

12 July 2022 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has set the unsolicited corporate issuer rating of Company Red Eléctrica Corporación, S.A., to **A- / stable**

Creditreform Rating (CRA) has confirmed the unsolicited public corporate issuer ratings of Red Eléctrica Corporación, S.A. (hereinafter also referred to as 'REC' or the Company), Red Eléctrica de España, S.A.U., and Red Eléctrica Financiaciones, S.A.U., as well as the unsolicited corporate issue rating of the long-term local currency senior unsecured notes issued by Red Eléctrica Financiaciones, S.A.U., at **A- / stable**. In addition, CRA has set the initial unsolicited public corporate issue rating of the long-term local currency senior unsecured EUR 400 million note 2020 / 2025 issued by Red Eléctrica Corporación, S.A. at **BBB+ / stable**, displaying a structural subordination against the notes issued by Red Eléctrica Financiaciones, S.A.U. We also refer to the rating report of 23 March 2021, which contains further relevant information with respect to the structural, business and financial risk of the Company.

## Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Improved analytical results with relative stable financial key figures in 2021
- Improved financial strength in Q1 2022 despite higher investments
- Good capital market access and solid liquidity
- Significant strategic market relevance with monopoly position in Spain (CRA unsolicited sovereign rating of the Kingdom of Spain confirmed with **A- / negative** as of 09 July 2021)
- Growth potential, reinforced in association with the approved Spanish national Transmission Network Development Plan for 2021-2026
- Slightly diversified business model, compensating partly regulated remuneration losses
- Operating performance and financial key figures still below pre-pandemic level
- Network expansion and M&A activities requiring high investments needs and integration risks
- Record high commodity prices and supply shortages affect economies worldwide
- Regulated remuneration risks
- Uncertainties with regard to the Ukraine-Russia conflict, as well as the further pandemic development and its consequences

## ESG-factors

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Red Eléctrica Corporación, S.A., we have not identified any ESG factors with significant influence.

In March 2022, the Council of Ministers approved the Spanish national Transmission Network Development Plan for 2021-2026. Investments of EUR 6,964 million until 2026 are planned in order to allow mass integration of new renewable energy generation, reducing CO<sub>2</sub> emissions and enabling a greater energy independence for Spain, which gained importance with regard to the decarbonization objectives proposed by the National Integrated Energy and Climate Plan

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**ESG factors** are factors related to environment, social issues and governance. For more information, please see the section "Regulatory requirements". CRA generally takes ESG relevant factors into account when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

(Plan Nacional Integrado de Energía y Clima). In line with the 2021-2030 Integrated National Energy and Climate-Plan. REC has committed to drive the energy transition and thus a decarbonized energy system, achieving – among other objectives - a Scope 1 and 2 emissions reduction of 55% compared to 2019 by using at least 74% renewable energy in 2030. To finance its sustainability strategy and its decarbonization commitments, the Company will also use green financing. To this end, the Company launched its own green finance framework, aligned with ICMA Green Bond Principles and LMA Green Loan Principles 2021. Sustainability in relation to the energy transition could be a significant growth driver, also abroad, for the Company's performance in the long run.

The Company invests in the promotion of more sustainable solutions, using recyclable materials, and in strengthening the safety of the professionals working in the facilities. Regarding its latest patent, using revers pumping, which will be used in connection with the Salto de Chira project in Gran Canaria, REC plans to train around 600 unemployed people from the construction sector the specific knowledge for the construction of the hydraulic plant. In addition to the social commitment, the hydropower plant project will enable to increase the penetration of renewable energy to an annual coverage of 51% of demand on Gran Canaria in 2026, reducing 20% of CO<sub>2</sub> emissions.

Also in terms of governance factors the Company takes satisfactory measures. As of 31 March 2022, the share of female executives was 34.8%, and REC has set the target to raise the share to 50% by 2030 as well as increasing female employees in technical positions, which are mostly male dominated.

In general, we consider the Company as very well-positioned in terms of ESG, among other things due to its high diversity ratio in management, low CO<sub>2</sub> emissions in relation to our peer group comparison, as well as further commitments in line with the Sustainable Development Goals. Therefore, we do not see any regulatory risks in relation to ESG factors.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

## Rating result

The current rating attests Red Eléctrica Corporación, S.A. a high level of creditworthiness, representing a low default risk. REC is of strategic importance for Spain, with a strong market position, and has a profile of essentially low economic and financial risks, benefiting from an established regulatory framework in Spain. Despite striving for a diversification of the business model as well as expansion abroad, the majority of its revenues are based on domestic regulated activities, which provide reliable and predictable cash flows. We have based the rating on our assessment that REC is dependent on the government and moderately dependent on the country's overall economic situation, so that the rating of REC is constrained by the sovereign rating of the Kingdom of Spain (CRA: **A- / negative** as of 09 July 2021). Given the positive performance of REC in recent years - despite challenging market conditions linked to the COVID-19 impact and the effects of the new regulation for electricity transmission, as well as its comfortable liquidity position and proven access to financial markets, we confirm the unsolicited corporate rating of **A-**.

## Outlook

The one-year outlook of the rating is **stable**. Based on the stable regulatory framework and satisfactory business development, reflected in the first-quarter figures of 2022, we expect a similar business performance for the Company for our one-year outlook as in the financial year 2021, despite challenging market conditions. We consider the current situation of the Company as sufficiently solid to be assigned a rating one notch above the sovereign Rating of the Kingdom of Spain; should Spain suffer a downgrade but the regulated business remains stable. Nevertheless, we point out the currently high level of uncertainty with regard to economic consequences related to the high energy prices reinforced by the Ukraine-Russia-conflict and investment requirements, which could lead to a rating adjustment should REC's financial key figures suffer significantly.

### Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

### **Best-case scenario: A-**

In our best-case scenario for one year, we assume an ongoing improvement in operating performance, nearly recovering to pre-pandemic levels. In this scenario, we do not expect negative consequences related to longer-lasting impacts of the pandemic or record-high fuel prices but also not a significant improvement in results or in deleveraging due to regulated limitations in remuneration in connection with the high investment needs, making an upgrade unlikely.

### **Worst-case scenario: BBB+**

In our worst-case scenario for one year, we assume a rating of BBB+. In this scenario, we assume a significant weaker operating performance due to a worsened economy as result of the high commodity prices or even related to the development of the pandemic. The Company is unable to compensate the significant increased debt due to higher investments, deteriorating the financial key figures with no prospect of a short-term recovery due to the severely depressed economy.

## Business development and outlook

In 2021 the Company generated revenues of EUR 1,953 million (2020: EUR 1,986 million), analytical EBITDA of EUR 1,485 million (2020: EUR 1,444 million), analytical EBIT of EUR 963 million (2020: EUR 896 million), and EAT of EUR 686 million (2020: EUR 621 million), showing overall satisfactory operating performance, but still below pre-pandemic levels.

Table 1: Financials of Red Eléctrica Corporación, S.A. | Source: Red Eléctrica Corporación, S.A. Annual report 2021, standardized by CRA

Red Eléctrica Corporación, S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.3. (IAS, Group)	CRA standardized figures <sup>1</sup>	
	2020	2021
Sales (million EUR)	1,986	1,953
EBITDA (million EUR)	1,444	1,485
EBIT (million EUR)	896	963
EAT (million EUR)	611	686
EAT after transfer (million EUR)	621	681
Total assets (million EUR)	12,332	13,423
Equity ratio (%)	34.60	32.88
Capital lock-up period (days)	150.00	137.38
Net total debt / EBITDA adj. (factor)	4.95	5.12
Ratio of interest expenses to total debt (%)	1.62	1.26
Return on Investment (%)	5.96	5.93

Despite pandemic recovery, REC recorded a slight decline in revenues of around EUR 32.8 million (-1.7%) in 2021, which was mainly attributable to the main segment Management and Operation Electricity Infrastructures in Spain. Although demand for electricity increased, the segment recorded a decline of EUR 58.6 million due to the lower regulated remuneration rate, which fell from 6% to 5.58% in 2021 due to the new regulation period based on CNMC Circular 5/2019 and re-estimation measures of income for the period 2014-2019. To counteract adverse regulatory adjustments, REC's partially diversified portfolio proved effective. The decline in revenues was partially mitigated by the increments of the segments Satellite Business with EUR 22.4 million and Other Business and adjustments with EUR 5.6 million. The significant increase in Satellite Business of 14.5% compared to 2020 was mainly due to the contribution of the video management business acquired in Latin America (+ EUR 13.3 million) and new organic-business contracts, recording a growth of 6.5% YOY. Operating expenses increased by 5.8 YOY, of which 3.6% were organic in nature. The non-organic increase was mainly a result of the acquisitions in Peru. However, results improved in comparison with 2021, as the previous year was affected by impairment losses of EUR 122 million in line with the negative COVID-19 effects. Analytical EBIT improved by EUR 67 million (7.5%) YOY and EAT by EUR 75 million (12.3%) YOY, the latter partly due to a lower average cost of debt (2021: 1.52% vs 2020: 1.74%) and a lower tax rate. The effective tax rate decreased from 24.2% in 2020 to 22.7% in 2021 in connection with the recognition of deductions of EUR 19.5 million with respect to R&D&I expenditures for the investment in the new Amazonas Nexus satellite (Nexus).

<sup>1</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

Investments decreased from EUR 895 million in 2020 to EUR 576 million in 2021, as 2020 was affected by the acquisition costs of Argo amounting to EUR 374 million. In 2021, investments were mainly related to Nexus satellite, a high-performance geostationary communications satellite from Hispasat, which is to cover the entire Americas, the North Atlantic Corridor and Greenland and shall be launched by the end of 2022.

In 2021, REC recorded strong cash flows from operating activities, amounting to EUR 1,605 million (2020: EUR 1,380 million), mainly due to a higher working capitals, which will be reversed in the coming quarters. Due to the lower investments than in the previous year, the Company had a high cash increase at its disposal (EUR 1,093 million), enabling a strong liquidity position and a reduction of net financial debt from EUR 6,113 million to EUR 5,648 million (EUR -465 million). As of the end of the year, 2021 cash and cash equivalents amounted to EUR 1,574 million and undrawn committed credit lines EUR 1,853 million, more than offsetting total current liabilities. However, CRA's financial figure Net total debt to EBITDA adj. increased from 4.95 to 5.12 as result of higher analytical total debt. (2021: EUR 9,176 million vs. EUR 8,227 million).

Table 2: The development of business of Red Eléctrica Corporación, S.A. | Source: Financial results January – March 2022, reported information

Red Eléctrica Corporación, S.A.				
In million EUR	Q1 2021	Q1 2022	Δ	Δ %
Sales	484	501	17	3.5
EBITDA	388	395	7	1.8
EBIT	266	265	-1	-0.4
EAT	181	182	1	0.5

In the first quarter of 2022, revenues amounted to around EUR 501 million (Q1 2020: EUR 484 million), recording an increase of EUR 17 million (3.5%) compared to Q1 2021. Every business line contributed to the increase except other businesses, corporation and adjustments. The rise was in particular due to telecommunication (Satellite and fibre optical). Satellite business increased by EUR 8.8 million compared to Q1 2021, mostly due to positive consolidation effects through the video management business in Latin America as well as positive FX effects, and fibre optical business increased by 2.2 million, mostly by linking some contracts to inflation. Domestic transmission business increased by EUR 4.0 million compared to Q1 2021, largely organically, and international transmission business by 2.3 million related to the acquisition of Argo in Brazil and positive FX rate effects, but also due to an annual income update. Operating expenses rose by EUR 13.6 million (11.5%) YOY, primarily due to special maintenance plans on critical assets of the Spanish transmission network and higher staff expenses due to the incorporation of the new business in Peru, acquired in May 2021. Organic operating expenses increased by 1.5% as a result of cost reduction measures with the aim of mitigating inflation effects. The reported EBIT, amounting to EUR 265 million, decreased slightly by 0,4% compared to Q1 2021 due to higher depreciation and amortisation rates. A lower average cost of debt (Q1 2022 1.46% vs Q1 2021: 1.52%) in combination with lower average financial debt (-2.4%) compared to Q1 2021, helped to generate a slight increase in net income, amounting to EUR 182 million (EUR 181 million).

As of 31 March 2022, total debt and net financial debt were reduced by 5.5% and 1.1% compared to the end of 2021. Investments increased by 48.16%, with a focus on transmission business in Spain and satellite business, in line with REC's announced strategy to invest more in Spanish transmission and at the same time spread out of satellite service with the aim of offsetting regulated remuneration reductions. The Company also continues to invest in its international electricity transmission. With the acquisition of Rialma, closing the deal in January 2022 with an at equity interest for EUR 32.4 million, REC has expanded its network in Brazil by 322 kilometres of 500 kV transmission lines. The deal was closed in January 2022.

In line with REC's strategy to spread out its value chain in satellite business as a satellite solutions and service provider, Hispasat has reached an agreement to acquire 100% of Axess Networks Solutions Holding, which offers satellite solutions in Latin America to improve connectivity, its equity valued at USD 96 million. To highlight its strategy, the Red Eléctrica Group has changed its name to Redeia and reshaped its brand logo design based on its five main brands.

Despite REC's satisfactory performance, it remains to be seen how the financial key figures will develop on mid-term in view of the high investment requirements for the coming years. In March 2022, the Council of Ministers has approved the Spanish national Transmission Network Development Plan for 2021-2026. Investments of EUR 6,964 million until 2026 are planned in order to allow mass integration of new renewable energy generation, reducing CO<sub>2</sub> emissions and enabling greater energy independence for Spain, which gained importance with regard to the decarbonization objectives proposed by the National Integrated Energy and Climate Plan (Plan Nacional Integrado de Energía y Clima) and excessive energy prices, exacerbated by the Russia-Ukraine conflict. By 2030, it is planned to reduce foreign energy dependence from the current 74% to 56% by increasing the share of renewable energy. The high investment requirements in connection with expected lower remuneration from 2024 due to the end of pre-98 assets use life income could put pressure on some of REC's financial key figures in the medium term, especially on CRA's figure Net total debt to EBITDA adj., which is significant for the rating.

However, the Company has announced it will ensure its financial strength through credit-protective measures such as launching hybrid capital or involving strategic partners. At the end of 2021, REC announced the sale of a 49% stake of Reintel, the Group Company in optical fibre business to KKR, a private equity firm, for EUR 971 million. REC will remain the majority shareholder, consolidating Reintel's results. It expects to close the sale in the course of 2022. Despite the expectation that the regulatory framework will be valid until 2025, as well as further growth potential, such as through the launch of Nexus, the current all-time high-energy prices could have a negative impact on REC's performance by deteriorating the economy in REC's relevant markets. To mitigate the negative consequences for companies and at a social level, the Spanish government has adopted labor and social security measures, stipulated in the Royal Decree-Law 6/2022, in force since 31 March 2022, which accelerate investments in renewables, including also price caps for natural gas, restrictions for layoffs and a minimum income increase.

Overall, given the positive performance of REC in the last years despite the COVID-19 impact and the effects of the new regulation for electricity transmission, its domestic strategic market relevance as well as its comfortable liquidity position and proven access to financial markets – we see the Company as well-positioned to meet its ambitious investment plan, even under challenging market conditions, reinforcing its strategic importance for Spain on its path to energy transition.

## Issue rating

### Further issuer ratings

In addition to the rating of Red Eléctrica Corporación, S.A., its operating subsidiary Red Eléctrica de España, S.A.U. as one of the guarantors of the Group's EMTN programme, as well as the as the parent companies' financing subsidiary Red Eléctrica Financiaciones, S.A.U., and its issues (see below), have been rated.

Besides Red Eléctrica Corporación, S.A., Red Eléctrica de España, S.A.U. is also the guarantor of the EMTN programme, as Red Eléctrica de España, S.A.U. is the sole transmission agent and system operator for the Spanish electricity system on an ownership unbundling basis. Thus the domestic regulated business is also integrated in providing financial resources.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiaries, all of which are direct 100% subsidiaries of Red Eléctrica Corporación, S.A., and which have been consolidated into the Group annual accounts, the ratings of the rating objects are constrained by the rating of the unsolicited Red Eléctrica Corporación, S.A., and we derive the unsolicited issuer ratings of the subsidiaries from the unsolicited issuer rating of Red Eléctrica Corporación, S.A., setting it equal to its rating of **A- / stable**.

### Issue rating details of the notes issued by Red Eléctrica Financiaciones, S.A.U.

The rating objects of this unsolicited issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by Red Eléctrica Financiaciones, S.A.U., and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued within the framework of the Euro Medium Term Note (EMTN) programme, of which the latest base prospectus dates from 11 June 2021. This EMTN programme amounts up to EUR 5 billion. The notes under the EMTN programme are senior unsecured, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision and a cross default mechanism.

We have provided the debt securities issued by Red Eléctrica Financiaciones, S.A.U. with a rating of **A- / stable**. The rating is based on the corporate rating of Red Eléctrica Financiaciones, S.A.U. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

**Issue rating details of the EUR 400 million note issued by Red Eléctrica Corporación, S.A.**

This year, CRA included a further issue rating. The rating object of this issue rating is exclusively the EUR 400 million long-term senior unsecured issue<sup>2</sup> 2020 / 2025, issued by Red Eléctrica Corporación, S.A., and which is included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The note has been issued within the framework of the Prospectus of 6 April 2020 and is senior unsecured, and rank at least pari passu with all other present and future unsecured obligations of the issuer. Additionally, the note benefit from a negative pledge provision and a cross default mechanism.

The rating result for the EUR 400 million note of Red Eléctrica Corporación, S.A. is set one notch below the corporate issuer rating of Red Eléctrica Corporación, S.A., placing the note at **BBB+** with **stable** outlook. The rating is derived from the unsolicited corporate issuer rating of Red Eléctrica Corporación, S.A. and is one notch below the rating, considering a structural subordination of the note issued by Red Eléctrica Corporación, S.A. This results from the fact that the operating subsidiary Red Eléctrica de España, S.A.U., which generates the main share of the Group's EBITDA with around 80% and which holds the main share of the Group's assets, is guarantor of the EUR 5 billion EMTN programme as above described, (already placed around 3.3 billion up to this date) but not of the EUR 400 million note.

For the issue ratings we have applied our rating methodology for corporate issues. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

The following tables provide an overview of the ratings issued by Creditreform Rating AG in this context, as well as the key features of the EMTN programme and the prospectus of the EUR 400 million note.

**Overview**

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Red Eléctrica Corporación, S.A.	12.07.2022	A- / stable
Red Eléctrica de España, S.A.U.	12.07.2022	A- / stable
Red Eléctrica Financiaciones, S.A.U.	12.07.2022	A- / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by Red Eléctrica Financiaciones, S.A.U.	12.07.2022	A- / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by Red Eléctrica Corporación, S.A.	12.07.2022	BBB+ / stable
Other	--	n.r.

<sup>2</sup> ISIN: XS2154441120



Table 4: Overview of 2021 Euro Medium Note Programme | Source: Base Prospectus dated 11.06.2021.

Overview of 2021 EMTN Programme			
Volume	EUR 5,000,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Red Eléctrica Financiaciones, S.A.U. (Issuer) Red Eléctrica Corporación, S.A (Guarantor) Red Eléctrica de España, S.A.U. (Guarantor)	Coupon	Depending on respective bond
Arranger	Deutsche Bank	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

Table 5: Overview of 2020 Prospectus of | Source: Prospectus dated 06.04.2020.

Overview of 2021 Prospectus			
Volume	EUR 400,000,000	Maturity	Depending on respective bond
Issuer / Guarantor	Red Eléctrica Corporación, S.A (Issuer)	Coupon	Depending on respective bond
Arranger	Banca IMI, BBVA, Banco Santander, Barclays, Citygroup	Currency	Depending on respective bond
Credit enhancement	none	ISIN	Depending on respective bond

All future LT LC senior unsecured notes issued by Red Eléctrica Financiaciones, S.A.U. and that have similar conditions to the current EMTN programme, denominated in euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN programme. Notes issued under the programme in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programmes (such as the Commercial Paper Programme) and issues that do not denominate in euro will not be assessed.

## Appendix

### Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 6: Corporate issuer rating of Red Eléctrica Corporación, S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	23.03.2021	29.03.2021	11.07.2022	A- / stable

Table 7: Corporate issuer rating of Red Eléctrica de España, S.A.U. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	23.03.2021	29.03.2021	11.07.2022	A- / stable

Table 8: Corporate issuer rating of Red Eléctrica Financiaciones, S.A.U | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	23.03.2021	29.03.2021	11.07.2022	A- / stable

Table 9: LT LC senior unsecured issues by Red Eléctrica Financiaciones, S.A.U. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	23.03.2021	29.03.2021	11.07.2022	A- / stable

Table 10: LT LC senior unsecured issues by Red Eléctrica Corporación, S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	12.07.2022	15.07.2022	Withdrawal of the rating	BBB+ / stable

### Regulatory requirements

The rating<sup>3</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

The rating was conducted based on the following information.

List of documents
<b>Accounting and controlling</b>
<ul style="list-style-type: none"> <li>Red Eléctrica Corporación S.A. Annual Accounts 2021</li> <li>Red Eléctrica Corporación S.A. Financial Results January – December 2021</li> <li>Red Eléctrica Corporación S.A. Financial Results January - March 2022</li> </ul>
<b>Finance</b>
<ul style="list-style-type: none"> <li>Plan de desarrollo de la Red de Transporte de Energía Eléctrica 2021-2026</li> <li>EMTN Base Prospectus 11 June 2021</li> <li>Prospectus of Red Eléctrica Corporación S.A. 6 April 2020</li> </ul>
<b>Additional documents</b>
<ul style="list-style-type: none"> <li>Grupo Red Eléctrica Sustainability Report 2021</li> <li>Press releases and website</li> </ul>

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Government-related Companies</a>	1.0	19.04.2017
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Christina Sauerwein	Lead-analyst	C.Sauerwein@creditreform-rating.de
Holger Becker	Analyst	H.Becker@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Tobias Stroetges	PAC	C.Konieczny@creditreform-rating.de

On 12 July 2022, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 12 July 2022. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

#### **ESG-factors**

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

#### **Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

#### **Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

##### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

##### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With

respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

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