2020

Annual Accounts 2020

REN FINANCE B.V.

AMSTERDAM

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<u>Management Board´s report</u>

Management herewith presents to the shareholder the annual accounts of REN Finance B.V. for the year 2020.

General

REN Finance B.V. (referred to in this document as "the Company"), with its 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 its 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.

At 30 June 2020, both entities signed together as issuer a EUR 600,000,000.00 European Commercial Paper Programme for the issuance of Comemrcial Paper. Furthermore, both the Company and REN SGPS act as issuer under a EUR 5,000,000,000 Euro Medium Term Programme. More details about it can be found in the base prospectus dated 5 November 2020 available on the Group´s website.

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

Overview of activities

In June 2020, REN SGPS and REN Finance signed together as issuers a EUR 600,000,000 European Commercial Paper Programme for the issuance of Notes.

In December 2019, a new revolving credit facility agreement was entered into with SMBC Bank in the amount of EUR 150,000,000 and a 5 year maturity.

In September 2019, the Company negotiated a new EUR 250,000,000 revolving facility agreement with Bank of China, with a 5 year maturity, until September 2024.

In May 2019, the Company signed a EUR 100,000,000 Master Money Market Loan Agreement with Société Générale.

In February 2019, the Company negotiated a new EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China, with maturity until February 2024.

Results

The net profit for the period as at 31 December 2020 amounts to EUR 6,130,505 (31 December 2019: EUR 6,177,313). The net income is the result of the margin between the interest income and interest expense and the incurring of costs like fees.

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.

Particularly, as of 31 December 2020, current liabilities in the amount of EUR 340,355,989 (31 December 2019: EUR 309,315,068) are lower than current assets, which total EUR 534,158,908 (31 December 2019: EUR 477,034,536).

In addition to the consistent results that the Company has been presenting throughout the years, in line with the expectation, the Company has, as per 31 December 2020, committed Revolving Credit Facilities with SMBC Bank in the amount of EUR 150,000,000, with the Industrial Commercial Bank of China, available for use in the amount of EUR 85,000,000 and with the Bank of China, available for use in the amount of EUR 240,000,000.

Furthermore, in order to guarantee the current treasury needs of the Company and to have the necessary dynamic and flexibility to fulfil the current liquidity needs, the Company, as of 31 December 2020, has a Master Money Market loan agreement contracted and not used in the amount of EUR 100,000,000 with Société Générale, and a EUR 5,000,000,000 Euro Medium Term Note Programme available for use in the amount of EUR 3,650,000,000.

In result of this assessment, the Board concluded 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.

Audit Committee

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

The Company's objective relating to the capital management, is to maintain an optimal equity structure, through rational use of debt.

Considering that the purpose of the Company is to participate, finance, collaborate and lead the management of group companies, the necessity of debt increases is analysed periodically considering the funding needs and liquidity position of the group companies. Furthermore, given the Company purpose and the constant need of leveraging its capital structure to meet the funding needs of the group companies, and as stated on the Advance Pricing Agreement (APA) signed with the Tax Authorities, 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. Following a share premium contribution of EUR 24,000,000 on 16 October 2020, the Company has a total amount of EUR 189,020,400 (2019: EUR 165,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 10.45% as of 31 December 2020 (31 December 2019: 11.68%)

Financial Instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2020 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 Euros. The currency risk exposure is therefore absent.

Market and 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 an arm´s length basis. 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.

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 2020 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 mirrored transaction with 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 1,895,000 for the 2020 exercise (2019: EUR 487,500).

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.

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

Credit Risk

Financial instruments, which potentially expose the Company to credit risk, amount to EUR 2,021,212,679 (31 December 2019: EUR 2,000,544,989) and relate to receivables from the parent company. 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.

Credit risk is managed by the Company in accordance with the Group's policy (REN SGPS' current rating as attributed by Moody's, Fitch and S&P is Baa3, BBB and BBB, respectively). Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

REN SGPS always makes funds available before the due date of every payment obligation or borrowing, to enable REN Finance to meet all its obligations. As per 31 December 2020, 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. Furthermore, current bank borrowings outstanding are bounded by several covenants that REN SGPS, as the ultimate beneficiary of the operations, has to comply with, among which stand out: Cross default, Pari Passu and Negative Pledge. As of the same date, REN SGPS complied with all.

The Company's counterparty risk on bank deposits is mitigated by the selection of well-known Dutch 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 Management Board, 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

As a result of the COVID-19 pandemic outbreak, there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets.

The REN Group ("Group") is actively monitoring this situation, has activated all the necessary plans and, although the situation is unpredictable, the Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties. It should be noted that the Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed by the Regulatory Authorities. These concession contracts are regulated, which in a certain way minimizes the possible impacts of the pandemic. Along with it, the Group's sustainable and consistent growth in the past years have empowered it with a robust operational structure and the enough financial tools to buffer the short term waves of the market retrenchments of such unmatched event.

In this context, funding and re-financing of existing loans will take place, according to the investment needs of the Group. Furthermore, as the Company financial and operational activities are mainly driven by the Group activity, no further harming consequences from the pandemic outbreak are expected.

No activities in the field of research and development are expected in the near future.

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.

Furthermore, these Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and this Annual Report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks that the Company faces.

Control System & Management Board

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

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

- Mr. E.M. van Ankeren
- Mr. H.R.T. Kröner
- 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 2020, the Management consisted of four men. In the future, the Company will try to realize a balanced distribution.

Amsterdam,

Board of Managing Directors:

Mr. E.M. van Ankeren

Mr. N. M. da Silva Alves do Rosário

Mr. H.R.T. Kröner

Mr. G. J. Figueira Morais Soares

Financial Statements

Statement of comprehensive income for the periods of 31 December 2020 and 2019

	Note	31/Dec/20	31/Dec/19
		EUR	EUR
Interest income	6	53,913,318	56,799,425
Interest income net		**53,913,318**	**56,799,425**
Interest expense	7	(44,699,983)	(47,528,655)
Interest margin		**9,213,335**	**9,270,770**
Other income	8	70,226	83,669
Salaries, wages and taxes	9	(58,935)	(48,308)
General and administrative expenses	10	(1,006,982)	(1,038,992)
Provisions (charge) / release	11	-	1,006
Profit before taxation		**8,217,644**	**8,268,145**
Corporate Income tax	12	(2,087,139)	(2,090,832)
Net Profit for the year		**6,130,505**	**6,177,313**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the year		**6,130,505**	**6,177,313**
Profit attributable to owners of the Company		**6,130,505**	**6,177,313**
Total comprehensive income attributable to owners of the Company		**6,130,505**	**6,177,313**

Statement of financial position as at 31 December 2020 and 31 December 2019
(Before appropriation of current year's result)

	Note	31/Dec/20	31/Dec/19
		EUR	EUR
Assets			
Non-Current Assets			
Long-term loans to group companies	13	1,490,603,302	1,527,195,869
Deferred tax	14	27,852	39,365
Total Non-Current Assets		**1,490,631,154**	**1,527,235,234**
Current assets			
Short-term loans to group companies	15	502,400,000	442,255,000
Receivables from group companies	16	28,209,377	31,094,120
Other receivables	17	3,469,761	3,469,761
Cash and cash equivalents	18	89,696	215,655
Total Current Assets		**534,168,834**	**477,034,536**
TOTAL ASSETS		**2,024,799,988**	**2,004,269,770**
Shareholder's Equity and Liabilities			
Shareholder´s Equity			
Share capital	19	20,000	20,000
Share premium	19	189,020,400	165,020,400
Retained Earnings	19	3,160,009	2,482,696
Profit for the year	19	6,130,505	6,177,313
Total Shareholder´s Equity		**198,330,914**	**173,700,409**
Non-Current Liabilities			
Long-term borrowings	20	1,486,086,692	1,521,254,293
Total Non-Current Liabilities		**1,486,086,692**	**1,521,254,293**
Current Liabilities			
Tax payable	21	473,892	1,027,450
Short-term borrowings	22	314,000,000	279,755,000
Interest payable	23	21,979,447	24,683,452
Payables to group companies	24	3,679,905	3,744,854
Other liabilities and accrued expenses	25	249,138	104,312
Total Current Liabilities		**340,382,382**	**309,315,068**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**2,024,799,988**	**2,004,269,770**

Statement of changes in Equity for the periods 31 December 2020 and 2019

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
01/Jan/19	**20,000**	**157,020,400**	**839,408**	**6,643,288**	**164,523,096**
Capital changes	-	8,000,000	-	-	8,000,000
Appropriation of profit	-	-	6,643,288	(6,643,288)	-
Profit for the year	-	-	-	6,177,313	6,177,313
Dividends	-	-	(5,000,000)	-	(5,000,000)
31/Dec/19	**20,000**	**165,020,400**	**2,482,696**	**6,177,313**	**173,700,409**

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
01/Jan/20	**20,000**	**165,020,400**	**2,482,696**	**6,177,313**	**173,700,409**
Capital changes	-	24,000,000	-	-	24,000,000
Appropriation of profit	-	-	6,177,313	(6,177,313)	-
Profit for the year	-	-	-	6,130,505	6,130,505
Dividends	-	-	(5,500,000)	-	(5,500,000)
31/Dec/20	**20,000**	**189,020,400**	**3,160,009**	**6,130,505**	**198,330,914**

Statement of cash flows for the years ended 31 December 2020 and 2019

	Note	31/Dec/20	31/Dec/19
		EUR	EUR
Cash flows from operating activities:			
Interest received		53,150,250	53,678,076
Interest paid		(42,353,414)	(42,351,293)
Suppliers and Wages paid		(830,960)	(34,930)
Corporate Income Tax paid		(2,573,101)	(2,624,336)
Value Added Tax paid		(118,737)	(721,859)
Net cash generated by operating activities		**7,274,038**	**7,945,658**
Cash flows from investing activities:			
Long-term loans provided to group companies	13	-	(45,000,000)
Short-term loans provided to group companies	15	(1,001,100,000)	(513,400,000)
Repayments short-term and long-term loans by group companies	13 and 15	979,955,000	697,400,000
Income from other fees received		1,260,212	2,640,249
Net cash generated by / (used in) investing activities		**(19,884,788)**	**141,640,249**
Cash flows from financing activities:			
Capital changes	19	24,000,000	8,000,000
Proceeds from issue of bonds and borrowings	20 and 22	605,500,000	275,000,000
Repayment loans of third parties	20 and 22	(610,255,000)	(425,000,000)
Expense from other fees paid		(1,260,209)	(2,640,250)
Dividends paid		(5,500,000)	(5,000,000)
Net cash generated by / (used in) financing activities		**12,484,791**	**(149,640,250)**
Net change in cash and cash equivalents		**(125,959)**	**(54,343)**
Foreign currency fluctuations		-	-
Cash and cash equivalents at the beginning of the year	18	215,655	269,998
Cash and cash equivalents at the end of the year	18	**89,696**	**215,655**

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

1. General

REN Finance B.V. (referred to in this document as "the Company"), with its 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 its 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 Energéticas Nacionais, SGPS, S.A. (“REN SGPS”), 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.

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.

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 the Euro.

In the following paragraphs the Company has analyzed the effects of the new IFRS Standards. These are effective for annual periods beginning on or after 1 January 2020.

- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material – Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – Amendment to IFRS 16*

*Effective for annual periods beginning on or after 1 June 2020.

The following standards, interpretations, amendments and revisions have been endorsed by the EU with mandatory application for annual periods beginning on or after 1 January 2021.

New Accounting Standards

2.1. Definition of a Business – Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment does not have any impact on the Company's Financial Statements.

2.2. Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

• For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform. • For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

The amendments to IFRS 7

IFRS 7 Financial Instruments: Disclosures **includes the following additions:**

• How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform.
• Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs.
• If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. These amendments have no impact on the Company's Financial Statements.

2.3. Definition of Material – Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

These amendments have no impact on the Company's Financial Statements.

2.4. The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

2.5. Covid-19-Related Rent Concessions – Amendment to IFRS 16

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

As of this date, the Company has neither granted any rent concessions or was granted any rent concessions. As such, this amendment to IFRS 16 does not have any impact on these Financial Statements.

2.6. Other

The Company did not use any early adoption option of any of the below standards in these Financial Statements for the year ended 31 December 2020. Nevertheless, the future adoption of the following standards is not expected to have significant impacts on the Company's Financial Statements.

New and/or amended standards endorsed but not yet effective

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9, effective 1 January 2021
- Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IAS 39 Financial Instruments: Recognition and measurement, IFRS 4 Insurance contracts and IFRS 16 Leases- Interest Rate Benchmark Reform – Phase 2, effective 1 January 2021.

  These amendments, mandatory and effective from 1 January 2021, provide reliefs and practical expedients on issues that affect financial reporting when an existing interest rate benchmark is replaced with an RFR.

New and/or amended standards not yet endorsed

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, effective 1 January 2023
- Amendments to IAS 16 Property, plant and equipment – Proceeds before intended use, effective 1 January 2022
- Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – onerous contracts—cost of fulfilling a contract, effective 1 January 2022
- Amendments to IFRS 3 Business combinations – References to the conceptual framework, effective 1 January 2022
- IFRS 17 Insurance Contracts, effective 1 January 2023
- Annual Improvements Cycle - 2018-2020, effective 1 January 2022

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 the transaction date.

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.

3.2.1. Classification and measurement

IFRS 9 presents an 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.

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).

In accordance with IFRS 9, whenever the host contract is a financial asset within the scope of the standard, embedded derivative contracts are not separately accounted for at FVTPL, on the other hand, financial liabilities may be separately accounted. Instead, the hybrid financial instrument should be evaluated and classified as a single financial asset measured at fair value through profit or loss.

3.2.2. Impairment

3.2.2.1. General Approach

The Company recognizes Expected Credit Losses (ECL) on its financial assets as a loss allowance.

The impairment model is applied to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments.

In accordance with IFRS 9, losses will be measured on 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.

The determination of the required ECL depends on a contract's allocation to one of the three stages in the "Three stage model". At initial recognition, every contract is allocated to Stage 1 (except for Purchased or Originated Credit Impaired – POCI). For each of the following reporting dates, an assessment of the change in the risk of a default occurring over the expected life of the financial instrument is required for that contract.

A change in the risk of a default may result in a transfer from Stage 1 to Stage 2 or 3. As long as the risk of default of an instrument is low or did not increase significantly since initial recognition, it remains in Stage 1 with a 12-months ECL. Otherwise, if the instrument's current PD (Probability of default) compared with the PD at initial recognition increased significantly, the result would be a transfer into Stage 2 and recognition of the lifetime ECL. A transfer into Stage 3 is required when objective evidence for a credit loss appears.

If the criteria of significant increase in credit risk no longer applies, a transfer back to a "better" stage is possible.

According with IFRS 9, the information used for the compliance with the impairment requirements should be obtained without "undue cost or effort".

3.2.2.2. Determining whether credit risk has increased significantly since initial recognition (stage 2)

The credit risk on a financial instrument is considered low, and the financial instrument can be classified in stage 1, when the following requirements are met:

1. Financial instrument has a low risk of default;

2. The borrower has a strong capacity to meet its contractual cash flow obligations in the near term;

3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset shall be classified in stage 2 when the debt can no longer be considered as investment grade and it had a downgrade of more than 2 notches in any rating agency, or when it comes to the attention of the Management any of the events referred above.

All financial instruments of the Company are exposed to the credit risk of REN SGPS, which has an external rating of Baa3 by Moody's. This rating has been stable since the initial recognition. An external rating of 'investment grade' is an example of a financial instrument that meets the requirements to be considered low. Applying the practical expedient, the Company determines that the credit risk has not significantly increased since initial recognition.

3.2.2.3. Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A financial asset shall be classified in stage 3 when there is an event of default according with the rating agencies definition, or when one of the events referred above is verified.

3.2.2.4. Assessment of the Expected credit loss

REN Finance is a vehicle fully owned by REN SGPS, with the exclusive purpose of raising funds in the debt market to be subsequently transferred, in the form of Commercial Paper and Bonds to REN SGPS, providing the required liquidity to meet the Group investment needs. Therefore, merely as a funding instrument of the Group, REN Finance's exposure consist solely of its counterparty risk driven by the financial operations with REN SGPS, which, consecutively bears all other risks and exposures related to the same operations.

The credit risk of REN SGPS it was considered low and stable (investment grade), and, as such, considered to be in stage 1.

Management executed an impact analysis based on estimated Probabilities of Default and Loss Given Default for the considered exposures (considering REN's rating – Baa3 by Moody's). The calculation resulted in an immaterial impact and, as such, no credit allowance was recorded.

3.3. Financial assets

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

Financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company determines the classification and measurement of investments in financial assets at the time of initial recognition, in accordance with financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Investments in financial assets may be classified under the following categories:

- Financial assets at amortized cost – The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- Financial assets at fair value through other comprehensive income (equity instruments) - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- Financial assets at fair value through profit or loss - Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as non-current, except when: (i) the Company expects to realize or dispose of in the normal course of its operating cycle; (ii) holds the asset primarily for trading purposes; (iii) expects to realize the asset within twelve months after the reporting date; or (iv) the asset is cash or cash equivalent.

Purchases and sales of investments in financial assets are recognized on the transaction date – the date on which the Company commits itself to purchase or sell the asset.

Financial assets at amortized cost are classified as Long and Short-term loans to group companies and other receivables in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortized cost using the effective interest rate method, less any expected credit loss.

Financial assets are derecognized when the rights to receive cash flows from the investments expire or the rights has been transferred to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement. Also, financial assets are derecognized if the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.4. Financial liabilities

Financial liability is any liability that is:

- a contractual obligation:
- to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is
- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

IFRS 9 establishes the classification of financial liabilities in two categories:
i. Financial liabilities at fair value through profit and loss;
ii. Other financial liabilities.

Other financial liabilities includes "Borrowings (long-term and short-term)" and Trade and Other Payables ("Payables to Group Companies", "Interest receivable" and "Other liabilities and accrued expenses").

Trade and other payables are initially measured at fair value and subsequently at amortized cost, using the effective interest rate method.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost, the difference between the nominal value and the initial fair value being recognized in the statement of profit and loss over the term of the borrowing, using the effective interest rate method.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date, in which case they are classified as non-current liabilities.

Financial liabilities are derecognized when the related obligations are extinguished through payment, are cancelled or expire.

3.5. Other receivables

Other receivables in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

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 Flows

The statement of cash flow is prepared according to 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 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 payables are initially measured at fair value and subsequently at amortized cost, using the effective interest rate method.

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.

3.11. Interest Income and other income

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. Expense 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 tax is recognized using the liability method based on the statement of financial position considering the temporary differences between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred taxes are calculated using the tax rates in force or substantially enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used.

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

In the preparation of the accompanying Financial Statements, judgements 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 (Note 16 and17)
- estimate of the fair value of receivables and loans payable (Note 13,15,20 and 22)
- estimate of the created provisions (Note 11)

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.

4.1. 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 such context, despite the still current adverse economic context driven by the COVID-19 pandemic outbreak, it is believed that as the markets stabilize following this event, the present level of activities will either sustain or even improve in the foreseen future, so no significant changes in the long-term expectation of recovery of the Group's investments and financial holdings are expected. Furthermore, as the Company financial and operational activities are mainly driven by the Group activity, no further harming consequences from the pandemic outbreak are expected.

In result of this assessment, the Board concluded 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.

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 is 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 Euros. The currency risk exposure is therefore minimal.

5.2. Credit risk

The company's maximum exposure amounted to EUR 1,998,614,629 and relate to receivables from parent company. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparties, 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.

Credit risk is managed by the Company in accordance with the Group's policy (REN's current rating as attributed by Moody's, Fitch and S&P is Baa3, BBB and BBB, respectively), Loans are considered to be low credit risk investment and no changes have occurred. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

REN SGPS always makes funds available before the due date of every payment obligation or borrowing, to enable the REN Finance to meet all its obligations. As per 31 December 2020, there is no indication that the loans given to the REN SGPS 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.

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.

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 an arm´s length basis. 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.

A sensitivity analysis was made based on the Company's total interest income for the period until 31 December 2020 with the assumption that changes in market interest rates affect interest income and expense.

On these grounds, when applying these assumptions on a simulation for both a positive and negative variation of 0.25% in market interest rates for 2020, it was projected a profit before tax variation of EUR 1,895,000 (2019: EUR 487,500) in both directions, with no impact on the Company´s equity figures.

The sensitivity analysis is merely illustrative and does not represent an actual gain or loss, neither other real variations in the net profit nor in equity.

5.4. 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.

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 Management Board, 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.

5.5. 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.

31/Dec/20

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Borrowings				
European Commercial Paper	275,000,000	-	-	275,000,000
Bank borrowings	41,911,591	150,022,783	-	191,934,374
Bonds	27,375,000	1,140,250,000	315,750,000	1,483,375,000
Total	**344,286,591**	**1,290,272,783**	**315,750,000**	**1,950,309,374**
Payables to group companies	3,679,905	-	-	3,679,905
Total	**347,966,496**	**1,290,272,783**	**315,750,000**	**1,953,989,279**

31/Dec/19

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Borrowings				
European Commercial Paper	-	-	-	-
Bank borrowings	14,204,196	188,130,147	-	202,334,343
Bonds	307,848,363	649,875,000	833,500,000	1,791,223,363
Total	**322,052,559**	**838,005,147**	**833,500,000**	**1,993,557,706**
Payables to group companies	3,744,854	-	-	3,744,854
Total	**325,797,413**	**838,005,147**	**833,500,000**	**1,997,302,560**

6. Interest income

	2020	2019
	EUR	EUR
Interest on bonds subscribed	48,373,655	51,375,594
Interest on commercial paper subscribed	1,774,146	1,690,901
Interest on European Commercial Paper issued	178,892	-
Amortization of Fees	3,586,625	3,732,930
Total	**53,913,318**	**56,799,425**

Interest income is calculated using the effective interest rate method.

7. Interest expense

	2020	2019
	EUR	EUR
Interest on bank borrowings issued	2,195,431	2,245,653
Interest on bonds issued	37,437,658	40,070,613
Interest on commercial paper subscribed	55,306	-
Amortization of Fees	5,011,588	5,212,389
Total	**44,699,983**	**47,528,655**

8. Other income

	2020	2019
	EUR	EUR
Invoices recharged to REN SGPS	42,005	64,205
Upfront payment CIT discount	28,221	19,464
Total	**70,226**	**83,669**

9. Salaries, wages and taxes

	2020	2019
	EUR	EUR
Salary	58,935	48,308
Total	**58,935**	**48,308**

During 2020, the Company had one employee and hence incurred salaries and related social security charges. The Company did not pay any pension premium in 2019 and 2020.

10. General and administrative expenses

	2020	2019
	EUR	EUR
External suppliers:		
Office rent	15,809	14,186
Audit fees(*)	46,391	31,308
Tax advice fees	59,928	113,950
Law firm fees	238,743	185,035
Rating agency fees	161,000	157,500
Other fees and expenses	180,528	135,476
Invoices recharged by REN SGPS	211,744	259,507
Reversed VAT charge	92,839	142,030
Total	**1,006,982**	**1,038,992**

* Audit Fees	Deloitte Accountants B.V.	Ernst & Young Accountants LLP	Total
	EUR	EUR	EUR
2020			
Audit related engagements	-	12,826	12,826
Audit of the Financial Statements	-	33,565	33,565
Total	**-**	**46,391**	**46,391**
2019			
Other audit engagements	2,069	4,239	6,308
Audit of the Financial Statements	-	25,000	25,000
Total	**2,069**	**29,239**	**31,308**

11. Provisions

	31/Dec/20	31/Dec/19
	EUR	EUR
Provision for Tax Contingency	-	(1,006)
Total	**-**	**(1,006)**

In the year 2019, the company paid EUR 55,068 related to the tax concerning a VAT. The amount of EUR 1,006 is the difference between the amount paid and the provision.

12. Corporate income tax

	2020	2019
	EUR	EUR
Adjustments of CIT from previous periods	-	(5,568)
CIT of the year	2,075,625	2,084,917
Deferred income tax	11,514	11,483
Total	**2,087,139**	**2,090,832**

	2020	2019
	EUR	EUR
Profit before taxation	8,217,644	8,268,145
Fiscal lower result on depreciation deferred interest	(46,056)	(45,930)
Penalty correction	-	(4,471)
Non-deductible expenses	198,912	169,927
	8,370,500	**8,387,671**
CIT 16,5% for the first EUR 200,000 (2019: 19%)	33,000	38,000
CIT 25%	2,042,625	2,046,917
Total	**2,075,625**	**2,084,917**

31/Dec/20	**Expense**	**Deferred Tax (25%)**
	EUR	EUR
Assets - amortization deferred interest	645,724	161,431
Liabilities - amortization deferred interest	(599,668)	(149,917)
Total	**46,056**	**11,514**

31/Dec/19	**Expense**	**Deferred Tax (25%)**
	EUR	EUR
Assets - amortization deferred interest	643,959	160,990
Liabilities - amortization deferred interest	(598,029)	(149,507)
Total	**45,930**	**11,483**

The Company has concluded renewing an Advance Pricing Agreement (APA) with the Dutch Tax Authorities concerning the minimum margin required between the proceeds received from loans and the loans granted to REN SGPS. The new APA was signed on 19 September 2018. This agreement will remain valid until there is a relevant change either on the law or on the Company operation and both parties agree an amendment of the agreement in mutual consultation.

A taxable income for 2020 was calculated under the profit before taxation of the amount EUR, 16.5% corporate income tax has been calculated for the first EUR 200,000, and 25% income tax has been calculated for the remainder value, taking into account non-deductible expenses and income, which resulted in a charged CIT of EUR.

The Company understands that possible corrections to the tax returns resulting from tax reviews and/or inspections carried out by the tax authorities will not have a significant effect on the Financial Statements as of 31 December 2020 and 2019.

13. Long-term loans to group companies

	31/Dec/20 EUR	31/Dec/19 EUR
Bonds	1,490,603,302	1,527,195,869
Total	**1,490,603,302**	**1,527,195,869**

Bonds		
Movement during the financial year:		
Opening balance	**1,527,195,869**	**1,805,977,480**
Reclassification from long to short-term loans	(39,000,000)	(279,755,000)
Bonds subscribed	-	45,000,000
Bonds repaid	-	(45,000,000)
Movement capitalized deferred expenses	2,407,433	973,389
Closing balance	**1,490,603,302**	**1,527,195,869**

The interest rates on the loans to group companies, in long and short-term, are between 0.3% and 3.0% (31 December 2019: 0.9% and 5.3%) and the weighted average interest is 1.9% (2019: 2.7%).

During 2019, in the scope of the negotiation of a new EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China, the company repaid a EUR 35,000,000 then outstanding bond, and a new bond of EUR 35,000,000 was issued.

Also, during 2019, in the scope of the negotiation of a new EUR 250,000,000 revolving credit facility agreement with Bank of China, the company repaid a EUR 10,000,000 then outstanding bond, and a new bond of EUR 10,000,000 was issued.

REN Finance is a vehicle fully owned by REN SGPS, with the exclusive purpose of raising funds in the debt market to be subsequently transferred, in the form of Commercial Paper and Bonds to REN SGPS, providing the required liquidity to meet the Group investment needs. Therefore, merely as a funding instrument of the Group, REN Finance's exposure consist solely of its counterparty risk driven by the financial operations with REN SGPS, which, consecutively bears all other risks and exposures related to the same operations.

The credit risk of REN SGPS it was considered low and stable (investment grade), and, as such, considered to be in stage 1.

Management executed an impact analysis based on estimated Probabilities of Default and Loss Given Default for the considered exposures (considering REN's rating – Baa3 by Moody's). The calculation resulted in an immaterial impact and, as such, no credit allowance was recorded.

Fair Value

	31/Dec/20 EUR	31/Dec/19 EUR
Bonds	1,649,694,626	1,708,359,120
Total	**1,649,694,626**	**1,708,359,120**

The fair value of the subscribed Internal Bonds is calculated using their implied spreads. The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The fair value calculation assumes the credit risk to be covered by the parent company. There have been no change in the evaluation method since last year and are included in level 2 on the fair value hierarchy.

14. Deferred tax

	31/Dec/20	31/Dec/19
	EUR	EUR
Deferred income tax	27,852	39,365
Total	**27,852**	**39,365**

	31/Dec/20	31/Dec/19
	EUR	EUR
Deferred tax Movement during the financial year:		
Opening Balance	**39,365**	**50,848**
Effect from amortization of IFRS 9 adoption impact	(11,513)	(11,483)
Closing balance	**27,852**	**39,365**

The tax rate of 25% used in the valuation of taxable and deductible temporary differences as of 31 December 2020 has been updated, using an average rate against the future prospects of the taxable income of the recoverable company in the coming years.

15. Short-term loans to group companies

	31/Dec/20	31/Dec/19
	EUR	EUR
Short term bonds	39,000,000	279,755,000
Commercial paper	463,400,000	162,500,000
Total	**502,400,000**	**442,255,000**

Bonds Movement during the financial year:		
Opening balance	**279,755,000**	**-**
Bonds repaid	(279,755,000)	-
Reclassification from Long to Short-term bonds	39,000,000	279,755,000
Closing balance	**39,000,000**	**279,755,000**

Commercial paper Movement during the financial year:		
Opening balance	**162,500,000**	**301,500,000**
CP subscribed	1,001,100,000	513,400,000
CP repaid	(700,200,000)	(652,400,000)
Closing balance	**463,400,000**	**162,500,000**

The interest rates on the loans to group companies, in long and short-term, are between 0.3% and 3.0% (31 December 2019: 0.9% and 5.3%) and the weighted average interest is 1.9% (2019: 2.7%).

In May 2019, the Company received a EUR 70,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in June 2019.

In July 2019, the Company received a EUR 60,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in September 2019.

In October 2019, the Company received a EUR 100,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in December 2019.

In January 2020, the Company received a EUR 100,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in March 2019.

In April 2020, the Company received a EUR 20,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in the same month.

In June 2020, pursuant to the EUR 150,000,000 revolving credit facility agreement with China Development Bank, the company reimbursed EUR 6,000,000 of the amount principal underutilization.

In July 2020, the Company received a EUR 50,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in August 2020.

In September 2020, the Company received a EUR 100,000,000 loan from Société Générale. The proceeds were used to subscribe internal Commercial Paper issues by REN SGPS. Both the loan and the Commercial Paper issue were reimbursed in the same month.

Fair Value

	31/Dec/20	31/Dec/19
	EUR	EUR
Short term bonds	40,866,849	296,815,154
Commercial paper	464,967,867	163,905,707
Total	**505,834,716**	**460,720,861**

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.578% and -0.264% (maturities of one week and ten years, respectively).

16. Receivables from group companies

	31/Dec/20	31/Dec/19
	EUR	EUR
Interest receivable bonds	27,197,241	30,145,214
Interest receivable commercial paper	850,975	694,451
Interest payable commercial paper	9,927	-
Receivable fees	109,229	190,250
Receivable recharged invoices from REN SGPS	42,005	64,205
Total	**28,209,377**	**31,094,120**

17. Other receivables

	31/Dec/20	31/Dec/19
	EUR	EUR
Receivable Portuguese withholding tax	3,468,161	3,468,161
Other receivables	1,600	1,600
Total	**3,469,761**	**3,469,761**

Requests for refund the amount EUR 3,468,161 concerning the Portuguese tax withheld and paid in previous years were made with the Portuguese tax authorities in 2017. In the beginning of 2021, a formal response of the Tax Authorities was received. Concerning the amount withheld in 2013 of EUR 71,541, it was received a favorable decision to the refund in full of such amount, which was indeed liquidated in the following days.

With respect to the amount withhold in 2014 and 2015 exercises, it was received a favorable decision for the reimbursement of EUR 3,029,676, being rejected the refund of the remaining parcel of EUR 366,944. Nonetheless, given that it remains a belief of the management that such amount is due to REN Finance, a formal appeal was presented to the Tax Authorities, demanding the complete restitution of the taxes withheld in the periods.

18. Cash and cash equivalents

	31/Dec/20	31/Dec/19
	EUR	EUR
Current accounts EUR	89,696	215,655
Total	**89,696**	**215,655**

The funds maintained in the current account are freely available to the Company.

19. Shareholder´s Equity

The authorized share capital of the Company amounts to EUR 20,000 and is divided into 20,000 ordinary shares of EUR 1 each. Issued and paid in are 20,000 shares. During 2020, following the signature of European Commercial Paper EUR 600,000,000 agreement, the shareholder increased the share premium of the Company for a total amount of EUR 24,000,000.

According to the Advance Pricing Agreement (APA), 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. Following a share premium contribution of EUR 24,000,000 on 16 October 2020, the Company has a total amount of EUR 189,020,400 (2019: EUR 165,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 10.45% as of 31 December 2020 (31 December 2019: 11.68%)

During the Shareholders General Assembly meeting, held on 14 April 2020, the Shareholders approved the distribution EUR 5,500,000 as dividends of the net profit for the year 2019 amounting. The dividend was distributed to the Shareholders on 28 April 2020.

Management proposes to distribute the net profit for the year 2020 amounting to EUR 5,500,000 as dividends and the amounts of EUR 630,505 to the caption "Retained Earnings". This has not yet been reflected in 2020 statement of financial position.

20. Long-term borrowings

	31/Dec/20	31/Dec/19
	EUR	EUR
Bank borrowings	142,750,343	181,722,673
Bonds	1,343,336,349	1,339,531,620
Total	**1,486,086,692**	**1,521,254,293**

Bank borrowings Movement during the financial year	31/Dec/20	31/Dec/19
	EUR	EUR
Opening balance	**181,722,673**	**194,830,271**
Reclassification from long to short-term Borrowings	(39,000,000)	(12,000,000)
Loans received	-	45,000,000
Loans repaid	-	(45,000,000)
Movement capitalized deferred expenses	27,670	(1,107,598)
Closing balance	**142,750,343**	**181,722,673**

Bonds Movement during the financial year	31/Dec/20	31/Dec/19
	EUR	EUR
Opening balance	**1,339,531,620**	**1,603,726,175**
Reclassification from long to short-term bonds	-	(267,755,000)
Bonds redeemed	-	-
Movement capitalized deferred expenses	3,804,729	3,560,445
Closing balance	**1,343,336,349**	**1,339,531,620**

The interest rates charged on the borrowings from third parties are between 1.1% and 2.5% (31 December 2019: 1.1% and 4.8%) and the weighted average interest is 1.9% (2019: 2.3%).

During 2019, the Company negotiated a new EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China. This agreement resulted from a negotiation of the terms and conditions process with the part, allowing for a cost reduction and extended maturity until February 2024, to the detriment of the facility agreement effective until then, due in November 2020. As of 31st of December 2020 the amount outstanding under the negotiated facility agreement is EUR 35,000,000.

Also during 2019, the Company negotiated a new EUR 250,000,000 revolving facility agreement with Bank of China. This agreement resulted from a negotiation of the terms and conditions process with the part, allowing for a cost reduction and a reset of its original 5-year maturity, to the detriment of the facility agreement effective until then, due in June 2021. As of 31st of December 2020, the amount outstanding under the negotiated facility agreement is EUR 10,000,000.

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/20	31/Dec/19
	EUR	EUR
Bank borrowings	127,237,553	182,089,103
Bonds issued	1,488,293,268	1,484,901,656
Total	**1,615,530,821**	**1,666,990,759**

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.578% and -0.264% (maturities of one week and ten years, respectively).

21. Tax payable

	31/Dec/20	31/Dec/19
Tax Payable	EUR	EUR
Value Added tax	74,750	100,648
Wage Tax	-	1,963
Corporate Income Tax	399,142	924,839
Total	**473,892**	**1,027,450**

22. Short-term borrowings

	31/Dec/20	31/Dec/19
	EUR	EUR
Bank borrowings	39,000,000	12,000,000
European Commercial Paper	275,000,000	-
Bonds	-	267,755,000
Total	**314,000,000**	**279,755,000**

Bank borrowings

Movement during the financial year	31/Dec/20	31/Dec/19
	EUR	EUR
Opening balance	**12,000,000**	**150,000,000**
Reclassification from long to short-term borrowings	39,000,000	12,000,000
Loans received	330,000,000	230,000,000
Loans repaid	(342,000,000)	(380,000,000)
Closing balance	**39,000,000**	**12,000,000**

European Commercial Paper

Movement during the financial year	31/Dec/20	31/Dec/19
	EUR	EUR
Opening balance	**-**	**-**
European CP Issued	275,500,000	-
European CP repaid	(500,000)	-
Closing balance	**275,000,000**	**-**

Bonds

Movement during the financial year	31/Dec/20	31/Dec/19
	EUR	EUR
Opening balance	**267,755,000**	**-**
Reclassification from long to short-term bonds	-	267,755,000
Bonds redemption	(267,755,000)	-
Closing balance	**-**	**267,755,000**

Fair Value

	31/Dec/20	31/Dec/19
	EUR	EUR
Bank borrowings	40,328,535	13,680,893
European Commercial Paper	274,823,902	-
Bonds	-	281,087,364
Total	**315,152,437**	**294,768,257**

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.578% and -0.264% (maturities of one week and ten years, respectively).

23. Interest payable

	31/Dec/20	31/Dec/19
	EUR	EUR
Payable interest on bank borrowings	123,238	122,625
Payable interest on bonds	21,714,872	24,370,577
Interest receivable on European Commercial Paper Issued	32,108	-
Payable fees	109,229	190,250
Total	**21,979,447**	**24,683,452**

24. Payables to group companies

	31/Dec/20	31/Dec/19
	EUR	EUR
Payable withholding tax to REN SGPS	3,468,161	3,468,161
Payable recharged invoices by REN SGPS	211,744	276,693
Total	**3,679,905**	**3,744,854**

25. Other liabilities and accrued expenses

	31/Dec/20	31/Dec/19
	EUR	EUR
Tax advisor fees	28,587	25,255
Audit fees	26,500	25,000
Law firm fees	176,518	22,451
Other expenses	17,533	31,606
Total	**249,138**	**104,312**

26. 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.

27. 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, 15 and 16.

	Note	2020	2019
		EUR	EUR
Assets			
Long-term loans to group companies	13	1,490,603,302	1,527,195,869
Short-term loans to group companies	15	502,400,000	442,255,000
Receivables from group companies	16	28,209,377	31,094,120
Total		**2,021,212,679**	**2,000,544,989**
Liabilities			
Payables to Group Company	24	3,679,905	3,744,854
Total		**3,679,905**	**3,744,854**

		2020	2019
		EUR	EUR
Income Statement:			
Interest income	6	53,913,318	56,799,425
Other income	8	70,226	83,669
Invoices recharged by REN SGPS	10	(211,744)	(259,507)
Total		**53,771,800**	**56,623,587**

The above table shows all the amounts related to party relationship divided between captions included in the Financial Statements and captions included in the Statement of Comprehensive Income. All loans to group companies amounts in captions “Long-term loans to group companies” and “Short-term loans to group companies” are provided against an at arms’ length mark-up, refer to notes 13 and 15. The “Receivable from group companies” amount is related to interest and fees concerning the agreements with the parent company along with the amounts recharge to the Company, refer to note 16. The “Other receivables” relate mainly to the amount which the reimbursement has already been requested to the Portuguese tax, refer to note 17.

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

Intertrust (Netherlands) B.V. also provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged EUR 82,098 (2019: EUR 77,806) for administrative services.

The remuneration paid to the Directors was EUR 9,801 (2019: EUR 9,547). The Directors who receive remuneration from the parent company do not receive any remuneration from the Company for their directorship.

No other remunerations and benefits have been given to the key management.

28. Directors

The Board of Managing Directors which is also key management consists of:

- Mr. E.M. van Ankeren
- Mr. H.R.T. Kröner
- Mr. N.M. da Silva Alves do Rosário
- Mr. G.J. Figueira Morais Soares

29. Subsequent events

The COVID-19 pandemic has developed rapidly in 2020, with a significant and escalating number of cases globally. In the beginning of 2021, despite world economies continue to limp though the pandemic outbreak, improvement is expected later this year as more people get vaccinated and immunity levels are attained. Nonetheless, as this unmatched pandemic outbreak continues to spread throughout the world, the Group continues to keenly monitoring the situation and has activated all the necessary plans to hedge against the short-term consequences of the market retrenchments. Additionally, funding and re-financing of existing loans will take place, according to the investment needs of the Group. In this context, as the Company financial and operational activities stabilize mainly driven by the Group activity, no further threats are expected.

30. Approval of the Financial Statements

The Financial Statements were approved by the Board of Managing Directors on 5 March 2021.

Board of Managing Directors:

Mr. E.M. van Ankeren

Mr. N. M. da Silva Alves do Rosário

Mr. H.R.T. Kröner

Mr. G. J. Figueira Morais Soares

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, provided the approval of the Management Board is given, at the disposal of the shareholder.

Independent auditor's report

To: the shareholder and the board of managing directors of REN Finance B.V.

Report on the audit of the financial statements 2020 included in the annual accounts

Our opinion

We have audited the financial statements 2020 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 31 December 2020, and of its result and its cash flows for 2020 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:

- The statement of financial position as at 31 December 2020
- The following statements for 2020: the statements of comprehensive income, changes in equity and cash flows
- 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. (the Company) 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

Materiality	€10.1 million (2019: €10.0 million)
Benchmark applied	0.5% of total assets as at 31 December 2020
Explanation	We have applied total assets as we believe that the value of this benchmark is the most appropriate metric for the holders of the bonds and the commercial paper issued by the Company and other lenders.

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.

We agreed with the board of managing directors that misstatements in excess of €0.5 million, 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 judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of managing directors. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change.

This matter was 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 this matter.

Valuation of loans issued to the parent company	
Risk	The main activity of the Company is to operate as a financing company of its parent company, REN - Redes Energéticas Nacionais, SGPS S.A. (REN SGPS), raising funds from third party lenders through issuance of bonds and European commercial paper and bank borrowings. The Company is exposed to the risk that REN SGPS defaults on meeting its obligations. As loans to the parent company (Long-term and Short-term loans to group companies) represent the most significant portion of the Company's current and non-current assets, any impairment may have a material impact on the financial statements. As such we identified valuation of loans to the parent company as key audit matter. We refer to note "3.2.2. Impairment", of the financial statements, where the board of managing directors has disclosed the policies and procedures in respect of expected credit loss assessment on loans issued to the parent company. The board of managing directors concluded that the calculated impact of expected credit loss is not material as at 31 December 2020 and therefore decided not to recognize an allowance for expected credit losses in the financial statements, as disclosed in note "3.2.2.4".
Our audit approach	In our audit, we have applied mainly substantive audit procedures on the balances of loans to the parent company including the expected credit loss calculation. Amongst other procedures we have: ▸ Obtained an understanding of the process of estimation of expected credit losses on the loans to the parent company ▸ Reviewed key judgments and estimates made by the board of managing directors to calculate the expected credit loss ▸ Assessed the calculation of the expected credit loss ▸ Evaluated the appropriateness of the relevant disclosures made

Valuation of loans issued to the parent company	
	▶ Considered the impact of the COVID-19 pandemic and events subsequent to 31 December 2020 in our assessment of expected credit losses
Key observations	Based on procedures performed, we did not identify evidence of material misstatement in the valuation of loans issued to the parent company.

Report on other information included in the annual accounts

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

- The 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.

The board of managing directors 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 other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of REN Finance B.V. on 18 September 2018, as of the audit for the year 2018 and have operated as statutory auditor 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 for the financial statements

Responsibilities of the board of managing directors for the financial statements

The board of managing directors 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, the board of managing directors is responsible for such internal control as the board of managing directors 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, the board of managing directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of managing directors should prepare the financial statements using the going concern basis of accounting unless the board of managing directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of managing directors 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 engagement 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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 the board of managing directors
- Concluding on the appropriateness of the board of managing directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 a 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 the board of managing directors 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 identify 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 board of managing directors 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.

From the matters communicated with the board of managing directors, 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, 5 March 2021

Ernst & Young Accountants LLP

signed by P. Sira