (Brazil). - Commercialisation of satellite capacity.	-	72.6% (h) (4)	-	17,751	-	16,365	-	(1,502)	1,434	-
Hispamar Exterior, S.L.U. Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Commercialisation of satellite capacity.	-	72.6% (i) (4)	-	800	-	5,117	1,561	221	1,442	-
Hispasat de México, S.A. de C.V. - Agustín Manuel Chávez 1-001 Col. Centro de Ciudad Santa Fe, 01210 México D.F. (Mexico). - Use of radio spectrum, telecommunications networks and satellite communication.	-	89.68% (g) (4)	-	7,131	-	2,070	-	16	98	-
Consultek, Inc (*) - 1036 Country Club Drive, Suite 202, Moraga, CA 94556. (United States of America) - Technical consultancy services.	-	89.68% (g) (4)	-	16	-	30	-	2	3	-
Hispamar Satélites, S.A. (*) (Venezuela) - Torre Phelps, piso 10 ofic. 10. Caracas. (Venezuela). - Commercialisation and rendering of satellite telecommunications services.	-	72.60% (i) (4)	-	-	-	-	-	-	-	-
Hispasat UK, LTD. (*) 30 Finsbury Square, London. (England) - Commercialisation and rendering of satellite telecommunications services.	-	89.68% (g) (4)	-	-	-	-	-	-	-	-
Interconexión Eléctrica Francia-España, S.A.S. (INELFE) - Inmueble Window, 7 C Place du Dôme, 92073 La Défense Cedex, Paris (France) - Study and execution of Spain-France interconnections.	-	50% (b)	-	2,000	-	14,638	-	80	106	-

Thousands of Euros	Percentage ownership (1)		Carrying amount	Equity of investees (2)			Other items	Profit/(loss) for the year (3)	Results from operating activities (3)	Dividends received
	Direct	Indirect		Paid-in share capital	Share premium	Reserves				
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)	-	59,389	-	17,026	(48,465)	9,760	39,470	-
Hisdesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid. (Spain). - Commercialisation of spatial systems for government use.	-	38.56% (g) (4)	-	108,174	-	100,837	12,386	6,357	17,386	-
Grupo de Navegación Sistemas y Servicios, S.L. (*) - Calle Isaac Newton 1, Madrid. (Spain). - Operation of satellite systems	-	12.82% (g) (4)	-	1,026	-	(91)	-	-	-	-
Argo Energía Emprendimientos y Participaciones S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (k)	-	82,862	-	160,165	-	41,057	42,009	-
Argo Transmisión 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)	-	78,366	-	133,417	5,121	40,276	89,984	-
Argo II Transmisión 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)	-	5,965	-	8,684	-	14,211	17,268	-
Argo III Transmisión 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)	-	18,227	-	7,464	-	1,415	12,055	-

(*) Unaudited

(1) Equivalent to voting rights.
(2) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the closing exchange rate.
(3) As per the audited financial statements harmonised with the Company's accounting criteria and translated to Euros at the average exchange rate.
(4) 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 y Participaciones S.A.

The Company holds all of the share capital of REE, the company that performs the functions of transmission agent, system operator and transmission network manager of the Spanish electricity system subject to the provisions of Electricity Industry Law 24/2013 and related provisions having regard to the system operator, transmission network manager and transmission agent. The Company may not transfer the shares of this subsidiary, which conducts regulated activities in Spain, to third parties.

Furthermore, the Company holds all of the share capital of REINTEL, which renders telecommunications services to third parties in Spain, essentially through the rental of the dark fibre backbone network of both electricity transmission infrastructure and railway infrastructure.

In 2019, RESTEL acquired 89.68% of the share capital of Hispasat, S.A. for Euros 933 million. The company's statutory and principal activity consists of commercialising and rendering satellite telecommunications services. RESTEL was incorporated in 2018 and its statutory activity includes the acquisition, holding, management and administration of securities. In 2019, RESTEL's share capital was increased by Euros 549 million.

Moreover, in 2019, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT) was incorporated with share capital of Euros 1,000 thousand and a share premium of Euros 4,000 thousand, which has been paid in full at 31 December 2020 (Euros 750 thousand had not yet been paid in at 31 December 2019). This company's statutory and principal activity consists of driving and fostering technological innovation.

International activity is conducted by REI (a wholly owned subsidiary). In 2020, REI's share capital was increased by Euros 378.5 million (in 2019 it was increased by Euros 31.4 million).

Details of the main transactions performed in 2020 and 2019 are as follows:

- **In Brazil:**
  - In 2020, through its subsidiary Red Eléctrica Brasil, REI acquired 50% of Argo Energia Empreendimentos e Participações S.A. (ARGO ENERGIA), a Brazilian company that heads a group of electricity transmission concession operators in Brazil. Argo Energia was incorporated in Brazil in 2016 and holds three 30-year electricity concessions in that country, encompassing 1,460 km of 500 kV and 230 kV high-voltage lines and 11 substations, of which 1,150 km of lines and five substations have been operating since October 2019. The purchase price for 50% of the share capital of Argo Energia was BRL 1,678.2 million (Euros 374.3 million).
- **In Peru:**
  - In 2019, REI incorporated Red Eléctrica del Norte Perú S.A.C. (REDELNOR). The statutory activity of the new company consists of electricity transmission and maintenance activities on the Carhuaquero - Cajamarca Norte - Caclic - Moyobamba line.
  - In addition, in 2019 REDELNOR acquired the Peruvian company Concesionaria Línea de Transmisión CCNCM, S.A. (CCNCM). The company's statutory and principal activity consists of electricity transmission and maintenance activities on the Carhuaquero - Cajamarca Norte - Caclic - Moyobamba line and related substations in Peru.

The Company performs an impairment test each year to verify the recoverability of its investments for which there are indications of impairment. When testing for impairment, the Company considers projections of future cash flows. Such tests were performed in 2020 and 2019 and in all instances the value in use exceeded the carrying amount. Thus, the Company concluded that no impairment of investments exists.

The most representative assumptions regarding the recoverable amount of REI included in the projections of its investee businesses, based on business forecasts and own past experience, are as follows:

- Regulated remuneration: estimated based on the remuneration approved by the regulations governing each business for the years available, whilst the same update mechanisms as those set out in prevailing legislation have been used for subsequent years.
- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.
- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.

In order to calculate present value, the projected cash flows are discounted using a post-tax rate that considers the weighted average cost of capital (WACC) of the business and the geographical area in which it is carried out.

The estimate performed reveals that the recoverable amount is higher than the value of the investment plus the loan granted to TEN, a subsidiary of REI.

Regarding the recoverable amount of RESTEL, the key assumptions used in the calculations for the impairment test of the investment in Hispasat were as follows:

- The test was performed estimating the fair value less costs to sell, taking an income approach for the purpose of determining the recoverable amount of the satellite business. The income approach indicates the recoverable amount of a business based on the present value of the future cash flows it is expected to generate, calculated using a discounted cash flow (DCF) methodology. The DCF method is used to discount the future free cash flow (FCF) to its estimated present value, applying a discount rate (weighted average cost of capital or WACC) that reflects the time value of money and the risks associated with the expected cash flows. The value of the equity-accounted investees of the HISPASAT subgroup has been added to this fair value less cost to sell.
- The latest projections considered in the Business Plan associated with the HISPASAT subgroup's New Strategic Plan approved in December 2020 by its board of directors have been applied. The cash flow projections used are for the 2021-2040 period, which is consistent with the useful life of the existing satellites, as well as that of the new satellite assets expected to be launched in the coming years and the HISPASAT subgroup's expected adoption of new business models and technologies. The terminal value associated with the traditional technology is zero, given that the infrastructure supporting this business will cease to generate revenue and expenses once it reaches the end of its useful life. For new business and services, a terminal value with a perpetuity growth rate of 0.75% has been applied, which is in line with that considered by analysts for comparable companies and has been contrasted by an independent consultant.
- The EBITDA margin considered for traditional business and new business jointly averages 58%. HISPASAT's management has determined the budgeted EBITDA margin based on past performance, expected market development and market comparables, which are consistent with external sources of information, the reasonableness of which has been contrasted with an independent consultant.
- The main exchange rates considered were 1.23 EUR/USD and 6.38 EUR/BRL.
- A discount rate based on the weighted average cost of capital (WACC) has been used to discount the cash flows, specifically a post-tax rate of 5.9% has been applied for the traditional satellite business, and an additional risk premium has been included for new business, giving a post-tax rate of 7.5%.
- In addition, the fair value less costs to sell plus the value of the HISPASAT subgroup's equity-accounted investees has been reduced by the fair value of the net financial position of the HISPASAT subgroup to calculate the equity value of the investment in RESTEL.

The aforementioned testing was performed on the investment in RESTEL in 2020 and the recoverable amount exceeded the carrying amount of the investment. Thus, the Company concluded that the investment in RESTEL plus the loan granted is not impaired.

9 Financial Risk Management Policy

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

A summary of the main guidelines that comprise this policy is as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Company's core value, rather than generating extraordinary profits.

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

The methodology for identifying, measuring, monitoring and controlling risk, as well as the management indicators and measurement and control tools specific to each risk, are implemented through the Group's Comprehensive Risk Management System, which is set forth in the General Comprehensive Risk Management Policy and in the General Comprehensive Risk Management and Control Procedure.

The financial risks to which the Company is exposed are as follows:

a) Market risk

Market risk reflects variations in the financial markets in terms of prices, interest and exchange rates, credit conditions and other variables that could affect short-, medium- and long-term finance costs.

Market risk is managed on the borrowings to be arranged (the currency, maturity and interest rates), and through the use of hedging instruments that allow the financial structure to be modified. Market risk specifically includes:

- **Interest rate risk**

  The interest rate risk to which the Company is exposed at 31 December 2020 and 2019 mostly affects profit for the year, but not equity.

  Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. The rise or decline of 0.10% in 2020 interest rates would have increased or decreased profit by Euros 264 thousand (Euros 553 thousand in 2019).

- **Currency risk**

  Management of this risk encompasses translation risk, to which the Company is exposed when consolidating its subsidiaries and/or assets located in countries where the functional currency is not the Euro, and payables denominated in currencies other than the Euro; and transaction risk, arising from cash inflows and outflows in currencies other than the Euro.

  The Company has arranged derivative financial instruments (cross-currency swaps) to reduce the currency risk on loans extended to the Group company RECH. These instruments allow variable-rate debt in Euros to be exchanged for variable-rate debt in US Dollars, thereby hedging future receipts in US Dollars.

- **Credit risk**

  The main risk to which the Company is exposed is credit risk, inasmuch as its main debt transactions are carried out by the other Group companies, which assume the market and liquidity risks. Credit risk is managed through policies that contain certain requirements regarding counterparty credit quality, and further guarantees are requested when necessary. At 31 December 2020 the Company does not consider there to be any risk as regards the recoverability of receivables.

10 Analysis of Financial Instruments

a) Analysis by category

At 31 December 2020 and 2019 the carrying amounts of each category of financial instruments, except investments in Group companies, are as follows:

- Financial assets

Thousands of Euros	Financial instruments by category at 31.12.2020			
	Available-for-sale financial assets	Loans and receivables	Hedging derivatives	Total
Loans to third parties	-	1,192	-	1,192
Loans to Group companies and associates	-	449,677	-	449,677
Equity instruments of a special nature	3,895	-	-	3,895
Other financial assets	-	22	-	22
Non-current	**3,895**	**450,891**	**-**	**454,786**
Trade receivables and loans to Group companies and associates	-	1,334,527	-	1,334,527
Derivative financial instruments	-	-	16,228	16,228
Other financial assets	-	1	-	1
Trade and other receivables	-	245	-	245
Current	**-**	**1,334,773**	**-**	**1,351,001**
Total	**3,895**	**1,785,664**	**16,228**	**1,805,787**

Thousands of Euros	Financial instruments by category at 31.12.2019			
	Available-for-sale financial assets	Loans and receivables	Hedging derivatives	Total
Loans to third parties	-	25	-	25
Loans to Group companies and associates	-	713,139	-	713,139
Equity instruments of a special nature	2,542	-	-	2,542
Derivative financial instruments	-	-	4,462	4,462
Other financial assets	-	14	-	14
Non-current	**2,542**	**713,178**	**4,462**	**720,182**
Trade receivables and loans to Group companies and associates	-	764,513	-	764,513
Other financial assets	-	1	-	1
Trade and other receivables	-	592	-	592
Current	**-**	**765,106**	**-**	**765,106**
Total	**2,542**	**1,478,284**	**4,462**	**1,485,288**

- Financial liabilities

Thousands of Euros	Financial instruments by category at 31.12.2020		
	Debts and payables	Hedging derivatives	Total
Bonds and other marketable securities	397,699	-	397,699
Loans and borrowings	869,081	-	869,081
Payables to Group companies and associates	1,565	-	1,565
Other financial liabilities	16	-	16
Non-current	**1,268,361**	**-**	**1,268,361**
Bonds and other marketable securities	2,512		2,512
Loans and borrowings	811	-	811
Trade payables and payables to Group companies and associates	8,106	-	8,106
Current payables	158,652	-	158,652
Trade and other payables	35,009	-	35,009
Current	**205,090**	**-**	**205,090**
Total	**1,473,451**	**-**	**1,473,451**

Thousands of Euros	Financial instruments by category at 31.12.2019		
	Debts and payables	Hedging derivatives	Total
Loans and borrowings	601,140	-	601,140
Payables to Group companies and associates	1,565	-	1,565
Other financial liabilities	16	-	16
Non-current	**602,721**	-	**602,721**
Loans and borrowings	2,116	-	2,116
Trade payables and payables to Group companies and associates	390	-	390
Current payables	158,145	-	158,145
Trade and other payables	24,261	-	24,261
Current	**184,912**	-	**184,912**
Total	**787,633**	-	**787,633**

b) Analysis by maturity

- Financial assets

Thousands of Euros	31.12.2020 Maturity of financial assets						
	2021	2022	2023	2024	2025	Thereafter	Total
Loans to third parties	-	-	-	-	-	1,192	1,192
Loans to Group companies and associates	1,334,527	-	65,677	384,000	-	-	1,784,204
Equity instruments of a special nature	-	-	-	-	-	3,895	3,895
Other financial assets	1	-	-	-	-	22	23
Trade and other receivables	245	-	-	-	-	-	245
Total	**1,334,773**	**-**	**65,677**	**384,000**	**-**	**5,109**	**1,789,559**

Thousands of Euros	31.12.2019 Maturity of financial assets						
	2020	2021	2022	2023	2024	Thereafter	Total
Loans to third parties	-	-	-	-	-	25	25
Loans to Group companies and associates	764,513	158,923	100,150	70,066	384,000	-	1,477,652
Equity instruments of a special nature	-	-	-	-	-	2,542	2,542
Other financial assets	1	-	-	-	-	14	15
Trade and other receivables	592	-	-	-	-	-	592
Total	**765,106**	**158,923**	**100,150**	**70,066**	**384,000**	**2,581**	**1,480,826**

- Financial liabilities

Thousands of Euros	31.12.2020 Maturity of financial liabilities							
	2021	2022	2023	2024	2025	Thereafter	Valuation adjustments	Total
Bonds and other marketable securities	2,512	-	-	-	400,000	-	(2,301)	400,211
Loans and borrowings in Euros	390	100,000	175,000	-	500,000	-	(180)	775,210
Loans and borrowings in foreign currency	421	40,476	53,785	-	-	-	-	94,682
Payables to Group companies and associates	8,106	-	-	-	-	1,565	-	9,671
Trade and other payables	193,661	-	-	-	-	-	-	193,661
Other financial liabilities	-	-	-	-	-	16	-	16
Total	**205,090**	**140,476**	**228,785**	**-**	**900,000**	**1,581**	**(2,481)**	**1,473,451**

Thousands of Euros	31.12.2019 Maturity of financial liabilities							
	2020	2021	2022	2023	2024	Thereafter	Valuation adjustments	Total
Loans and borrowings in Euros	390	-	-	-	500,000	-	-	500,390
Loans and borrowings in foreign currency	1,726	-	43,280	57,860	-	-	-	102,866
Payables to Group companies and associates	390	-	-	-	-	1,565	-	1,955
Trade and other payables	182,406	-	-	-	-	-	-	182,406
Other financial liabilities	-	-	-	-	-	16	-	16
Total	**184,912**	**-**	**43,280**	**57,860**	**500,000**	**1,581**	**-**	**787,633**

An analysis by maturity of derivative financial instruments is provided in note 11.

11 Derivative Financial Instruments

In line with its financial risk management policy, the Company has arranged derivative financial instruments (cross-currency swaps). These instruments allow variable-rate debt in Euros to be exchanged for variable-rate debt in US Dollars, thereby hedging future receipts in US Dollars. The Company has no formal hedging relationships reflected in the balance sheet. Variations due to exchange rate fluctuations in derivative financial instruments are offset in the income statement against the corresponding variations arising from the non-current loan extended to the Group company RECH (see note 21). However, the formal hedging relationship is disclosed in the Group's consolidated annual accounts as hedges of net investments in US Dollars.

The Company has incorporated a credit risk adjustment to reflect own and counterparty risk in the fair value of derivatives using generally accepted measurement models.

When determining the credit risk adjustment, the Company applied a technique based on calculating total expected exposure (which considers current and potential exposure) through the use of simulations, adjusted for the probability of default over time and for loss given default allocable to the Company and to each counterparty.

The total expected exposure of derivative financial instruments is determined using observable market inputs, such as interest rate curves, exchange rates and volatilities based on market conditions at the measurement date.

The inputs used to determine own and counterparty credit risk (probability of default) are mostly based on own credit spreads and those of comparable companies currently traded on the market (credit default swap (CDS) curves, IRR of debt issues, etc.).

Furthermore, adjustments of fair value for credit risk take into account credit enhancements for guarantees and collateral when determining the loss given default to be used for each position. Loss given default is considered to be constant over time. A minimum recovery rate of 40% has been used in cases where there is no credit enhancement for guarantees or collateral.

As regards observable inputs, the Company uses mid-market prices obtained from reputable external information sources in the financial markets.

Details of derivative financial instruments by type at 31 December 2020 and 2019 are as follows:

	31.12.2020		Non-current		Current	
Thousands of Euros	Hedged principal	Term to expiry	Assets	Liabilities	Assets	Liabilities
Exchange rate hedges - Hedges of a net investment:						
Cross-currency swap	USD 150,000 thousand	Up to 2021	-	-	16,228	-

	31.12.2019		Non-current		Current	
Thousands of Euros	Hedged principal	Term to expiry	Assets	Liabilities	Assets	Liabilities
Exchange rate hedges - Hedges of a net investment:						
Cross-currency swap	USD 150,000 thousand	Up to 2021	4,462	-	-	-

Details of these derivative financial instruments by expiry date are as follows:

	31.12.2020							
Thousands of Euros	Hedged principal	Term to expiry	2021	2022	2023	2024	2025 and thereafter	Total
Exchange rate hedges - Hedges of a net investment:								
Cross-currency swap	USD 150,000 thousand	Up to 2021	16,228	-	-	-	-	16,228

Thousands of Euros	31.12.2019							
	Hedged principal	Term to expiry	2020	2021	2022	2023	2024 and thereafter	Total
Exchange rate hedges - Hedges of a net investment:								
Cross-currency swap	USD 150,000 thousand	Up to 2021	-	4,462	-	-	-	4,462

In 2020, the Company recognised income of Euros 482 thousand (Euros 499 thousand in 2019).

12 Non-current and Current Investments

Details of non-current investments at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Equity instruments	3,895	2,542
Loans to third parties	1,192	25
Derivative financial instruments	-	4,462
Other financial assets	22	14
Total non-current investments	**5,109**	**7,043**

Thousands of Euros	31 December 2020	31 December 2019
Derivative financial instruments	16,228	-
Other financial assets	1	1
Total current investments	**16,229**	**1**

Equity instruments reflect the Euros 3,895 thousand investment in economic interest groups (EIGs) (Euros 2,542 thousand in 2019) engaged in the lease of assets managed by an unrelated company, which retains most of the risks and rewards of the activity, while the Company only avails of the tax incentives regulated in Spanish legislation. The Company recognises the finance income generated due to the difference between income tax payable to the taxation authorities in respect of recognised tax losses incurred by the EIGs and the investments in those EIGs (see notes 17 and 20-c).

At 31 December 2020 and 2019, loans to third parties reflect those extended by the Company to its personnel, which fall due in the long term. These loans earn interest at floating rates indexed to Euribor plus a spread, in accordance with the conditions laid down in the collective bargaining agreement.

At 31 December 2020 and 2019, non-current and current derivative financial instruments reflect the value thereof and have been reclassified to short term as they expire in 2021. Details thereof and an analysis by expiry is provided in note 11.

13 Trade and Other Receivables

Details at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Trade receivables from Group companies and associates	873	16
Other receivables	30	89
Personnel	215	4
Public entities, other	-	499
Total	**1,118**	**608**

At 31 December 2020 and 2019, trade receivables from Group companies and associates comprise amounts receivable from Group companies and associates.

At 31 December 2019 public entities, other included the value added tax (VAT) recoverable by the Company.

14 Equity

a) Capital risk management

The Group's management of its companies' capital is aimed at safeguarding their 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 Company can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

Given the Company's activity and its investees' capacity to generate funds, the Company is not significantly exposed to capital risk.

b) Capital and reserves

- **Share capital**

  At 31 December 2020 and 2019 the Company's share capital is divided into 541,080,000 shares of Euros 0.50 par value 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.

  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 Electricity Industry Law 24/2013 of 26 December 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 31 December 2020 and 2019 SEPI holds a 20% interest in the Company's share capital.

- **Reserves**

  This item includes:

  - **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 31 December 2020 and 2019 the legal reserve amounts to 20% of share capital (Euros 54,199 thousand).

- **Revaluation reserve under Law 16/2012 of 27 December 2012**

  In accordance with Law 16/2012 of 27 December 2012, which introduced several tax measures to consolidate public finances and boost economic activity, the Company revalued its property, plant and equipment. The associated revaluation reserve amounted to Euros 6,042 thousand, net of the 5% capital gains tax. There were no movements in the revaluation reserve during 2020.

  The revaluation is open to inspection by the Spanish taxation authorities for a three-year period from the date of filing the 2012 income tax return. Once this three-year period has elapsed, the balance may be used to offset losses or increase the Company's capital. Once a period of ten years has elapsed this balance may be released to freely distributable reserves. Nonetheless, this balance may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

- **Other reserves**

  Other reserves primarily include voluntary reserves of the Company and first-time application reserves, amounting to Euros 1,587,688 thousand and Euros 19,895 thousand, respectively, at 31 December 2020 (Euros 1,596,169 thousand and Euros 19,895 thousand, respectively, at 31 December 2019). Both of these reserves are freely distributable.

  In 2020, the Company recorded a decrease in voluntary reserves of Euros 10,287 thousand due to the difference between the assets and liabilities received as a dividend in kind from REE (see note 4-g).

  The business received as payment of the dividend in kind consisted of the transfer of the business unit making up the corporate services that REE provided to the various Group companies. The transfer encompassed the employees, assets and liabilities associated with the business.

  At 31 December 2020 and 2019 this item also comprises statutory reserves totalling Euros 264,547 thousand, notably including the property, plant and equipment revaluation reserve amounting to Euros 247,022 thousand created by the Parent in 1996. This reserve may be used, free of taxation, to offset accounting losses and increase share capital or, ten years after its creation and when the associated assets have been fully depreciated, it may be transferred to freely distributable reserves. Nonetheless, this balance may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

  Moreover, following the spin-off of the Telecommunications activity from REI to REINTEL, through a split-off, a reserve was generated in an amount of Euros 74,407 thousand in 2015, reflecting the difference between the value of the net assets spun off to REINTEL (Euros 74,417 thousand) and the value of the Company's investment in this business through REI. There was no change in the balance of this reserve in 2020.

  As provided for by article 25 of Law 27/2014 of 27 November 2014, in 2019 the tax group headed by the Company created a capitalisation reserve of Euros 16,707 thousand, corresponding to 2018, pursuant to article 62.1 d) of the aforementioned Law. This reserve will be restricted for a period of five years. Accordingly, each tax group company adjusted income tax for the year in connection with this reserve. The capitalisation reserve for 2019 was appropriated in 2020 in the Group company REE.

- **Own shares**

At 31 December 2020, the Company held 2,084,729 own shares representing 0.39% of its share capital with a total par value of Euros 1,042 thousand and an average acquisition price of Euros 17.53 per share. At 31 December 2019, the Company held 2,024,844 own shares representing 0.37% of its share capital with a total par value of Euros 1,012 thousand and an average acquisition price of Euros 18.03 per share.

These shares have been recognised as a reduction in equity for an amount of Euros 36,550 thousand at 31 December 2020 (Euros 36,504 thousand in 2019).

The Company has complied with the requirements of article 509 of the Spanish Companies Act, which provides, except in the case of freely acquired own shares, that in listed companies the par value of own shares acquired directly or indirectly by the Company, plus the par value of the shares already held by the Parent and its subsidiaries, must not exceed 10% of subscribed share capital. The subsidiaries do not hold own shares or shares in the Company.

- **Profit for the year**

  Profit for the year totals Euros 730,263 thousand (Euros 570,669 thousand in 2019).

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

  The interim dividend authorised by the board of directors in 2020 has been recognised as a Euros 146,984 thousand reduction in equity at 31 December 2020 (Euros 147,002 thousand at 31 December 2019).

  On 27 October 2020, the Company's board of directors agreed to pay an interim dividend of Euros 0.2727 (gross) per share with a charge to 2020 profit, which was paid on 7 January 2021.

  The cash flow forecast for the period from 30 September 2020 to 7 January 2021 indicated sufficient liquidity to allow the distribution of this dividend. The amount to be distributed did not exceed the profits generated by the Company since the end of the previous reporting period, after deducting the estimated income tax payable on these profits, as required by article 277 of the Revised Spanish Companies Act.

  As such, the following provisional liquidity statement was drawn up pursuant to article 277 section a) of the Spanish Companies Act:

Liquidity statement of Red Eléctrica Corporación, S.A.

	Thousands of Euros
Available funds at 30/09/2020:	
Non-current credit facilities available	466,979
Current credit facilities available	55,000
Current investments and cash	229,730
Forecast receipts:	
Current transactions	-
Financial transactions	254,340
Forecast payments:	
Current transactions	(129,215)
Financial transactions	-
Forecast available funds at 07/01/2021	**876,834**

Based on the cash flow forecast at the approval date, no limitation on the availability of funds was or is expected to arise. In addition, given the Company's cash generation capacity and undrawn credit facilities, the Company will have sufficient liquidity within one year after the interim dividend distribution has been agreed.

Furthermore, as reflected in the accompanying annual accounts, and as foreseen at the distribution date, profit for 2020 allows for the distribution of this interim dividend.

c) Valuation adjustments

At 31 December 2020 and 2019 this item reflects the gains arising from the increase in the fair value of the investment held by the Company in Redes Energéticas Nacionais, SGPS, S.A. (REN) until 2015, when it transferred this investment as a non-monetary contribution to subscribe the capital increase in the Group company REI.

These gains are recorded in equity until the disposal or derecognition of the investment, whereupon they are taken to profit and loss (see note 4-e).

15 Non-current Provisions

Movement in 2020 and 2019 is as follows:

Thousands of Euros	31.12.2018	Additions	Applications	Actuarial gains and losses	Transfers	31.12.2019	Additions	Applications	Actuarial gains and losses	Transfers	31.12.2020
Provisions for employee benefits	630	129	(249)	(19)	(468)	23	346	(75)	2,345	12,487	15,126
Other provisions	4,467	115	-	-	-	4,582	410	-	-	-	4,992
Total	**5,097**	**244**	**(249)**	**(19)**	**(468)**	**4,605**	**756**	**(75)**	**2,345**	**12,487**	**20,118**

Provisions for employee benefits include future commitments (health insurance) undertaken by the Company on behalf of its employees for their retirement, calculated based on actuarial studies conducted by an independent expert. The following assumptions were used for 2020 and 2019:

	Actuarial assumptions	
	2020	**2019**
Discount rate	0.87%	1.05%
Cost increase	3.00%	3.00%
Mortality table	PERM/F 2020 1st rank	PERM/F 2000 new production

The effect of a one percentage point increase or decrease in the assumed health insurance cost trend rates is as follows:

Thousands of Euros	2020		2019	
	1%	-1%	1%	-1%
Current service cost	163	(119)	1.4	(1.0)
Interest cost of net post-employment health insurance costs	1	(1)	-	-
Accumulated post-employment benefit obligation for health insurance	4,537	(3,339)	9.4	(6.5)

Conversely, the effect of a decrease of half a percentage point in the discount rate used in the actuarial assumption for health insurance costs from 0.87% to 0.37% in 2020, is as follows:

Thousands of Euros	2020			2019		
	Discount rate		Sensitivity	Discount rate		Sensitivity
	0.87%	0.37%		1.05%	0.55%	
Current service cost	84	159	75	3.5	4.1	0.6
Interest cost of net post-employment health insurance costs	1	1	-	0.9	0.5	(0.4)
Accumulated post-employment benefit obligation for health insurance	14,400	16,507	2,107	22.8	27.2	4.4

The accrued amounts are recognised as personnel expenses or finance costs, depending on their nature. Personnel expenses and finance costs recognised in the income statement for 2020 amount to Euros 84 thousand and Euros 0.9 thousand, respectively (Euros 3.5 thousand and Euros 0.9 thousand, respectively, in 2019). Any variations in the calculation of the present value of these obligations due to actuarial gains and losses are recognised as reserves under equity. The gross amount recognised during the year in this connection totalled Euros 2,345 thousand (negative amount of Euros 19 thousand in 2019), which has been recorded under actuarial gains and losses in the statement of changes in equity.

Provisions for employee benefits also include commitments undertaken by the Company as part of the deferred remuneration scheme for employees.

In 2020, provisions for employee benefits under the transfers column include the commitments to personnel received from REE amounting to Euros 12,987 thousand as a result of the dividend in kind (see notes 4-g and 14-b). In 2020 and 2019, this item also includes the commitments to employees that have been transferred in the short term, amounting to Euros 500 thousand and Euros 468 thousand, respectively.

Other provisions reflect the amounts recorded by the Company every year to cover potential unfavourable rulings handed down in relation to third-party claims.

16 Non-current and Current Payables

Details at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Bonds and other marketable securities	397,699	-
Loans and borrowings	869,081	601,140
Other liabilities	16	16
Non-current payables	**1,266,796**	**601,156**

Thousands of Euros	31 December 2020	31 December 2019
Bonds and other marketable securities	2,512	-
Loans and borrowings	811	2,116
Other current payables	158,652	158,145
Current payables	**161,975**	**160,261**

At 31 December 2020, bonds and other marketable securities reflect the Euros 400 million bond issue carried out by the Company in 2020 on the Euromarket in accordance with a specific stand-alone issuance prospectus registered on the Luxembourg Stock Exchange. This bond issue matures in 2025. The fair value of these payables at 31 December 2020 is Euros 416,182 thousand. The average interest rate on these payables in the year was 1.01%.

At 31 December 2020, the accrued interest payable on this bond issue amounts to Euros 2,512 thousand, which is recognised under current bonds and other marketable securities.

Non-current loans and borrowings at 31 December 2020 reflect long-term loans and credit facilities in Euros totalling Euros 774,820 thousand (Euros 500,000 thousand in 2019). They also include Euros 94,261 thousand drawn down from credit facilities arranged by the Company in US Dollars (Euros 101,140 thousand at 31 December 2019).

At 31 December 2020 and 2019 other liabilities comprise non-current security deposits received amounting to Euros 16 thousand.

At 31 December 2020 the accrued interest payable amounts to Euros 416 thousand (Euros 623 thousand in 2019) and has been recognised under current loans and borrowings. This item also reflects the interest accrued but not yet payable on derivative financial instruments.

These loans and borrowings have a fair value of Euros 872,097 thousand at 31 December 2020 (Euros 604,976 thousand in 2019) and accrued interest at an average rate of 0.30% in 2020 (0.97% in 2019).

The fair value of all non-current and current payables has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date.

Details of other current payables are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Dividends	146,984	147,002
Suppliers of fixed assets and other payables	11,668	11,143
Total	**158,652**	**158,145**

17 Taxation

The Company files consolidated tax returns as the parent of the tax group 57/2002.

a) Reconciliation of accounting profit and the tax loss

Due to the treatment permitted by fiscal legislation of certain transactions, accounting profit differs from the tax base. A reconciliation of accounting profit for 2020 and 2019 with the tax loss that the Company expects to declare after approval of the annual accounts is as follows:

Thousands of Euros	2020	2019
Accounting profit for the year before tax	730,695	569,330
Permanent differences	(725,988)	(574,746)
Taxable accounting income/(loss)	**4,707**	**(5,416)**
Temporary differences:		
Originating in current year	1,340	115
Reversals during the year	(28)	(201)
Total	**1,312**	**(86)**
EIG charges	(73,008)	(77,822)
Tax loss	**(66,989)**	**(83,324)**

In 2020 and 2019, adjustments were made to the tax base to reflect recognition of the EIGs in which the Company has interests, amounting to Euros 73,008 thousand and Euros 77,822 thousand, respectively (see note 12).

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

The income tax expense/income for the year is calculated as follows:

Thousands of Euros	2020	2019
Accounting profit for the year before tax	730,695	569,330
Permanent differences	(725,988)	(574,746)
Taxable accounting income/(loss)	**4,707**	**(5,416)**
Tax rate	25%	25%
Tax at the current rate	1,177	(1,354)
Deductions	(745)	(96)
Expense/(income) for the year	**432**	**(1,450)**
Foreign income tax	-	110
Other adjustments	-	1
Income tax expense/(income)	**432**	**(1,339)**
Effective income tax rate	0.06%	-
Breakdown of income tax:		
Current income tax	757	(1,365)
Deferred income tax	(325)	25
Other adjustments	-	1
Income tax expense/(income)	**432**	**(1,339)**

The effective rate of income tax is influenced by permanent differences and by deductions in tax payable. The difference between the effective tax rate and the actual tax rate is primarily due to application of the exemption to prevent double taxation of dividends from significant interests in resident entities.

Permanent differences in 2020 and 2019 primarily arise from dividends received from subsidiaries (essentially REE and REINTEL) and due to the capitalisation reserve adjustment resulting from the increase in equity in accordance with article 25 of Income Tax Law 27/2014 of 27 November 2014.

As permitted by article 62.1 d) of Law 27/2014, the capitalisation reserve for 2020 will be held in the Company, as head of the tax group (see note 14).

c) Deferred tax assets and liabilities

Temporary differences in the recognition of income and expenses for accounting and tax purposes at 31 December 2020 and 2019, and the corresponding cumulative tax effect (assets and liabilities) are as follows:

	2020		2019	
Thousands of Euros	Income statement	Income and expense recognised directly in equity	Income statement	Income and expense recognised directly in equity
Deferred tax assets:				
Originating in prior years	2,518	1	2,589	6
Dividend in kind (notes 4-g and 14-b)	-	3,739	-	-
Originating in current year	335	461	28	-
Reversals of prior years	(56)	-	(99)	(5)
Prior year adjustments	21			
Total deferred tax assets	**2,818**	**4,201**	**2,518**	**1**
Deferred tax liabilities:				
Originating in prior years	(1,810)	-	(1,856)	-
Reversals of prior years	45	-	46	-
Total deferred tax liabilities	**(1,765)**	-	**(1,810)**	**-**

In 2020 and 2019, deferred tax assets include reversals of tax prepaid in 2013 and 2014 as a result of applying the limitation on the tax deductibility of depreciation and amortisation charges stipulated in article 7 of Law 16/2012 of 27 December 2012, which introduced several fiscal measures to consolidate public finances and boost economic activity, and as a result of the commencement, in 2015, of depreciation and amortisation for tax purposes of the net increase in value resulting from the revaluations applied to the balance sheet at 31 December 2012, pursuant to article 9 of the same Law, as well as long-term employee benefits.

Deferred tax liabilities essentially relate to the accelerated depreciation for tax purposes of certain fixed assets.

The notes to the Company's annual accounts for 2006 contain disclosures on the merger by absorption of Red de Alta Tensión, S.A.U. (REDALTA) and Infraestructuras de Alta Tensión S.A.U. (INALTA), as required by article 86 of Law 27/2014. The notes to the 2008 annual accounts include disclosures on the contribution to REE of the branch of activities encompassing the duties of the system operator, transmission network manager and transmission agent of the Spanish electricity system. The notes to the annual accounts for 2015 include disclosures regarding the spin-off of the telecommunications services business to REINTEL, and the non-monetary contribution to REI of shares in REN.

d) Years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period has elapsed.

The Company has open to inspection by the taxation authorities all the main applicable taxes since 2017, except income tax, which is open to inspection since 2016.

The Company has certain tax proceedings ongoing in respect of income tax for 2011 to 2015, which are currently being heard either at economic-administrative level or in court proceedings. The Company considers that its conduct was lawful based on reasonable interpretations of the applicable legislation, and that no penalties will be imposed and no significant tax liabilities will arise for the Company.

In addition, in 2020 the tax group applied for rectification of the instalments for 2016 to 2020. The Constitutional Court ruled that Royal Decree-Law 2/2016, which approved an amendment to the instalment calculation method, among other measures, was unconstitutional.

At the end of 2020, the taxation authorities resolved the request and refunded the late payment interest related to the instalments for 2016 and 2017 amounting to Euros 3,298 thousand. The resolution delivered with respect to the remaining years has been appealed.

Due to the different possible interpretations of tax legislation, additional tax liabilities could arise as a result of future inspections, which cannot be objectively quantified at present. Nevertheless, the Company's board of directors does not expect that any additional liabilities that could eventually arise in the event of inspection would significantly affect the Company's future results.

18 Trade and Other Payables

Details at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Payables to Group companies	726	87
Other payables	9,641	10,777
Personnel	5,968	682
Current tax liabilities	16,413	12,704
Public entities	2,987	98
Total	**35,735**	**24,348**

At 31 December 2020 and 2019, current tax liabilities comprise Euros 16,413 thousand and Euros 12,704 thousand, respectively, for income tax payable, which has been recognised by the Company, as parent of the tax group.

19 Average Supplier Payment Period. "Reporting Requirement". Third Additional Provision of Law 15/2010 of 5 July 2010

The Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016, concerning the information that must be disclosed in the notes to the annual accounts in relation to the average supplier payment period in commercial transactions, clarifies and systematises the information that trading companies must include in the notes to individual and consolidated annual accounts, in compliance with the reporting requirement of the third additional provision of Law 15/2010 of 5 July 2010, which amends Law 3/2004 of 29 December 2004, establishing measures to combat late payments in commercial transactions.

Pursuant to the resolution, the information on the average supplier payment period for 2020 and 2019 is as follows

Days	2020	2019
Average supplier payment period	42.3	43.5
Transactions paid ratio	45.8	40.2
Transactions payable ratio	16.5	51.4

Thousands of Euros	2020	2019
Total payments made	10,333	4,795
Total payments outstanding	1,440	2,015

20 Income and Expenses

a) Revenue

Details at 31 December 2020 and 2019 are as follows:

Thousands of Euros	31 December 2020	31 December 2019
Services rendered	20,708	10,141
Finance income on investments in equity instruments of Group companies and associates	727,926	565,103
Finance income on securities and other financial instruments of Group companies and associates	9,748	16,707
Total	**758,382**	**591,951**

Services rendered correspond to the provision of management support services to Group companies since November 2020, following the distribution of the dividend in kind (see notes 4-g and 14-b). At 31 December 2019 and until October 2020, this service was provided by the Group company REE. This line item also includes building lease income, mainly from Group companies (see note 7).

In 2020, finance income from investments in equity instruments of Group companies and associates reflects the dividends received from REE, REINTEL and RBV (from REE, REF and RBV in 2019).

At 31 December 2020, finance income from securities and other financial instruments of Group companies and associates comprises income from loan and credit facility agreements entered into with REE, REINTEL, RESTEL, REI, RECH and RETIT (REE, REINTEL, RESTEL, RECH and REI at 31 December 2019) (see note 21).

Details of this item in 2020 and 2019, by geographical area, are as follows:

Thousands of Euros	2020	2019
Domestic market	755,139	583,911
European Union	168	179
Other countries	3,075	7,861
Total	**758,382**	**591,951**

b) Personnel expenses

In 2020 and 2019 this item comprises the following:

Thousands of Euros	31 December 2020	31 December 2019
Salaries and wages	8,117	4,363
Social Security	1,046	99
Contributions to pension funds and similar obligations	73	5
Other items and employee benefits	1,622	158
Total	**10,858**	**4,625**

Personnel expenses include the remuneration of the board of directors (see note 22).

Workforce

The average headcount of the Company (including the chairwoman and CEO) in 2020 and 2019, distributed by professional category, is as follows:

	2020	2019
Management team	21	2
Senior technicians and middle management	23	1
Technicians	9	-
Specialist and administrative staff	18	4
Total	**71**	**7**

The distribution of the Company's employees (including the chairwoman and CEO) at 31 December 2020 and 2019, by gender and category, is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Management team	39	31	70	2	-	2
Senior technicians and middle management	109	113	222	-	1	1
Technicians	19	14	33	-	-	-
Specialist and administrative staff	15	51	66	-	4	4
Total	**182**	**209**	**391**	**2**	**5**	**7**

The increase in the headcount at 31 December 2020 is due to the transfer of employees from the Group company REE as a result of the dividend in kind received in the form of a business, as explained in note 14-b.

At 31 December 2020 and 2019, the breakdown of the Company's employees with a disability rating of 33% or more is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Senior technicians and middle management	-	2	2	-	-	-
Technicians	1	1	2	-	-	-
Specialist and administrative staff	1	-	1	-	-	-
Total	**2**	**3**	**5**	**-**	**-**	**-**

At 31 December 2020, there are 12 directors, of which 6 are men and 6 are women (7 men and 5 women at 31 December 2019).

c) Finance income and costs

In 2020 and 2019 finance costs primarily reflect those incurred on loans and borrowings and derivative financial instruments. In 2020, this item also includes costs derived from the bond issue described in note 16.

In 2020 and 2019 finance income essentially comprises returns on the investments in the EIGs (see note 12).

d) Impairment and gains/losses on disposal of fixed assets

In 2019, this item reflected impairment and losses on certain disposals of investment property (see note 6).

21 Balances and Transactions with Group Companies, Associates and Related Parties

Balances and transactions with Group companies and associates

All transactions with Group companies and associates have been carried out at market prices.

Details of receivables from and payables to Group companies and associates in 2020 and 2019 are as follows:

Thousands of Euros	2020		2019	
	Loans and dividends	Payables	Loans and dividends	Payables
Red Eléctrica de España, S.A.U. (REE)	873,459	1,528	760,624	1,528
Red Eléctrica Internacional, S.A.U. (REI)	65,867	324	70,601	176
Red Eléctrica Financiaciones, S.A.U. (REF)	71	-	16	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL)	306,446	30	102,943	30
Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN)	-	3	-	2
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RESTEL)	385,891	57	384,529	45
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT)	1,755	777	16	87
Red Eléctrica Chile SpA (RECH)	150,715	-	158,923	-
Red Eléctrica Andina, S.A. (REA)	-	-	-	87
Hispasat, S.A.	-	216	-	-
Hispasat Canarias S.L.	-	6,736	-	-
Total Group companies	**1,784,204**	**9,671**	**1,477,652**	**1,955**

In 2020 and 2019, loans and dividends receivable from REE include the current credit facility arranged with this company for Euros 850 million, of which Euros 848,825 thousand had been drawn down at 31 December 2020 (Euros 743,543 thousand at 31 December 2019). The average interest rate for the period was 0.41% (0.41% in 2019). The non-current loan arranged with REE in 2016 remained in force during part of 2019. This loan amounted to Euros 425 million and was due to mature in 2021, but was repaid early at 31 December 2019. The average interest rate for the period was 0.83%

Loans and dividends receivable from REINTEL reflect the short-term credit facility arranged with this company in 2020 amounting to Euros 400 million, from which Euros 305,177 thousand have been drawn down. The average interest rate for the period was 0.41%. At 31 December 2019, this item mainly included the loan originally arranged in 2014 with REI, which was subrogated to REINTEL in 2015, with initial maturity in 2022 although it was early repaid in 2020. The amount of the loan at 31 December 2019 was Euros 100,150 thousand and the average interest rate for the period was 2.95% (2.94% in 2019). The fair value of this loan at 31 December 2019 was Euros 108,076 thousand.

Loans receivable from RECH essentially include the US Dollars 150 million loan arranged with this company in 2016, which falls due in 2021 and had been fully drawn down in an amount of Euros 122,239 thousand at 31 December 2020 (Euros 133,523 thousand at 31 December 2019). The average interest rate for the period was 0.35% (2.55% in 2019). With a view to reducing the currency risk on this US Dollar loan, the Company has arranged US Dollar/Euro cross-currency swaps on the principal and interest (see note 11).

Loans receivable from REI primarily include the credit facility arranged with this company in 2018 for an amount of US Dollars 215 million, of which Euros 65,677 thousand had been drawn down at 31 December 2020 (Euros 70,066 thousand at 31 December 2019). This facility expires in 2023 and the average interest rate for the period was 1.91% (3.39% in 2019).

Loans receivable from RESTEL include the credit facility arranged with this company in 2019 for an amount of Euros 435 million, of which a non-current amount of Euros 384,000 thousand and a current amount of Euros 1,491 thousand had been drawn down at 31 December 2020 (Euros 384,000 thousand and Euros 50 thousand, respectively, at 31 December 2019). This facility expires in 2024 and the average interest rate for the period was 0.5% (0.49% in 2019). The fair value of this loan is Euros 391,017 thousand at 31 December 2020 (Euros 394,527 thousand at 31 December 2019).

Loans receivable from RETIT at 31 December 2020 include the credit facility arranged with this company in 2019 amounting to Euros 25 million, of which Euros 1,748 thousand had been drawn down at 31 December 2020 (no amount drawn down at 31 December 2019). The average interest rate for the period was 0.41%.

Transactions with Group companies and associates are as follows:

	2020			2019		
Thousands of Euros	Services rendered	Finance income	Operating expenses	Services rendered	Finance income	Operating expenses
Red Eléctrica de España, S.A.U. (REE)	18,881	520,481	943	9,550	564,971	1,122
Red Eléctrica Internacional S.A.U (REI)	424	1,341	-	32	2,352	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL)	695	210,684	-	378	3,969	6
Red Eléctrica de España Finance, B.V. (RBV)	-	168	-	-	179	-
Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN)	117	-	-	11	-	-
Red Eléctrica Financiaciones, S.A.U. (REF)	9	-	-	-	2,000	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RESTEL)	132	1,909	-	-	479	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (RETIT)	197	17	725	16	-	-
Red Eléctrica Chile SpA (RECH)	-	3,074	-	-	7,860	-
Red Eléctrica Andina, S.A. (REA)	-	-	2	-	-	87
Hispasat, S.A.	88	-	-	-	-	-
Total Group companies	**20,543**	**737,674**	**1,670**	**9,987**	**581,810**	**1,215**

At 31 December 2020, services rendered correspond to the provision of management support services to Group companies since November 2020. This service was previously provided by the Group company REE.

At 31 December 2020, services rendered also include the lease agreements with REE, REINTEL, REI, REINCAN, RETIT and HISPASAT (REE, REINTEL, REI, REINCAN and RETIT in 2019) (see note 7).

In 2020, finance income primarily reflects the dividends received from REE, REINTEL and RBV, (REE, REF and RBV in 2019), and interest earned on the loans and credit facilities extended to REE, REINTEL, RECH, REI, RESTEL and RETIT (REE, REINTEL, RECH, REI and RESTEL in 2019).

Related party balances and transactions

In 2020 and 2019 no balances or transactions with related parties were identified.

22 Remuneration of the Board of Directors

At the proposal of the board of directors and in accordance with the articles of association, the annual report on the remuneration of directors, which includes the remuneration of the board of directors for 2020, was approved by the shareholders at their general meeting on 14 May 2020.

The approved remuneration of the board of directors for 2020, including the remuneration of the board members, the chairwoman and the CEO, was unchanged vis-à-vis 2019.

The chairwoman receives fixed annual remuneration in respect of the non-executive chairwoman 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. In 2020 both remuneration components are under the same terms as in 2019.

At its meeting held on 28 January 2020, the board of directors took note of the irrevocable resignation tendered by Mr. Jordi Sevilla Segura from his position as a director, and therefore as non-executive chairman of the board of directors and of the Company.

Further, in its meeting held on 25 February 2020 the board of directors approved, inter alia, the appointment of Ms. Beatriz Corredor Sierra as a director of the Company, in the category of "other external directors", until the next general shareholders' meeting, and her appointment as non-executive chairwoman of the board of directors and of the Company.

Subsequently, at their general meeting held on 14 May 2020, the shareholders ratified the appointment of Ms. Beatriz Corredor Sierra as a director of the Company.

As regards Mr. Jordi Sevilla Segura, in accordance with his contract approved by the board of directors on 31 July 2018, he has not received any termination benefit as a result of the end of his legal and labour relations with the Company as chairman of the board of directors and of the Company.

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 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'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.

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 due to dismissal by the Parent or changes of control.

As regards the CEO, at its meeting held on 27 May 2019, the board of directors adopted, among others, the following agreements:

- To dismiss Mr. Juan Francisco Lasala Bernad as CEO and to accept his resignation from the position of executive director of the Company.
- To appoint Mr. Roberto García Merino as executive director and, subsequently, as CEO of the Company, until the following general shareholders' meeting.

At their general meeting held on 14 May 2020, the shareholders ratified the appointment of Mr. Roberto García Merino as executive director of the Company.

In line with market practices in such cases, as a result of the appointment of the new CEO, the 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 Red Eléctrica de España, S.A.U. up to the date he was appointed CEO (15 years), plus the period in which he rendered services – if any – following his termination as CEO, would be taken into consideration, in accordance with employment legislation in force. Both the economic regime and the suspension of the employment relationship of the new CEO are in line with those applied to the previous CEO. Following the corporatisation carried out in 2020, this obligation was taken on by Red Eléctrica Corporación, S.A.

In line with standard market practices, Mr. Juan Francisco Lasala Bernad was entitled to a settlement in respect of his labour relations and an indemnity as CEO equal to one year's salary in the event that labour relations were terminated due to dismissal by the Parent or changes of control. The amount associated with his termination as CEO, which included the indemnity paid, was settled when his relationship with the Company was terminated.

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 2020.

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 Company's board of directors in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Total remuneration of the board of directors	2,463	2,505
Directors' remuneration in respect of executive duties [1]	743	784
Total	**3,206**	**3,289**

[1] This includes annual fixed and variable remuneration accrued during the year and does not include the indemnity amounting to Euros 818 thousand for the termination of the CEO that year.

The decrease in total remuneration of the board of directors with respect to the prior year is primarily because during a certain period in 2020 there was no chair of the board.

The year-on-year decrease in directors' remuneration in respect of executive duties is because the amount accrued for the position of executive director was lower in 2020 than in 2019.

A breakdown of remuneration by type of director at 31 December 2020 and 2019 is as follows:

Thousands of Euros	2020	2019
Executive directors	890	931
External proprietary directors	525	525
External independent directors	1,285	1,287
Other external directors	506	546
Total remuneration	**3,206**	**3,289**

The remuneration accrued by individual members of the Company's board of directors in 2020 and 2019, by components and director, is as follows:

Thousands of Euros	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Committee work	Chair of committee/board and coordinating independent director	Other Remuneration (7)	Total 2020	Total 2019 (8)
Ms. Beatriz Corredor Sierra (1)	449	-	15	-	-	-	464	-
Mr. Roberto García Merino	481	263	16	-	-	130	890	531
Mr. Jordi Sevilla Segura (2)	40	-	2	-	-	-	42	546
Ms. Carmen Gómez de Barreda Tous de Monsalve	131	-	16	28	30	-	205	205
Ms. María José García Beato	131	-	16	28	-	-	175	175
Ms. Socorro Fernández Larrea	131	-	16	28	15	-	190	187
Mr. Antonio Gómez Ciria	131	-	16	28	14	-	189	190
Mr. Arsenio Fernández de Mesa y Díaz del Río	131	-	16	28	-	-	175	175
Mr. Alberto Francisco Carbajo Josa	131	-	16	28	-	-	175	175
Ms. Mercedes Real Rodrigálvarez (3)	131	-	16	28	-	-	175	175
Ms. María Teresa Costa Campi	131	-	16	28	-	-	175	175
Mr. Antonio Gómez Expósito (4)	129	-	16	27	-	-	172	175
Mr. José Juan Ruiz Gómez	131	-	16	28	1	-	176	137
Mr. Ricardo García Herrera (5)	3	-	-	-	-	-	3	-
Other board members (6)	-	-	-	-	-	-	-	443
Total remuneration accrued	**2,281**	**263**	**193**	**279**	**60**	**130**	**3,206**	**3,289**

(1) New director since the board meeting held on 25 February 2020.
(2) Stepped down from the board of directors at the board meeting held on 28 January 2020.
(3) Amounts received by the Sociedad Estatal de Participaciones Industriales (SEPI).
(4) Stepped down from the board of directors at the board meeting held on 22 December 2020.
(5) New director since the board meeting held on 22 December 2020.
(6) Board members who stepped down from the board in 2019.
(7) Includes the employee benefits that form part of the CEO's remuneration.
(8) Does not include the indemnity for the termination of the CEO in 2019.

In addition to the foregoing, on 31 December 2019 the directors' remuneration scheme for 2014-2019, which encompassed the CEO, drew to a close. The amount paid to the CEO under this plan, for his duties as CEO from 27 May 2019, was Euros 59 thousand.

At the end of 2020, the board of directors began the process of updating the current 2018-2022 Strategic Plan. This enabled it to approve, in November 2020, the structure of the new Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification, the objectives of which are linked to the objectives set out in the Group's new Strategic Plan. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

At 31 December 2020 and 2019 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 Company 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 31 December 2020 and 2019 the Company has taken out public liability insurance to cover claims from third parties in respect of possible damage or loss caused by actions or omissions in performing duties as directors of the Company. These policies cover the Company's directors and senior management and the annual premiums amount to Euros 135 thousand, inclusive of tax, in 2020 (Euros 60 thousand at 31 December 2019). These premiums are calculated based on the nature of the Company's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

In 2020 and 2019 the members of the board of directors did not engage in transactions with the Company, either directly or through intermediaries, other than ordinary operations under market conditions.

23 Remuneration of Senior Management

Senior management duties are carried out by the CEO and, therefore, at 31 December 2020 and 2019, with the exception of the CEO, the Company has no other senior executives.

24 Segment Reporting

The Company does not consider it relevant to disclose the distribution of revenue by category of activity, given that such categories are not structured very differently from the Company's activities on the basis of which it renders its services. Following the contribution of the branch of activities in 2008 pursuant to Law 17/2007, these activities are not regulated electricity activities. As such, the Company is not subject to the requirement to give separate disclosures by activity provided for in Royal Decree 437/1998 of 20 March 1998, which approves the standards adapting the Spanish General Chart of Accounts to electricity sector companies.

25 Guarantees and Other Commitments with Third Parties and Other Contingent Liabilities

The Company, together with REE, has jointly and severally guaranteed the private issue in the United States of bonds totalling US Dollars 250 million (US Dollars 430 million in 2019) carried out by the Group company RBV, and REF's Eurobonds programme for an amount of up to Euros 5,000 million at 31 December 2020 (Euros 5,000 million at 31 December 2019). At 31 December 2020, Eurobonds issued under this programme total Euros 3,090 million (Euros 2,940 million in 2019).

Furthermore, at 31 December 2020 and 2019 the Company and REE have jointly and severally guaranteed the promissory notes issued under the Euro Commercial Paper Programme (ECP Programme) by REF for an amount of up to Euros 1,000 million. At 31 December 2020 no amounts have been drawn down under this programme (Euros 215,096 thousand at 31 December 2019).

At 31 December 2020, the Company has extended bank guarantees to third parties in an amount of Euros 3,584 thousand (Euros 3,584 thousand in 2019).

26 Environmental Information

At 31 December 2020 and 2019 the Company has no assets for the protection and improvement of the environment, nor did it incur any environmental costs during the year.

The Company is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

27 Other Information

KPMG Auditores, S.L., the auditor of the Company's annual accounts, accrued the following fees and expenses for professional services during the years ended 31 December 2020 and 2019:

Thousands of Euros	2020	2019
Audit services	119	65
Audit-related services	93	37
Other services	13	10
Total	**225**	**112**

The amounts detailed in the above table include the total fees for services rendered in 2020 and 2019, irrespective of the date of invoice.

28 Share-based Payments

In 2020, a total of 58,658 Parent shares were delivered to employees, with a fair value of Euros 16.480 each, resulting in an expense for the year of Euros 967 thousand.

In 2019, a total of 668 Parent shares were delivered to employees, with a fair value of Euros 17.255 each, resulting in an expense for the year of Euros 12 thousand.

This remuneration is measured based on the quotation of these Company shares on the day they were delivered.

The shares delivered were approved by the Company's shareholders at their general meeting, and the related costs incurred have been recognised under personnel expenses in the income statement.

29 Events after 31 December 2020

30 January 2021 saw the publication of Royal Decree 1/2021 of 12 January 2021, amending the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007; the Spanish General Chart of Accounts for small and medium-sized enterprises approved by Royal Decree 1515/2007 of 16 November 2007; the standards for the preparation of consolidated annual accounts approved by Royal Decree 1159/2010 of 17 September 2010; and the standards for the adaptation of the Spanish General Chart of Accounts for non-profit entities approved by Royal Decree 1491/2011 of 24 October 2011.

The changes to the Spanish General Chart of Accounts are applicable to accounting periods beginning on or after 1 January 2021 and focus on the criteria for recognition, measurement and disclosure of revenues from the delivery of goods and services, financial instruments, hedge accounting, valuation by intermediaries of inventories of listed commodities traded by them, and the definition of fair value.

The annual accounts for the first accounting period beginning on or after 1 January 2021 shall be presented including comparative information, although there is no obligation to restate the information from the previous period. Comparative information need only be restated if all the criteria approved by the Royal Decree can be applied without incurring a retrospective bias, without prejudice to the exceptions established in the transitional provisions.

The application of the standard is generally retrospective, albeit with alternative practical expedients. However, the application of hedge accounting is prospective, the classification criteria for financial instruments can be applied prospectively and the sales and service revenue criteria can be applied prospectively to contracts executed on or after 1 January 2021.

The directors of the Company are in the process of assessing the applicable transition options and the accounting impacts of these changes, although at the date of authorising these annual accounts for issue they do not yet have sufficient information to conclude on the results of this analysis.

Directors' Report 2020

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

Contents

The various sections of this 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 Company considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Company 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 Company'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 Company 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 Company 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.

1 Business performance. Most significant events

Since July 2008, Red Eléctrica Corporación, S.A. (hereinafter REC) has been operating as the Parent of the Red Eléctrica Group (hereinafter the Group) by holding equity investments in the Group companies and rendering assistance and support services to these companies.

The commitments that the Company undertakes in carrying out these activities drive it towards the ongoing generation of value for its shareholders and stakeholders.

2 Key financial indicators

In 2020, the Company posted profit after tax of Euros 730.3 million, up 28.0% compared to 2019. Details of the key components are as follows:

- Revenue amounted to Euros 758.4 million, up 28.1% on 2019. This figure includes Euros 727.9 million of dividends from Group companies, given that one of the Company's activities as Parent of the Group is holding shares in Group companies.
- EBITDA [1] totalled Euros 736.4 million, a rise of 28.1% vis-à-vis 2019.
- EBIT [2] amounted to Euros 734.5 million, climbing 28.2% compared to 2019.

The dividends paid in 2020 amounted to Euros 566.8 million, which is 7% more than in 2019.

REC's equity was Euros 2,886.5 million, up 5.5% on 2019.

3 Stock market performance and shareholder returns

All of the shares in REC, the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system.

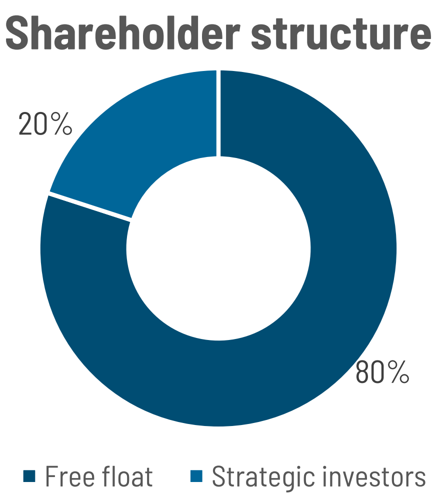
REC also forms part of the IBEX 35 index, of which it represented 2.14% at the end of 2020.

At 31 December 2019, the share capital of REC amounted to Euros 270.5 million and was represented by 541,080,000 shares with a par value of Euros 0.50 each, subscribed and fully paid.

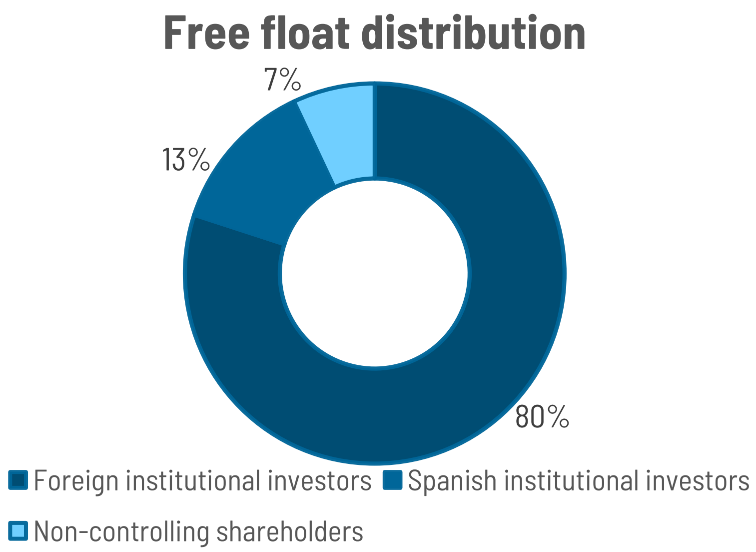
During the year REC's free float was 80%.

[1] EBITDA is calculated as the sum of revenue, self-constructed assets and other operating income less personnel expenses, supplies and other operating expenses.

[2] EBIT is calculated as EBITDA plus any non-financial capital grants recognised and gains/losses or impairment on asset disposals, less depreciation and amortisation.



At the date of the last shareholders' meeting – 14 May 2020 – the free float comprised 432,864,000 shares, of which an estimated 13% is held by non-controlling shareholders, 7% by Spanish institutional investors and 80% by foreign institutional investors, primarily in the United Kingdom and the United States.



In 2020, the performance of the stock market has also been affected by COVID-19. The first few months saw a continuation of the prior year's trends. However, by the end of the first quarter of 2020 equity markets were shaken by the pandemic, causing them to retrace to levels from several years earlier. The expansionary monetary policies implemented with greater intensity by the main central banks, the announcements of strong support for economic recovery through the creation of new incentives and an increase in public spending have since made a gradual recovery of stock market indices possible.

This recovery has enabled Wall Street to end the year on a positive note, with its main indices setting new all-time highs in the final days of 2020. Most notable is the 43.6% rise in the Nasdaq. Conversely, leading European markets have closed the year in the red. Most notable are the drops in the UK FTSE and the Spanish IBEX. The 14.3% slide in the former was possibly as a result of Brexit-related uncertainty. Spain's selective index saw the biggest drop of the major European stock markets after losing 15.5% in the year, reflecting the serious effects of the pandemic on our economy, which is highly dependent on the services sector and especially on tourism. The exception among the European indices was the German DAX, which gained 3.5% for the year as a whole and also ended the year at record highs. In the Asian stock markets, most notable is the Japanese Nikkei, which gained more than 15%.

In addition to this performance by geographical location, there was a clear differentiation by sector in 2020. Stocks related to the technology and pharmaceutical sectors and companies linked to renewable energies have been favoured by investors. Conversely, sectors such as finance, oil and gas suffered severe setbacks during the year.

Red Eléctrica's shares performed similarly to the Spanish stock market throughout 2020, although their decline in the year was less pronounced. The share hit its annual high in the first weeks of the year, reaching Euros 19.74 on 19 February. Its low point occurred in mid-March, coinciding with the major market backslide, which pushed the share down to its minimum for the year of Euros 13.105 on 12 March. The closing price was Euros 16.775, representing a 6.4% decline in 2020 as a whole.

A total of 535.1 million shares were traded on the Madrid Stock Exchange during the year as a whole, which is 1% more than in the previous year and equivalent to 99% of the company's shares. The total volume traded on the spot market was Euros 8,882.3 million, down 9% on 2019.

4 Own shares

At their meeting on 31 March 2020, the board of directors of Red Eléctrica agreed to suspend own share transactions as of 14 April 2020, except where such transactions are associated with employee remuneration.

Until that date, a total of 1,356,421 own shares had been acquired, with an overall par value of Euros 0.68 million and a cash value of Euros 22.84 million. A total of 1,296,536 shares were sold, with an overall par value of Euros 0.65 million and a cash value of Euros 22.49 million.

At 31 December 2020 the Company held 2,084,729 own shares, with a par value of Euros 0.50 per share, representing 0.39% of its share capital. These shares had an overall par value of Euros 1.04 million and an acquisition price of Euros 17.53 per share, and the market value was Euros 34.97 million.

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.

5 Risk management

REC is the Parent of the Group and has implemented a Comprehensive Risk Management System, which aims to ensure that any risks that might affect its 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. The Comprehensive Risk Management Policy of the Group was approved by the board of directors of REC, as its Parent.

This Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the COSO ERM 2017 (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management – Integrated Framework.

The Corporate Risk Map depicts the Group's most significant risks, including those of REC, and is prepared applying a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by Directors, General Managers and Corporate Directors, until their final presentation to the Chair's Office of the Red Eléctrica Group, the Executive Committee, the Audit Committee and the Board of Directors.

The Board of Directors is responsible for approving the Comprehensive Risk Management Policy and an acceptable level of risk of the Group, while the Audit Committee is tasked with overseeing the effectiveness of the Comprehensive Risk Management System. The Executive Committee is responsible for implementing adequate monitoring of the Group's significant risks and the action plans to mitigate these risks.

The Comprehensive Risk Management Policy also covers financial risk management, as detailed in the note to the consolidated annual accounts on the Financial Risk Management Policy. The Company's Sustainability Report provides further details of the Group's main risks at present, as well as risks which could emerge in the future.

The main risks to which REC is exposed, as the Parent of the Group, are the main risks to which the Group is exposed and that could affect achievement of its objectives, namely regulatory risk, including tax risks, inasmuch as the Group's principal business lines are subject to regulations, operational risk, primarily arising from the activity carried out in the electricity and telecommunications sectors, financial risk and environmental risk.

6 Environmental issues

At 31 December 2020, REC has no assets specifically for the protection and improvement of the environment. In 2020 the Company incurred no expenses in protecting and improving the environment.

REC is not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. No environment-related grants were received in the year.

7 Research, development and innovation (R&D&i)

REC does not carry out research, development or innovation activities (R&D&i).

8 Our people

In 2020, work continued on the objectives set out in the Human Resources Master Plan linked to the Strategic Plan.

In this context, moving forward with the Group's strategic objectives, this year we should highlight the corporatisation process, whereby part of the workforce of Red Eléctrica de España, S.A.U. has been transferred to Red Eléctrica Corporación, S.A. to provide corporate services to all the Group's subsidiaries, thereby strengthening the independence of the TSO and optimising the operational and economic structure of the Red Eléctrica Group as a whole, taking advantage of the synergies and know-how of all the subsidiaries that comprise it.

The Imagina project continued to roll out its functionality in 2020, promoting the transformation of the people management function so as to add value to the Company, as a strategic lever for change and to facilitate the achievement of objectives through its various projects: the implementation of a digital mailroom, digital signatures, the introduction of the Agile Mindset and the definition and implementation of the Transformational Leadership Model.

In this context, in keeping with its strategic objectives, the Company has encouraged the adaptation of its human capital, with a view to becoming a more digitalised and efficient operation.

A stable, committed and highly qualified team.

At the end of 2020, the Company's workforce consisted of 391 professionals. Its commitment to stable employment is reflected in the high levels of permanent employment contracts (nearly 100%), prioritising employability and functional mobility as levers for growth and professional development.

Diversity

Promoting a quality working environment, founded on ethical behaviour, respect, diversity and equality, is a priority for Red Eléctrica.

The Company's commitment to diversity, inclusion and non-discrimination has materialised in the form of its 2018-2022 Comprehensive Diversity Plan, which is aligned with the Strategic Plan and the 2030 Sustainability Commitment. It seeks to inspire and become a benchmark for the Group itself and in the wider social, labour and human environment, through the Group's commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers.

Gender equality is one of the vectors included in the new Comprehensive Diversity Plan and refers to the principles of equal employment opportunities, the promotion of women to positions of responsibility, salary equivalence between men and women, the promotion of shared family responsibility, the prevention of harassment on moral, sexual and gender grounds and the prevention of gender violence. These aspects are monitored through indicators that enable the Group to measure the progress of the objectives defined.

At the end of 2020, the percentage of women in the Company's workforce was 53%. The percentage of women in management positions at the end of 2020 was 44%.

Talent management

In 2020, the Red Eléctrica Group's Campus was the main hub of Learning and Professional Development within the Group.

The Company's transformation continues to be promoted through the new leadership approach and the development of employees' capacities through specific programmes developed by the three institutions (business knowledge and technical training, strategy and leadership, and transformation and innovation).

As a result of the "push yourself" (*Impúlsate*) philosophy, a high component of self-development is encouraged in training, with the launch of programmes and learning spaces wherein the employees themselves decide how and when to participate based on their own interests. This new direction has translated into a new training catalogue composed of more than 200 online courses on different technical, management and skills-based subjects, as part of the "Digital by Campus" programme aimed at the acquisition of skills and knowledge related to digital transformation and the "Self-development Ecosystem" designed to improve the personal and professional skills of all employees.

In 2020 the Group consolidated the implementation of the challenge-based management model, which has contributed towards giving each professional clearer guidance about their work, with greater autonomy and flexibility, allowing employees to work when, where and how they require and with whoever needs them.

The voluntary and proactive internal mobility plan has become well established, together with the use of the LinkRED tool that can be accessed by all employees to share their experiences and interests in relation to development and mobility.

Social relationships

At the beginning of 2020, the general results of the Climate Survey were shared with the workforce via the intranet, and results by area were communicated through the management team in face-to-face sessions, thus encouraging constructive dialogue.

Throughout 2020, work has been carried out to devise improvement plans for each area and for the company as a whole.

In addition, during 2020, two surveys were carried out to gauge employees' experiences in view of the situation caused by the pandemic.

They represent a barometer that enables the Company to make decisions quickly against a backdrop of uncertainty in which most employees are working off-site from home and those who perform critical functions for the business are also doing so in an exceptional context.

Health and safety

Through the commitment and leadership of the management team, the Company promotes best practices in safety, health and well-being. Its healthy company management model, deployed through a multi-year plan, is aligned with the Group's Strategic Plan, the Human Resources Master Plan and the 2030 Commitment to Sustainability.

Within this framework, the healthy company model revolves around four main lines of action:

- Physical work environment: within the definition of the future energy model, identifying opportunities to generate value in the services offered.
- Participation in the community: through actions performed by the company that have an impact on improving the state of health and well-being of its employees' families and the communities in which it operates.
- Health resources: providing the workforce with tools to improve their physical and mental health, contributing to their well-being and quality of life.
- Psychosocial work environment: implementing management and work organisation tools and resources that favour the physical and psychosocial well-being of workers.

The model is deployed through annual programmes that aim to facilitate the continuity of the management model through continuous improvement and to consolidate the Red Eléctrica Group as a leader in best practices for safety, health and well-being, prevention, and promoting health.

In 2020, measures were taken at the first news of the spread of COVID-19, which has allowed the contingency plans to be rolled out promptly and effectively.

Since the start of the pandemic alert, reported cases have been monitored both in terms of illness and possible contact.

In addition, personnel have been provided with the necessary protective health and safety equipment to carry out their duties and adhere to all requisite safety protocols (masks, gloves and sanitiser gels).

In the specific area of health and health promotion, in addition to the basic actions of individual health monitoring, different campaigns aimed at guaranteeing physical, psychological and social well-being have continued with the aim of improving the overall well-being of people who have been forced to adapt to the circumstances of the pandemic, offering various services through digital platforms in lieu of face-to-face: consultations on nutrition and physical fitness, access to yoga classes, Pilates and mindfulness workshops.

Furthermore, the result of the 2020 audit of the Healthy Company model was satisfactory.

Work-life balance

2020 saw the roll-out of objectives defined for the year and the extension of a flexible working culture.

This management model is one of the fundamental pillars of the Healthy Company model and the Diversity model and includes over 70 work-life balance measures, structured into different blocks:

1. Leadership and management styles
2. Quality of employment
3. Flexibility of time and location
4. Family support
5. Personal and professional development
6. Equal opportunities

The satisfactory result of the audit of the Family-Responsible Company Model in 2020 was noteworthy, and a survey was conducted to gauge familiarity with the model, as well as use and satisfaction.

9 Excellence and corporate responsibility

In 1999 Red Eléctrica adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, to which end external assessments are performed periodically in accordance with the model. Until 2020, Red Eléctrica retained its EFQM 500+ European Seal of Excellence, following the external assessment carried out in 2017, with a score of more than 700 points.

Following the publication of the EFQM 2020 model, Red Eléctrica developed a project to assess the degree of adherence to the new model in 2020 as a benchmark framework in the process of transforming the organisation, prior to the external assessment that is scheduled to take place in 2021.

Red Eléctrica's commitment to excellence is corroborated through external certifications from prestigious certifying entities, which guarantee that the organisation successfully implements certifiable management systems in the performance of its activities. Red Eléctrica has quality systems in place in its main subsidiaries that are certified in accordance with the ISO 9001 standard.

Of the actions carried out in 2020 in this area, the stand-out initiatives include the development of a pioneering project for the implementation and certification of the international standard UNE-ISO 19650-1 and two projects for information management systems in building and civil engineering works, which use the collaborative work methodology BIM (Building Information Modelling). This initiative was carried out in relation to the project for the construction of the Chira-Soria pumped-storage hydroelectric power plant in Gran Canaria; it complements the implementation and certification of the project management systems carried out in 2019, in accordance with international standards ISO 10006 for quality management in projects and ISO 21500 for project management.

Also noteworthy is the certification carried out in 2020 of Red Eléctrica's criminal and anti-bribery compliance system, in accordance with the standards UNE 19601 for criminal compliance management systems and UNE 37001 for anti-bribery management systems.

10 Average Supplier Payment Period. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to annual accounts on average payment periods to suppliers in commercial transactions, the average supplier payment period was 42.3 days at the 2020 year end.

The disclosures required by this resolution are contained in note 19 to the Company's annual accounts for 2020.

11 Events after 31 December 2020

30 January 2021 saw the publication of Royal Decree 1/2021 of 12 January 2021, amending the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007; the Spanish General Chart of Accounts for small and medium-sized enterprises approved by Royal Decree 1515/2007 of 16 November 2007; the standards for the preparation of consolidated annual accounts approved by Royal Decree 1159/2010 of 17 September 2010; and the standards for the adaptation of the Spanish General Chart of Accounts for non-profit entities approved by Royal Decree 1491/2011 of 24 October 2011.

The changes to the Spanish General Chart of Accounts are applicable to accounting periods beginning on or after 1 January 2021 and focus on the criteria for recognition, measurement and disclosure of revenues from the delivery of goods and services, financial instruments, hedge accounting, valuation by intermediaries of inventories of listed commodities traded by them, and the definition of fair value.

The annual accounts for the first accounting period beginning on or after 1 January 2021 shall be presented including comparative information, although there is no obligation to restate the information from the previous period. Comparative information need only be restated if all the criteria approved by the Royal Decree can be applied without incurring a retrospective bias, without prejudice to the exceptions established in the transitional provisions.

The application of the standard is generally retrospective, albeit with alternative practical expedients. However, the application of hedge accounting is prospective, the classification criteria for financial instruments can be applied prospectively and the sales and service revenue criteria can be applied prospectively to contracts executed on or after 1 January 2021.

The directors of the Company are in the process of assessing the applicable transition options and the accounting impacts of these changes, although at the date of authorising these annual accounts for issue they do not yet have sufficient information to conclude on the results of this analysis.

12 Dividend policy

Red Eléctrica shall apply the dividend policy in force at any given moment, which is described in the Strategic Plan.

The dividend paid in 2020 with a charge to the prior year's profit amounted to Euros 566.8 million, which is 7% more than that paid out in 2019.

The dividend with a charge to 2020 profit proposed by the board of directors and pending approval by the shareholders at their annual general meeting is Euros 1 per share.

The dividend will be paid in two instalments – an interim dividend in January and a supplementary dividend halfway through the year following approval of the annual accounts by the shareholders at their general meeting.

13 Outlook

As regards the management of the different businesses, REC, as the head of the Red Eléctrica Group, will continue to undertake its activities, implementing a model encompassing two major lines of action in equal proportion: operations subject to market risk which offset the concentration of regulatory risk, and regulated operations which offset market risk. To this end, the Group will continue to carry out the role of Spanish TSO, helping to make the energy transition in Spain a reality; continue to foster connectivity as a leading operator of both fibre optic and satellite telecommunications infrastructure; consolidate its international business; and invest in technological acceleration and innovation.

Executing the strategy, underpinned by efficiency, digital transformation and personnel development, will enable the Company to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

The Company will uphold its commitment to maximising value for its shareholders, offering an attractive return in the form of dividends and generating value through efficient management of its activities, analysing alternatives for expanding its core business, maintaining a robust capital structure and working to guarantee supply with the utmost level of quality.

The Company will therefore continue to seek the generation of long-term value, creating lasting, competitive advantages and improving our corporate reputation, whilst focusing on providing optimum service to society – the differentiating feature of the Company's management.

Lastly, the Company will concentrate on unlocking shared value by working in collaboration with stakeholders and responding to growing societal demands.

The Group is determined to forge ahead with its fulfilment of the 2030 Sustainability Commitment and to leverage the contribution of all Red Eléctrica Group companies in order to meet the global targets, noteworthy among which are the United Nations Sustainable Development Goals (SDGs).

14 Non-financial Information Statement in compliance with Law 11/2018 of 28 December 2018

In relation to Law 11/2018 of 28 December 2018, amending the Spanish Code of Commerce, the Revised Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010, and Audit Law 22/2015 of 20 July 2015, as regards non-financial information and diversity, the information relating to the Company's non-financial information statement is included in the Consolidated Director's Report of the Red Eléctrica Group for 2020, which is filed at the Madrid Mercantile Registry.

15 Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the directors' report and can be viewed at the following address:

http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-78003662I