2017

Annual Accounts 2017

REN FINANCE B.V.

AMSTERDAM

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For identification purposes only.
Related to auditor's report
dated March 13, 2018

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Management Board´s report

Management herewith presents to the shareholder the annual accounts of REN Finance B.V. for the year 2017.

General

REN Finance B.V. (referred to in this document as "REN B.V." or "the Company"), with head office in De Cuserstraat 93, Unit 205, 1081 CN Amsterdam, The Netherlands, was established by deed of incorporation executed on 10 May 2013 with legal seat in Amsterdam.

The objects of the Company are:

- to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises;
- to provide advice and other services;
- to acquire, use and /or assign industrial and intellectual property rights and real property;
- to provide guarantees and security, warrant performance or otherwise assume liability, whether jointly and severally or otherwise, for or in respect of obligations of group companies;
- to provide security for the debts of legal persons or of other companies with which the Company is affiliated or for the debts of third parties;
- to invest funds; and
- to undertake all actions that are deemed to be necessary to the foregoing, or in furtherance thereof.

The Company belongs to a corporate group controlled by REN - Redes Energéticas Nacionais, SGPS, S.A., ("REN SGPS") set up in Lisbon, Portugal, which holds 100% of the Company's shares.

Both the Company and REN SGPS act as issuer under a EUR 5,000,000,000 Euro Medium Term Programme (the "Programme"). More details about the Programme can be found in the base prospectus dated 07 December 2017 available on the Group website.

The financial statements of the Company are included in the consolidated financial statements of the Shareholder, REN SGPS.

Overview of activities

In May 2017, the Company entered with REN SGPS into a EUR 532,000,000 facility agreement with a Bank Syndicate. The facility was used to fund the group acquisition of EDP Gás and part was repaid in December 2017.

In September 2017, the Commercial Paper Programme Agreement signed in October 2013 was amended in order to increase the maximum aggregate amount of Commercial Paper issued under this Programme.

In November 2017, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with China Development Bank ("CDB"). The proceeds were used to subscribe internal Notes issued by REN SGPS.

Results

The net profit for the year 2017 amounts to EUR 4,493,104 (2016: EUR 3,734,631). The net income is the result of the margin between the interest income and interest expense and the incurring of costs like fees.

During the year of 2017 operating activities generated EUR 3,477,992 (2016: outflow EUR 715,055) in cash flows while investing activities generated an outflow of EUR 466,586,305 (2016: outflow EUR 505,342,530). However financing activities generated EUR 463,446,152 (2016: EUR 506,188,653), which resulted in a net positive cash flow of EUR 337,839 (2016: EUR 131,068) in cash and cash equivalents.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

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Audit Commitee

The Company is a so-called Public Interest Entity ("Organisatie van Openbaar Belang") which requires the establishment of an audit committee. The Company however makes use of an exemption regulation according to Article 41 (1) of Directive 2006/43/EC of the European Parliament and of the Council, whereby the Parent Company's audit committee fulfills the required tasks.

Financial Risk Management

Financial Instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2017 the Company did not undertake trading in financial instruments.

Currency Risk

The Company's cash inflows and outflows, as well as receivable and payable balances are denominated in Euro. The currency risk exposure is therefore null.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The interest rate risk for the Company is limited due to the fact that the principle activity is to obtain funding to finance group companies. Funding raised is lent out to group companies on a 1-to-1 base. Terms of funding obtained are mirrored by the terms of the loans given to group companies. The only distinction is the margin between the interest on the amounts borrowed and the interest on the amounts that have been lend out.

Furthermore, the Company actively monitors changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

Given the size and nature of the interest rate risk, the Company has decided not to hedge the interest rate risk exposure.

Market Risk

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2017 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a counterparty which mitigates the risk.

Using these assumptions a 0.25% variation in market interest rates would result in a profit before tax variation of EUR 598,896 for the year 2017.

The sensitivity analysis is merely projected, and do not represent any present real gain or loss, neither other real variations in the net results nor in equity.

Credit Risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of loans receivable. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk.

REN SGPS always makes funds available before the due date of every payment obligation or borrowing, to enable the Company to meet all its obligations. As the net equity of REN SGPS as per 31 December 2017 is higher than the amount of the loans receivable, there is no indication that the loans given to the company will be impaired in the near future or that the loans receivable will not be received. The bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge, which REN SGPS complies with.

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The Company's counterparty risk on bank deposits is mitigated by the selection of well-known domestic institutions, which are considered at the time of deposit to have minimal risk of default. The company´s management actively and regularly monitors the credit counterparty risk and undertakes financial transactions with entities that are solvent.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

As funding of the Company is solely used to finance group companies, the terms of loans taken are mirrored by the terms of loans given to group companies. As such, when loans taken are due, loans given to group companies are due as well. Furthermore, the interest due dates for loans taken and loans given are equal while the Company earns a spread.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company´s short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Future Outlook

Funding and re-financing of existing loans will take place in the near future as the market continues to be favorable from an interest perspective.

Management is of the opinion that the present level of activities will be maintained in the near future and no significant changes are expected.

No circumstances are expected which will affect future turnover and profitability. Also no activities in the field of research and development are expected in the near future.

In January 2018 the company issued EUR 300,000,000, due in January 2028, in scope of REN PortGas´ acquisition. This issue enabled the Company to repay the outstanding amount of the facility agreement entered in May 2017.

In the same month, the Company entered with REN SGPS into an EUR 150,000,000 term facility agreement with Bank Intesa SanPaolo.

Compliance

These financial statements have been prepared in accordance with IFRS as adopted by the EU and also in accordance with Part 9 of Book 2 of the Dutch Civil Code. In its preparation judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period. The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

Control System & Management Board

The Company belongs to a corporate group controlled by REN - Redes Energéticas Nacionais, SGPS, S.A., ("REN SGPS") set up in Lisbon, Portugal, which holds 100% of the Company's shares.

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The shareholders' meetings are attended by the Board of Managing Directors and all decisions are taken unanimously. This Board of Managing Directors is composed by:

- Mr. E. van Ankeren
- Mr. P.M. Blöte
- Mr. N.M. da Silva Alves do Rosário
- Mr. G.J. Figueira Morais Soares

Diversity

With effect from 1 January 2013, the Management and Supervision Act came into force, which means that certain major companies must aim for a balanced distribution between men and women with respect to the number of seats on the Management Board. During 2017 the Management consisted of four men. In the future, the Company will try to realize a balanced distribution.

Amsterdam, 13 March 2018

Board of Managing Directors:

Mr. E. van Ankeren

Nuno Rosário

Mr. N. M. da Silva Alves do Rosário

Mr. P. M. Blöte

Gonçalo Morais

Mr. G. J. Figueira Morais Soares

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Financial Statements

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Statement of comprehensive income for the years ended 31 December 2017 and 2016

	Note	2017	2016
		EUR	EUR
Continuing operations:			
Interest income gross	6	49,827,007	40,219,362
Interest income net		**49,827,007**	**40,219,362**
Interest expense	7	(42,031,348)	(34,739,113)
Gross margin		**7,795,659**	**5,480,249**
Other income	8	190,340	1,857,393
Salaries, wages and taxes	9	(51,129)	(7,389)
General and administrative expenses	10	(1,523,733)	(2,364,079)
Provisions	11	(433,456)	-
Profit before taxation		**5,977,681**	**4,966,173**
Corporate Income tax	12	(1,484,577)	(1,231,542)
Net Profit for the year		**4,493,104**	**3,734,631**
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		**4,493,104**	**3,734,631**
Profit attributable to owners of the company		**4,493,104**	**3,734,631**
Total comprehensive income attributable to owners of the company		**4,493,104**	**3,734,631**

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Statement of financial position as at 31 December 2017 and 2016
(Before appropriation of current year's result)

	Note	31/Dec/17 EUR	31/Dec/16 EUR
Assets			
Non-Current Assets			
Long-term loans to group companies	13	1,507,326,585	1,356,085,660
Deferred tax assets	14	108,364	-
Total Non-Current Assets		**1,507,434,949**	**1,356,085,660**
Current assets			
Short-term loans to group companies	15	444,500,000	126,596,995
Receivables from group companies	16	25,601,579	20,409,840
Other receivables	17	3,468,161	3,468,161
Cash and cash equivalents	18	710,339	372,500
Total Current Assets		**474,280,079**	**150,847,496**
TOTAL ASSETS		**1,981,715,028**	**1,506,933,156**
Shareholder's Equity and Liabilities			
Shareholder´s Equity			
Share capital	19	20,000	20,000
Share premium	19	163,452,400	110,220,400
Other reserves	19	1,026,086	6,526,235
Profit for the year	19	4,493,104	3,734,631
Total Shareholder´s Equity		**168,991,590**	**120,501,266**
Non-Current Liabilities			
Long-term borrowings	20	1,500,502,751	1,347,951,247
Total Non-Current Liabilities		**1,500,502,751**	**1,347,951,247**
Current Liabilities			
Tax payable	21	493,312	218,723
Short-term borrowings	22	287,400,000	15,000,000
Accrued interest	23	19,834,863	19,564,387
Intercompany payables	24	3,654,687	3,543,330
Other liabilities and accrued expenses	25	404,369	154,203
Provisions	26	433,456	-
Total Current Liabilities		**312,220,687**	**38,480,643**
TOTAL SHAREHOLDERS´EQUITY AND LIABILITIES		**1,981,715,028**	**1,506,933,156**

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Statement of changes in Equity for the years ended 31 December 2017 and 2016

	Share Capital	Share premium	Other reserves	Profit for the year	Total
1-Jan-16	20,000	59,600,000	2,801,333	3,724,902	**66,146,235**
Capital contributions	-	50,620,400	-	-	**50,620,400**
Appropriation of profit	-	-	3,724,902	(3,724,902)	-
Profit for the year	-	-	-	3,734,631	**3,734,631**
31-Dec-16	**20,000**	**110,220,400**	**6,526,235**	**3,734,631**	**120,501,266**

	Share Capital	Share premium	Other reserves	Profit for the year	Total
1-Jan-17	20,000	110,220,400	6,526,235	3,734,631	**120,501,266**
Capital contributions	-	53,232,000	-	-	**53,232,000**
Appropriation of profit	-	-	3,734,631	(3,734,631)	-
Profit for the year	-	-	-	4,493,104	**4,493,104**
Dividends	-	-	(9,234,780)	-	**(9,234,780)**
31-Dec-17	**20,000**	**163,452,400**	**1,026,086**	**4,493,104**	**168,991,590**

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Statement of cash flows for the years ended 31 December 2017 and 2016

	Note	31/Dec/17	31/Dec/16
		EUR	EUR
Cash flows from operating activities:			
Interest received		42,192,821	24,780,526
Interest paid		(36,287,217)	(20,988,487)
Suppliers and Wages paid		(768,654)	(2,216,398)
Corporate Income Tax paid		(1,317,064)	(2,283,019)
Value Added Tax paid		(341,894)	(7,677)
Net cash generated by / (used in) operating activities		**3,477,992**	**(715,055)**
Cash flows from investing activities:			
Long-term loans provided to group companies		(150,000,000)	(452,913,515)
Fees received		-	250,000
Short-term loans provided to group companies		(763,950,000)	(163,426,995)
Repayments short-term and long-term loans by group companies		446,046,995	107,930,000
Income from other fees received		1,316,700	2,817,980
Net cash used in investing activities		**(466,586,305)**	**(505,342,530)**
Cash flows from financing activities:			
Capital increases		54,432,000	50,620,400
Capital decreases		(1,200,000)	-
Proceeds from issue of notes and borrowings		680,400,000	480,839,288
Repayment loans of third parties		(258,000,000)	(10,000,000)
Fees paid		-	(250,000)
Expense from other fees paid		(2,951,068)	(15,021,035)
Dividends paid		(9,234,780)	-
Net cash generated by financing activities		**463,446,152**	**506,188,653**
Net change in cash and cash equivalents		**337,839**	**131,068**
Foreign currency fluctuations		-	-
Cash and cash equivalents at the beginning of the year	18	372,500	241,432
Cash and cash equivalents at the end of the year	18	**710,339**	**372,500**

The accompanying notes are an integral part of these financial statements.

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Notes to the Financial Statements

1. General

REN Finance B.V. (referred to in this document as "the Company "), with head office in De Cuserstraat 93, Unit 205, 1081 CN Amsterdam, The Netherlands, were established by deed of incorporation executed on 10 May 2013 with legal seat in Amsterdam and registered in the Trade Register at Chamber of Commerce under number 57903093.

The objects of the Company are:

- to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises;
- to provide advice and other services;
- to acquire, use and /or assign industrial and intellectual property rights and real property;
- to provide guarantees and security, warrant performance or otherwise assume liability, whether jointly and severally or otherwise, for or in respect of obligations of group companies;
- to provide security for the debts of legal persons or of other companies with which the Company is affiliated or for the debts of third parties;
- to invest funds; and
- to undertake all actions that are deemed to be necessary to the foregoing, or in furtherance thereof.

The Company belongs to a corporate group controlled by REN - Redes Energeticas Nacionais, SGPS, S.A., set up in Lisbon, Portugal, which holds 100% of the Company's shares.

The financial statements of the Company are included in the consolidated financial statements of the Shareholder, REN SGPS.

2. Accounting Framework for the preparation of the Financial Statements

These financial statements have been prepared in accordance with IFRS as adopted by the EU and also in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional currency and the presentation currency of the Company is Euro.

In the following paragraphs the Company has analyzed the possible effects of the new IFRS Standards:

- IFRS 9
- IFRS 15

Both standards are effective for annual periods beginning on or after January 1, 2018. The standards have been endorsed by the EU. The Company has not applied these standards in these financial statements.

2.1. IFRS 9 *Financial Instruments*

In July 2014, IASB (International Accounting Standards Board) issued a final version of IFRS 9 Financial Instruments. The European Commission Regulation No 2067/2016, issued on November 22 2016.

The adopted IFRS 9 is effective for the annual periods beginning on January 1 2018.

The Company undertook a preliminary assessment of the potential impact of the adoption of IFRS 9, obtaining a result that its adoption on January 1 2018 has a negative impact on the Equity of between EUR 200,000 and EUR 300,000 (before tax), mainly related to changes in the measurement of financial liabilities and assets in connection with the maturing bond exchange operation carried out in 2016 by the Company.

2.1.1. Classification and measurement

IFRS 9 presents a new approach on how to classify and measure financial assets that reflects the business model used in its management and the characteristics of contractual cash flows.

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IFRS 9 determines three main categories to classify financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit (FVTPL). IFRS 9 eliminates IAS 39 categories: Held to Maturity (HTM), Accounts Receivable and Available for Sale (AFS).

In accordance with IFRS 9, embedded derivative contracts may not be forked. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset.

Based on its preliminary assessment, the company does not anticipate that the new classification requirements will have a significant impact on the accounting of its financial assets.

2.1.2. Impairment

IFRS 9 replaces the "loss incurred" model in IAS 39 with an "expected loss" credit (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment is recognized.

The new impairment model will be applied to financial assets measured at the amortized cost or FVOCI, except for equity instruments.

In accordance with IFRS 9, losses should be measured according to one of the following bases:

- 12-month ECL, which results from possible default events within 12 months after the reporting date; and
- Lifetime ECLs, which result from all default events during the expected life of a financial instrument.

If the credit risk of a financial asset has not increased significantly since its initial recognition, an accumulated impairment equal to the estimated loss expected to occur within the next 12 months should be recognized. If the credit risk has increased significantly, an accumulated impairment equal to the estimated loss expected to occur until the respective maturity of the asset should be recognized.

The Company does not foresee significant impacts on impairment due to the adoption of IFRS 9.

2.1.3. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.

However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in the Results, whereas, in accordance with IFRS 9, these changes in Fair Value are generally disclosed as follows:

The Change in Fair Value amount that is attributable to changes in the liability credit risk is disclosed in the Other Comprehensive Income (OCI); and

The remaining value of Fair Value is disclosed in Results.

The Company has not yet designated any financial liability as FVTPL and currently does not intend to do so. The Group's preliminary assessment did not indicate any material impact if the requirements of IFRS 9 relating to the classification of financial liabilities were applied as of 1 January 2018.

In addition, in accordance with IFRS 9 and as confirmed by IASB´s Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification, at their present value by applying the original effective rate of the liability as the discount rate. Any resulting difference should be recognized as a gain or loss in the results of the year.

The treatment under IAS 39 allowed the deferral of this difference, a treatment applied by the Company in scope of the exchanging bonds operation that occurred in 2016. This change has an impact on the book value of the respective financial liabilities and equity of the Company.

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2.1.4. Disclosures

IFRS 9 will require new disclosures, in particular with regarding hedge accounting, credit risk and expected losses. The Company is analyzing the information required in the information systems to ensure compliance with the Standard.

2.2. IFRS 15 *Revenue from contracts with customers*

Management anticipates that the adoption of this Standard and Amendments in future will have no material impact on the Company´s financial statements.

3. Main Accounting Policies

3.1. Basis of Preparation

The financial statements have been prepared under the historical cost convention. In principle, unless otherwise stated, assets and liabilities are stated at amortized cost.

3.2. Financial Instruments

The Company recognizes financial assets and liabilities on its statement of financial position when, and only when, it becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given or received, respectively, including any transaction costs incurred. Any gain or loss at initial recognition is derecognized in the current period's statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when loans and receivables are derecognized or impaired, as well as through the amortization process.

Interest bearing loans and borrowings are subsequently measured at amortized cost.

Finally, costs related to the note issuance are amortized over the term of the note in accordance with the effective interest rate method.

Financial instruments are classified as current, except when the Company has an unconditional right to defer the payment of the correspondent liability for, at least, 12 months after the reporting date, being this liability in these circumstances classified as non-current.

3.3. Financial assets

The Company has the following financial assets: subscribed Notes, subscribed CP, receivables and cash and bank balances. The Company's subscribed Notes to REN SGPS are classified as long-term Notes.

These subscribed Notes are non-derivative financial assets with fixed payments that are not quoted in an active market, whose recoverability is based solely on the credit risk of the related company and where the Company has no intention of trading the subscribed Notes.

Subscribed Notes are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate. The discount and fees costs are amortized on a linear basis over the term of the Notes instead of at amortised cost, using the effective interest rate method. The difference is however not significant. The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire.

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3.4. Financial liabilities

A financial instrument is classified as a financial liability when a contractual obligation exists by the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently of its legal form.

Borrowings are initially measured at fair value, net of transaction incremental costs incurred. The subsequent measurement of these borrowings is made at amortised cost, being the difference between the nominal value and the initial fair value recognized in the profit and loss statement over the loan maturity, using the effective interest rate method.

Financial liabilities are derecognized when the related obligations are settled, cancelled or expire.

3.5. Other receivables

Other receivables are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection on the full amount is no longer probable. Bad debts are written-off when the period for allowed claims has expired.

3.6. Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, bank deposits and other short-term highly liquid investments with original maturity of not more than three months readily convertible to known amount of cash and subject to insignificant risk of change in value.

3.7. Statement of Cash Flow

The cash flow statement is prepared according with the direct method, being presented the collections and payments in operating activities, investment and financing activities.

3.8. Loans and Borrowings

Loans and borrowings are initially recognized at cost, being the fair value of the consideration received, net of transaction costs incurred. After initial recognition, loans and borrowings are measured at amortized cost using the amortization based on the effective interest rate method. Amortized cost is calculated by taking into account any issuance costs and any discount or premium on settlement.

The borrowings´ fair value is calculated with the discounted cash flows method, using the interest rate curve on the date of the statement of financial position in accordance with each loan characteristics.

Loans and Borrowings are classified as current, except when the Company has an unconditional right to defer the payment of the correspondent liability for, at least, 12 months after the reporting date, being this liability in these circumstances classified as non current.

3.9. Liabilities and other payables

Liabilities and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future services received, whether or not billed to the Company.

3.10. Provisions

Provisions are recognized when the Company: has i) a present legal or constructive obligation as a result of past events; ii) for which it is more likely than not that an outflow of resources will be required to settle the obligation; and iii) the amount can be reliably estimated. When one of these criteria is not fulfilled or the existence of the liability is dependent upon a future event, the Company discloses it as a contingent liability, except if the outflow of resources to settle it is considered to be remote.

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3.11. Revenue recognition

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate method, which is the rate that exactly discounts estimated future risk receipts through the expected life of the financial asset to that asset's net carrying amount.

The effective interest rate method calculates the amortized cost of a financial asset or liability and allocates the interest income or interest expense over the relevant period.

Other income is recognized as incurred and is reported in the financial statements in the period to which they relate.

3.12. Expenses recognition

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate.

3.13. Corporate income tax

Corporate income tax is calculated at the applicable rate based on income reported in these financial statements, taking into account permanent differences between profit calculated according to the statement of comprehensive income and profit calculated for taxation purposes. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized and deferred tax assets realized.

3.14. Accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected.

4. Significant accounting judgments and estimates and key sources of estimation uncertainty

In the preparation of the accompanying financial statements, judgments and estimates were made using assumptions that affect the amounts recognized as assets and liabilities, as well as the amounts recorded relating to gains and losses of the period.

The estimates and underlying assumptions were determined with reference to the reporting date based on the best knowledge available as of the date of approval of the financial statements of the events and transactions in process, as well as experience of past and/or current events. However, situations can occur in subsequent periods that were not predictable as of the date of approval of the financial statements and so were not considered in the estimates. Changes in the estimates that occur after the date of the financial statements will be corrected on a prospective basis. Therefore, given the degree of uncertainty, actual results of the transactions can differ from the corresponding estimates.

Estimates and assumptions are included in at least the following judgments:

- estimate of the collectable amount of receivables
- estimate of the fair value of receivables and loans payable
- estimate of the created provisions

4.1. Going concern evaluation

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

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5. Financial Risks Management

The objective relating to the capital management, which is a broader concept than the equity disclosed on the face of the statement of financial position, is to maintain an optimal equity structure, through rational use of debt.

The necessity of debt increases are analyzed periodically considering the Group financing needs and its liquidity position.

5.1. Currency Risk

The Company's cash inflows and outflows, as well as receivable and payable balances are denominated in Euro. The currency risk exposure is therefore null.

5.2. Credit risk

Financial instruments, which potentially subject the Company to credit risk, consist primarily of loans receivable. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk. Cash is placed in financial institutions, which are considered at the time of deposit to have minimal risk of default.

REN SGPS always makes funds available before the due date of every payment obligation or borrowing, to enable the Company to meet all its obligations. The bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge, which REN SGPS complies with.

The company´s management actively and regularly monitors the credit counterparty risk and undertakes financial transactions with entities that are solvent.

5.3. Interest rate risk

The interest rate risk for the Company is limited due to the fact that the principle activity is to obtain funding to finance group companies. Funding raised is lent out to group companies on a 1-to-1 base. Terms of funding obtained are mirrored by the terms of the loans given to group companies. The only distinction is the margin between the interest on the amounts borrowed and the interest on the amounts that have been lent out.

Furthermore, the Company actively monitors changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

Given the size and nature of the interest rate risk, the Company has decided not to hedge the interest rate risk exposure.

5.4. Market Risk

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2017 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a counterparty which mitigates the risk.

Using these assumptions a 0.25% variation in market interest rates would result in a profit before tax variation of EUR 598,896 for the year 2017.

The sensitivity analysis is merely projected, and does not represent any present real gain or loss, neither other real variations in the net results nor in equity.

5.5. Liquidity risk management

Liquidity risk is the risk that the Company may encounter in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

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As funding of the Company is solely used to finance group companies, the terms of loans taken are mirrored by the terms of loans given to group companies. As such, when loans taken are due, loans given to group companies are due as well. Furthermore, the interest due dates for loans taken and loans given are equal while the Company earns a spread.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Companiy´s short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

5.6. Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables are based on the undiscounted cash flows of financial liabilities taking into account the earliest date on which the Company may be required to pay. The tables include both interest and principal cash flows.

Fair values

The fair values of financial instruments, consisting of cash, receivables, payables and obligations under debt instruments, are considered to be equal to their carrying values, unless otherwise stated.

31 December 2017

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Bank borrowings	289,864,289	52,938,458	153,313,750	496,116,497
Bonds	34,843,362	934,331,026	527,777,778	1,496,952,166
Total	**324,707,651**	**987,269,484**	**681,091,528**	**1,993,068,663**
Trade and other payables	3,654,687	-	-	3,654,687
Total	**328,362,338**	**987,269,484**	**681,091,528**	**1,996,723,350**

31 December 2016

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Bank borrowings	15,711,250	47,012,694	-	62,723,944
Bonds	34,843,363	392,467,004	1,104,969,097	1,532,279,464
	50,554,613	**439,479,698**	**1,104,969,097**	**1,595,003,408**
Trade and other payables	3,543,330	-	-	3,543,330
Total	**54,097,943**	**439,479,698**	**1,104,969,097**	**1,598,546,738**

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6. Interest income gross

	2017	2016
	EUR	EUR
Other interest	19,056	6,903
Interest on bonds	42,757,841	35,688,064
Interest on commercial paper	3,866,970	1,117,011
Amortisation of Fees	3,183,140	3,407,384
Total	**49,827,007**	**40,219,362**

7. Interest expense

	2017	2016
	EUR	EUR
Interest on bank borrowings	8,635,861	7,728,571
Interest on bonds issued	27,919,707	22,601,222
Fees	5,475,780	4,409,320
Total	**42,031,348**	**34,739,113**

8. Other income

	2017	2016
	EUR	EUR
Invoices recharged to REN SGPS	190,340	1,857,393
Total	**190,340**	**1,857,393**

9. Salaries, wages and taxes

	2017	2016
	EUR	EUR
Salary	51,129	7,389
Total	**51,129**	**7,389**

During 2017 and 2016 the Company had one employee and hence incurred salaries and related social security charges during the reporting period. The company did not pay any pension premium in 2017 and 2016.

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10. General and administrative expenses

	2017	2016
	EUR	EUR
External suppliers:		
Office rent	13,833	15,382
Audit fees(*)	30,746	27,951
Tax advice fees	72,370	46,060
Law firm fees	491,020	659,539
Rating agency fees	211,000	1,380,750
Other fees and expenses	136,487	101,760
Invoices recharged by REN SGPS	186,526	75,169
Reversed VAT charge	381,751	57,468
Total	**1,523,733**	**2,364,079**

* Audit Fees	Deloitte Accountants B.V.	Other Auditors	Total network
	EUR	EUR	EUR
2016			
Other audit engagements	-	-	-
Audit of the financial statements	27,951	-	27,951
Total	**27,951**	**-**	**27,951**
2017			
Other audit engagements	-	-	-
Audit of the financial statements	30,746	-	30,746
Total	**30,746**	**-**	**30,746**

11. Provisions

	31/Dec/17	31/Dec/16
	EUR	EUR
Provision for Tax Contingency	433,456	-
Total	**433,456**	**-**

The provision is for Tax concerning previous years. This amount might be paid in the future.

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12. Corporate income tax

	2017	2016
	EUR	EUR
Adjustments of CIT from previous periods	157	(1)
CIT of the year	1,592,784	1,231,543
Deferred income tax	(108,364)	-
Total	**1,484,577**	**1,231,542**

The Company has concluded an Advance Pricing Agreement (APA) with the Dutch Tax Authorities concerning the minimum margin required between the proceeds received from loans (Notes) and the loans granted to REN SGPS. The APA was signed on 10 July 2013. According to the APA 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. Therefore the Company has a total amount of EUR 163,452,400 (2016: EUR 110,220,400) of share premium received from REN SGPS.

A taxable income for 2017 was calculated of EUR 6,411,137, 20% corporate income tax has been calculated for the first EUR 200,000 and 25% income tax has been calculated for the remainder of EUR 6,211,137, which resulted in a charged CIT of EUR 1,592,784.

The deferred income tax amount is related to the provision disclosed in note 11.

13. Long-term loans to group companies

	31/Dec/17	31/Dec/16
	EUR	EUR
Bonds	1,507,326,585	1,356,085,660
Total	**1,507,326,585**	**1,356,085,660**

Bonds		
Movement during the financial year:		
Opening balance	1,356,085,660	743,799,535
Bonds subscribed	150,000,000	760,000,000
Bonds repaid	-	(10,000,000)
Bonds redeemed	-	(132,245,000)
Movement capitalized deferred expenses	1,240,925	(5,468,875)
Closing balance	**1,507,326,585**	**1,356,085,660**

The interest rates on the loans to group companies, in long and short term, are between 1.1% - 5.3% (31 December 2016: 1.5% - 5.3%) and the weighted average interest is 2.5% (in December of 2016: 3%).

In 2017, the proceeds of a EUR 150,000,000 facility agreement with CDB were used to subscribe internal Notes issued by REN SGPS.

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Fair Value

	31/Dec/17	31/Dec/16
	EUR	EUR
Bonds	1,540,453,228	1,498,504,922
	1,540,453,228	**1,498,504,922**

The fair value of the subscribed Internal Notes is calculated using the implied spreads of the Notes. The fair value calculation assumes the credit risk to be equal between the issuer and guarantor of the bond, since both are part of the same group.

14. Deferred tax assets

	2017	2016
	EUR	EUR
Deferred income tax	108,364	-
Total	**108,364**	-

Deferred income tax Movement during the financial year:	
Opening balance	-
Deferred income tax recognised	108,364
Closing balance	108,364

15. Short-term loans to group companies

	31/Dec/17	31/Dec/16
	EUR	EUR
Commercial paper	444,500,000	126,596,995
	444,500,000	**126,596,995**
Commercial paper Movement during the financial year:		
Opening balance	126,596,995	61,100,000
CP subscribed	1,294,350,000	163,426,995
CP repaid	(976,446,995)	(97,930,000)
Closing balance	**444,500,000**	**126,596,995**

The interest rates on the loans to group companies, in long and short term, are between 1.1% - 5.3% (31 December 2016: 1.5% - 5.3%) and the weighted average interest is 2.5% (in December of 2016: 3%).

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In September 2017, the Commercial Paper Programme Agreement signed in October 2013 was amended in order to increase the maximum aggregate amount of Commercial Paper issued under this Programme. During 2017 the Company subscribed Commercial Paper issued by REN SGPS under this Programme.
In previous mentioned items (subscribed and repaid) a non cash item of EUR 530,400,000 is included:

	31/Dec/17	31/Dec/16
	EUR	EUR
CP subscribed	1,294,350,000	163,426,995
Non Cash	(530,400,000)	-
Cash	**763,950,000**	**163,426,995**

	31/Dec/17	31/Dec/16
	EUR	EUR
CP repaid	(976,446,995)	97,930,000
Non Cash	530,400,000	-
Cash	**(446,046,995)**	**97,930,000**

Fair Value

	31/Dec/17	31/Dec/16
	EUR	EUR
Commercial paper	446,553,400	127,497,808
	446,553,400	**127,497,808**

The fair value calculation assumes the credit risk to be equal between the issuer and the subscriber of the CP, since both are part of the same group.

16. Receivables from group companies

	31/Dec/17	31/Dec/16
	EUR	EUR
Interest receivable bonds	23,777,037	19,747,523
Interest receivable commercial paper	906,738	504,262
Receivable fees	727,464	73,792
Receivable recharged invoices to REN SGPS	190,340	84,263
Total	**25,601,579**	**20,409,840**

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17. Other receivables

	31/Dec/17	31/Dec/16
	EUR	EUR
Receivable Portuguese withholding tax	3,468,161	3,468,161
Total	**3,468,161**	**3,468,161**

18. Cash and equivalents

	31/Dec/17	31/Dec/16
	EUR	EUR
Current accounts EUR	710,339	372,500
Total	**710,339**	**372,500**

The funds maintained in the current account are freely available.

19. Shareholder´s Equity

The authorized share capital of the Company amounts to EUR 20,000 and is divided into 20,000 common shares of EUR 1 each. Issued and paid in are 20,000 shares. During 2017 the Company also received share premium for a total amount of EUR 54,432,000 and repaid EUR 1,200,000.

During the Shareholders General Assembly meeting held on 20 March 2017, the Shareholders approved the distribution EUR 3,734,631 as dividends. In addition, management approved to distribute dividends in the amount of EUR 5,500,149 from the caption "Other Reserves".

Management proposes to distribute the net profit for the year 2017 amounting to EUR 4,493,104 as dividends. This has not yet been reflected in 2017´s statement of financial position.

20. Long-term borrowings

	31/Dec/17	31/Dec/16
	EUR	EUR
Bank borrowings	194,867,013	44,685,175
Bonds	1,305,635,738	1,303,266,072
Total	**1,500,502,751**	**1,347,951,247**

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Bank borrowings

Movement during the financial year	31/Dec/17	31/Dec/16
	EUR	EUR
Opening balance	44,685,175	43,799,535
Loans received	150,000,000	10,000,000
Loans repaid	-	(10,000,000)
Movement capitalized deferred expenses	181,838	885,640
Closing balance	**194,867,013**	**44,685,175**

Bonds

Movement during the financial year	31/Dec/17	31/Dec/16
	EUR	EUR
Opening balance	1,303,266,072	695,835,026
Bonds issued	-	750,000,000
Bonds redeemed	-	(132,245,000)
Movement capitalized deferred expenses	2,369,666	(10,323,954)
Closing balance	**1,305,635,738**	**1,303,266,072**

The interests rates charged on the borrowings from third parties are between 0,9% - 4.8% (31 December 2016: 1.4% - 4.8%) and the weighted average interest is 2.2% (31 December 2015: 3.7%).

In November 2017, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with China Development Bank ("CDB"). The proceeds were used to subscribe internal Notes issued by REN SGPS.

The Company's bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge. And the company complies with it.

Fair Value

	31/Dec/17	31/Dec/16
	EUR	EUR
Bank borrowings	494,786,246	61,603,396
Bonds issued	1,382,239,838	1,354,104,704
Total	**1,877,026,084**	**1,415,708,100**

The borrowings fair value are calculated by the discounted cash flows method, using the interest rate curve on the date of the statement of financial position in accordance with the characteristics of each loan.

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21. Tax payable

	31/Dec/17	31/Dec/16
	EUR	EUR
Value Added tax	38,942	41,128
Wage Tax	1,641	743
Corporate Income Tax	452,729	176,852
Total	**493,312**	**218,723**

22. Short-term borrowings

	31/Dec/17	31/Dec/16
	EUR	EUR
Short term part - Bank borrowings	287,400,000	15,000,000
Total	**287,400,000**	**15,000,000**

Short term part - Bank borrowings		
Movement during the financial year		
Opening balance	15,000,000	-
Loans received	530,400,000	15,000,000
Loans repaid	(258,000,000)	-
Closing balance	**287,400,000**	**15,000,000**

In May 2017, the Company entered with REN SGPS into a EUR 532,000,000 facility agreement with a Bank Syndicate. The facility was used to fund the group acquisition of EDP Gás and part was partly repaid in December 2017.

For securities refer to Note 20.

23. Accrued interest

	31/Dec/17	31/Dec/16
	EUR	EUR
Payable interest on bank loans	373,225	100,944
Payable interest on bonds	19,387,846	19,391,776
Payable fees	73,792	71,667
Total	**19,834,863**	**19,564,387**

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24. Intercompany payables

	31/Dec/17	31/Dec/16
	EUR	EUR
Payable withholding tax to REN SGPS	3,468,161	3,468,161
Payable recharged invoices by REN SGPS	186,526	75,169
Total	**3,654,687**	**3,543,330**

25. Other liabilities and accrued expenses

	31/Dec/17	31/Dec/16
	EUR	EUR
Tax advisor fees	106,982	21,025
Audit fees	29,349	27,951
Law firm fees	252,427	86,061
Administration fees	17,523	16,636
Other expenses	(1,912)	2,530
Total	**404,369**	**154,203**

26. Provisions

	31/Dec/17	31/Dec/16
	EUR	EUR
Provision for Tax Contingency	433,456	-
Total	**433,456**	-

Provision Movement during the financial year:	
Opening balance	-
Provisions recognised	433,456
Closing balance	**433,456**

The provision is for Tax concerning previous years. This amount might be paid in the future.

27. Contingent liabilities

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements.

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28. Related-party transactions

The Company is wholly owned by REN SGPS since 10 May, 2013, which holds 100% of its issued and outstanding shares.

During the year, there were various related party transactions between the Company and its Shareholder, REN SGPS. The related party transactions are disclosed under Note 6, 8, 10, 13, 14, 15, and 23.

Intertrust (Netherlands) B.V. provides several services to REN Finance, including management services, namely has two members of the Board of Directors.

Intertrust (Netherlands) B.V. also provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged EUR 68,049 (2016: 69,692) for administrative services.

All loans to group companies are provided against an at arms' length mark-up. The administrative services and directorship are charged at an at arms' length fee.

29. Directors

The Board of Managing Directors consists of:

- Mr. E. van Ankeren
- Mr. P.M. Blöte
- Mr. N.M. da Silva Alves do Rosário
- Mr. G.J. Figueira Morais Soares

The remuneration paid to the Directors was EUR 9,238 (2016; EUR 9,057). The Directors who receive remuneration from the parent company do not receive any remuneration from the Company for their directorship.

30. Subsequent events

During January 2018 the company issued EUR 300,000,000, due in January 2028, in scope of REN PortGas´ acquisition. This issue enabled the Company to repay the outstanding amount of the facility agreement entered in May 2017.

During the same month, the Company entered with REN SGPS into a EUR 150,000,000 term facility agreement with Bank Intesa SanPaolo.

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31. Approval of the financial statements

The financial statements were approved by the Board of Managing Directors and authorized for issue on 13 March 2018.

Board of Managing Directors:

Mr. E. van Ankeren

Mr. N. M. da Silva Alves do Rosário

Mr. P. M. Blöte

Mr. G. J. Figueira Morais Soares

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Other information

Independent auditor´s report

The independent auditor's report is recorded on the next page.

Statutory rules concerning appropriation of the profit

According to Article 16 of the Company's Articles of Association, the net profit for the year is at the disposal of the shareholder.

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Deloitte.

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Independent auditor's report

To the shareholders of REN Finance B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2017 of REN Finance B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of REN Finance B.V. as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The statement of financial position as at December 31, 2017.
2. The following statements for 2017: the statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of REN Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 6,000,000. The materiality is based on 3% of the loans issued to group companies. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

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We agreed with the management that misstatements in excess of EUR 300,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the management. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter
Key audit matter is the risk associated with the possible impairment of the receivables on the (ultimate) parent company, which are measured against amortized cost, and the disclosure of the fair value of these receivables. Reference is made to note 13, 15 and 16 of the financial statements of REN Finance B.V. as per December 31, 2017.

Response
We obtained the most recent financial information of the (ultimate) parent company and obtained information from the group auditor. Based on the information received we evaluated valuation of the receivables on the (ultimate) parent company.

Based on the procedures performed, as described above, we observed that the valuation of these receivables is appropriate. We also determined that the disclosure of the fair value in relation to these receivables is appropriate.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management Board's Report
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the management as auditor of REN Finance B.V. as of the audit for the year 2013 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's 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 financial statements 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.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the management, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 13, 2018

Deloitte Accountants B.V.

A.J. Kernkamp

Initials for identification purposes: