

2021



# Annual Accounts 2021

REN FINANCE B.V.  
AMSTERDAM

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## Management Board's report

Management herewith presents to the shareholder the annual accounts of REN Finance B.V. (the "Company") for the year 2021.

### **General**

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 Energeticas Nacionais, SGPS, S.A., ("REN SGPS") set up in Lisbon, Portugal, which holds 100% of the Company's shares.

Both the Company and REN SGPS act as issuer under a EUR 5,000,000,000 Euro Medium Term Note Programme. More details about it can be found in the base prospectus dated 5 November 2020 available on the Group's website. As at 1 April 2021, it was further updated with a base prospectus supplement to be read in conjunction with the Base Prospectus.

The financial information of the Company is 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 ("Notes").

In April 2021, under the EUR 5,000,000,000 Euro Medium Term Note Programme, REN Finance issued a EUR 300,000,000 Green Bond due on 16 April 2029.

### **Results**

The net profit for the year ended 31 December 2021 amounts to EUR 5,752,081 (year ended 31 December 2020: EUR 6,130,505). The net profit 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 at 31 December 2021, current liabilities in the amount of EUR 123,089,240 (31 December 2020: EUR 340,382,382) are lower than current assets, which total EUR 318,093,930 (31 December 2020: EUR 534,168,834).

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 2021, 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 at 31 December 2021, 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 3,350,000,000.

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 (2020: EUR 189,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 10.54% as of 31 December 2021 (31 December 2020: 10.45%).

#### **Financial Instruments**

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2021 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 2021 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 1,860,000 for the 2021 exercise (2020: EUR 1,895,000).

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 2,008,180,557 (31 December 2020: EUR 2,021,212,679) 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 2021, 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**

The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties.

During 2021, variations on the initial COVID-19 virus were discovered and the indications are that this trend will continue into the future. The severity and effects of these mutations, as well as government reaction to any such outbreaks, is very dynamic and unpredictable. The prospect and level of any introduction of a lockdown, or the relaxing of any of its rules, changes almost on a daily basis. The calculation of economic indicators and predictions will inevitably lag behind events and some of the information available may not be completely up to date with developments. All economic data relevant to the Company, historic or prospective, has or will be significantly influenced by COVID-19 developments. The REN Group (the "Group") is actively monitoring this situation, has activated all the necessary plans and, although the situation remains unpredictable, the Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties.

With respect to the effects of climate change and its rising threats, the Group is committed to being an active agent for environmental protection, implementing reforesting policies, promoting environmental education, preserving biodiversity, defending the rational use of natural resources and the prevention of pollution, while also playing an active role in the prevention of climate change. The Group recognizes the existence of risks and opportunities for its activities relating to climate change. Physical risks such as the increase in the occurrence of extreme climatic events, the rise in sea level or snow falls in some areas, could lead to temporary failures in the continuity of some of its operational fields. In such cases, and bearing in mind that they are covered by insurance, relevant financial implications are not expected. 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. Furthermore, with regard to regulatory risks, REN is aware of the implications which changes to national and Community law could have on business. As such, through the different departments, the Company monitored legislative processes on climate change.

In terms of the current economic environment, despite the inflation in the euro zone hit a record high in January 2022 and the European Central Bank be under growing pressure to tighten monetary policy, 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 this unrestrained inflation by linking the Group pricing policy to its operational costs. 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 monetary policy uncertainty 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 International Financial Reporting Standards ("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 shareholder's 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. Kroner
- Mr. N.M. da Silva Alves do Rosario
- Mr. G.J. Figueira Morais Soares



Amsterdam,

Board of Managing Directors:

Mr. E.M. van Ankeren

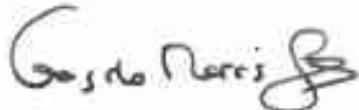
A handwritten signature in blue ink, appearing to read 'E.M. van Ankeren'.A handwritten signature in blue ink, appearing to read 'N. M. da Silva Alves do Rosario'.

Mr. N. M. da Silva Alves do Rosario

Mr. H.R.T. Kroner

A handwritten signature in blue ink, appearing to read 'H.R.T. Kroner'.

Mr. G. J. Figueira Morais Soares

A handwritten signature in blue ink, appearing to read 'G. J. Figueira Morais Soares'.

# Financial Statements

**Statement of comprehensive income for the years ending 31 December 2021 and 2020**

	Note	31/Dec/21	31/Dec/20
		EUR	EUR
Interest income	6	42,633,666	53,913,318
<b>Interest income net</b>		<b>42,633,666</b>	<b>53,913,318</b>
Interest expense	7	(33,734,384)	(44,699,983)
<b>Interest margin</b>		<b>8,899,282</b>	<b>9,213,335</b>
Other income	8	6,495	70,226
Salaries, wages and taxes	9	(116,813)	(58,935)
General and administrative expenses	10	(1,050,300)	(1,006,982)
<b>Profit before taxation</b>		<b>7,738,664</b>	<b>8,217,644</b>
Corporate Income tax	11	(1,986,583)	(2,087,139)
<b>Net Profit for the year</b>		<b>5,752,081</b>	<b>6,130,505</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>5,752,081</b>	<b>6,130,505</b>
<b>Profit attributable to owners of the Company</b>		<b>5,752,081</b>	<b>6,130,505</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>5,752,081</b>	<b>6,130,505</b>

**Statement of financial position as at 31 December 2021 and 31 December 2020**  
 (Before appropriation of current year's result)

	Note	31/Dec/21 EUR	31/Dec/20 EUR
<b>Assets</b>			
<b>Non-Current Assets</b>			
Long-term loans to group companies	12	1,690,722,931	1,490,603,302
Deferred tax	13	16,369	27,852
<b>Total Non-Current Assets</b>		<b>1,690,739,300</b>	<b>1,490,631,154</b>
<b>Current assets</b>			
Short-term loans to group companies	14	287,400,000	502,400,000
Receivables from group companies	15	30,057,626	28,209,377
Other receivables	16	333,541	3,469,761
Cash and cash equivalents	17	302,763	89,696
<b>Total Current Assets</b>		<b>318,093,930</b>	<b>534,168,834</b>
	<b>TOTAL ASSETS</b>	<b>2,008,833,230</b>	<b>2,024,799,988</b>
<b>Shareholder's Equity and Liabilities</b>			
<b>Shareholder's Equity</b>			
Share capital	18	20,000	20,000
Share premium	18	189,020,400	189,020,400
Retained Earnings	18	3,790,514	3,160,009
Profit for the year	18	5,752,081	6,130,505
<b>Total Shareholder's Equity</b>		<b>198,582,995</b>	<b>198,330,914</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	19	1,687,160,995	1,486,086,692
<b>Total Non-Current Liabilities</b>		<b>1,687,160,995</b>	<b>1,486,086,692</b>
<b>Current Liabilities</b>			
Tax payable	20	224,501	473,892
Short-term borrowings	21	99,000,000	314,000,000
Interest payable	22	22,998,125	21,979,447
Payables to group companies	23	818,657	3,679,905
Other liabilities and accrued expenses	24	47,957	249,138
<b>Total Current Liabilities</b>		<b>123,089,240</b>	<b>340,382,382</b>
	<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>2,008,833,230</b>	<b>2,024,799,988</b>

**Statement of changes in Equity for the years ended 31 December 2021 and 2020**

	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

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
01/Jan/21	20,000	189,020,400	3,160,009	6,130,505	198,330,914
Appropriation of profit	-	-	6,130,505	(6,130,505)	-
Profit for the year	-	-	-	5,752,081	5,752,081
Dividends	-	-	(5,500,000)	-	(5,500,000)
31/Dec/21	20,000	189,020,400	3,790,514	5,752,081	198,582,995

**Statement of cash flows for the years ended 31 December 2021 and 2020**

	Note	31/Dec/21	31/Dec/20
		EUR	EUR
<b>Cash flows from operating activities:</b>			
Interest received		39,437,620	53,150,250
Interest paid		(29,806,021)	(42,353,414)
Suppliers and Wages paid		(1,451,173)	(830,960)
Corporate Income Tax paid		(2,267,449)	(2,573,101)
Value Added Tax paid		(176,809)	(118,737)
Other tax payments/receipts		(20)	-
<b>Net cash generated by operating activities</b>		<b>5,736,148</b>	<b>7,274,038</b>
<b>Cash flows from investing activities:</b>			
Long-term loans provided to group companies	12	(300,000,000)	-
Short-term loans provided to group companies	14	(1,226,800,000)	(1,001,100,000)
Repayments short-term and long-term loans by group companies	12 and 14	1,540,800,000	979,955,000
Income from other fees received		2,793,344	1,260,212
<b>Net cash generated by / (used in) investing activities</b>		<b>16,793,344</b>	<b>(19,884,788)</b>
<b>Cash flows from financing activities:</b>			
Capital changes	18	-	24,000,000
Proceeds from issue of bonds and borrowings	19 and 21	1,130,000,000	605,500,000
Repayment loans of third parties	19 and 21	(1,144,000,000)	(610,255,000)
Expense from other fees paid		(2,816,425)	(1,260,209)
Dividends paid		(5,500,000)	(5,500,000)
<b>Net cash generated by / (used in) financing activities</b>		<b>(22,316,425)</b>	<b>12,484,791</b>
<b>Net change in cash and cash equivalents</b>		<b>213,067</b>	<b>(125,959)</b>
Foreign currency fluctuations		-	-
<b>Cash and cash equivalents at the beginning of the year</b>	17	<b>89,696</b>	<b>215,655</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>302,763</b>	<b>89,696</b>

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 Energeticas 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.

### **2. Accounting Framework for the preparation of the Financial Statements**

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("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.

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 2021.

- Interest Rate Benchmark Reform - Phase 2 - 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
- COVID-19-Related Rent Concessions - Amendment to IFRS 16\*
- Insurance Contracts: Deferral of IFRS 9 - Amendments to IFRS 4

*\*Effective for annual periods beginning on or after 1 June 2021.*

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. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 Phase 2

In the prior year, the Company adopted the Phase 1 amendments Interest Rate Benchmark Reform — Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments would enable the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Neither the Phase 1 nor the Phase 2 amendments are relevant to the company because it does not apply hedge accounting to its interest rate benchmark exposures.

The amendments are relevant for the following types of hedging relationships and financial instruments of the:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the GBP LIBOR risk component
- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank Borrowings
- Bills or exchange and lease liabilities which reference LIBORs and are subject to the interest rate benchmark Reform

As a result of the Phase 2 amendments:

These amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 do not have any impact on the Financial Statements.

### 2.2. 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, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

As of this date, the Company has neither granted any rent concessions nor was granted any rent concessions. As such, this amendment to IFRS 16 does not have any impact on these Financial Statements.

### **2.3. Insurance Contracts: Deferral of IFRS 9 - Amendments to IFRS 4**

These amendments are related to the previous insurance contracts Standard (IFRS 4), so that eligible insurers can still apply IFRS 9 - Financial Instruments alongside IFRS 17. The amendment provides some entities with a temporary exemption from application of IFRS 9 and gives all entities with insurance contracts the option, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (referred to as the "overlay approach").

The adoption of these amendments does not result in impacts on these Financial Statements.

### **2.4. 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 2021. 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 effective*

- 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
- Amendments to IFRS 9 Financial Instruments - Annual Improvements Cycle - 2018-2020: Fees in the '10 per cent' test for derecognition of financial liabilities, effective 1 January 2022
- IFRS 17 Insurance Contracts (including June 2020 amendments to IFRS 17), effective 1 January 2023

These amendments, mandatory and effective from 1 January 2022, clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

#### *New and/or amended standards either not yet endorsed or effective*

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, effective 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies, effective 1 January 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates, effective 1 January 2023
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective 1 January 2023
- IFRS 17 Insurance Contracts (Initial Application of IFRS 17 and IFRS 9 - Comparative Information), effective 1 January 2023

### **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 is 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 have 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. 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.

### **3.11. Expense recognition**

Expenses are recognized as incurred and are reported in the Financial Statements in the period to which they relate.

### **3.12. 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 15 and 16)
- estimate of the fair value of loans receivables and borrowings (Note 12, 14, 19 and 21)
- estimate of the created (tax) 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 2,008,180,557 (31 December 2020: EUR 2,021,212,679) 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 2021, 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 2021 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 2021, it was projected a profit before tax variation of EUR 1,860,000 (2020: EUR 1,895,000) 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/21

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
<b>Borrowings</b>				
Bank borrowings	100,572,295	48,028,913	-	148,601,208
Bonds	28,875,000	1,124,125,000	615,000,000	1,768,000,000
<b>Total</b>	<b>129,447,295</b>	<b>1,172,153,913</b>	<b>615,000,000</b>	<b>1,916,601,208</b>
<b>Payables to group companies</b>	<b>818,657</b>	-	-	<b>818,657</b>
<b>Total</b>	<b>130,265,952</b>	<b>1,172,153,913</b>	<b>615,000,000</b>	<b>1,917,419,865</b>

31/Dec/20

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
<b>Borrowings</b>				
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
<b>Total</b>	<b>344,286,591</b>	<b>1,290,272,783</b>	<b>315,750,000</b>	<b>1,950,309,374</b>
<b>Payables to group companies</b>	<b>3,679,905</b>	-	-	<b>3,679,905</b>
<b>Total</b>	<b>347,966,496</b>	<b>1,290,272,783</b>	<b>315,750,000</b>	<b>1,953,989,279</b>

## 6. Interest income

	2021	2020
	EUR	EUR
Interest on bonds subscribed	38,386,141	48,373,655
Interest on commercial paper subscribed	1,538,476	1,774,146
Interest on European Commercial Paper issued	796,072	178,892
Amortization of Fees	1,912,977	3,586,625
<b>Total</b>	<b>42,633,666</b>	<b>53,913,318</b>

Interest income is calculated using the effective interest rate method.

## 7. Interest expense

	2021	2020
	EUR	EUR
Interest on bank borrowings issued	1,964,589	2,195,431
Interest on bonds issued	28,438,895	37,437,658
Interest on commercial paper subscribed	346,252	55,306
Amortization of Fees	2,984,648	5,011,588
<b>Total</b>	<b>33,734,384</b>	<b>44,699,983</b>

Interest expense is calculated using the effective interest rate method.

## 8. Other income

	2021	2020
	EUR	EUR
Invoices recharged to REN SGPS	6,416	42,005
Upfront payment CIT discount	79	28,221
<b>Total</b>	<b>6,495</b>	<b>70,226</b>

## 9. Salaries, wages and taxes

	2021	2020
	EUR	EUR
Salary	69,160	42,053
Charges on remuneration (Wage taxes and Social Security charges)	46,346	15,397
Insurance	1,307	1,485
<b>Total</b>	<b>116,813</b>	<b>58,935</b>

During 2021, the Company had one employee and hence incurred salaries and related social security charges. The Company did not pay any pension premium in 2021 and 2020.

## 10. General and administrative expenses

	2021	2020
	EUR	EUR
<b>External suppliers:</b>		
Office rent	17,749	15,809
Audit fees(*)	32,065	46,391
Tax advice fees	74,038	59,928
Law firm fees	149	238,743
Rating agency fees	166,000	161,000
Other fees and expenses	267,835	180,528
Invoices recharged by REN SGPS	272,617	211,744
Reversed VAT charge	219,847	92,839
<b>Total</b>	<b>1,050,300</b>	<b>1,006,982</b>
 * Audit Fees		
	Ernst & Young Accountants LLP	Total
	EUR	EUR
<b>2021</b>		
Audit related engagements	-	-
Audit of the Financial Statements	32,065	32,065
<b>Total</b>	<b>32,065</b>	<b>32,065</b>
 <b>2020</b>		
Other audit engagements	12,826	12,826
Audit of the Financial Statements	33,565	33,565
<b>Total</b>	<b>46,391</b>	<b>46,391</b>

The Invoices recharged by REN SGPS include costs incurred by REN SGPS for the benefit of the Company, namely the hire of financial, accounting and legal services with regard to the debt issuance under the EMTN and bank facility agreements, including but not limited to the services of rating agencies and the services of accounting and law firms.

## 11. Corporate income tax

	2021	2020
	EUR	EUR
CIT of the year	1,975,100	2,075,625
Deferred income tax	11,483	11,514
<b>Total</b>	<b>1,986,583</b>	<b>2,087,139</b>

	2021	2020
	EUR	EUR
Profit before taxation	7,738,664	8,217,644
Fiscal lower result on depreciation deferred interest	(45,930)	(46,056)
Non-deductible expenses	305,667	198,912
	<b>7,998,401</b>	<b>8,370,500</b>
CIT 15% for the first EUR 245,000 (2020: 16.5% for the first EUR 200,000)	36,750	33,000
CIT 25%	1,938,350	2,042,625
<b>Total</b>	<b>1,975,100</b>	<b>2,075,625</b>

31/Dec/21	Expense	Deferred Tax (25%)
	EUR	EUR
Assets - amortization deferred interest	643,959	160,990
Liabilities - amortization deferred interest	(598,029)	(149,507)
<b>Total</b>	<b>45,930</b>	<b>11,483</b>

31/Dec/20	Expense	Deferred Tax (25%)
	EUR	EUR
Assets - amortization deferred interest	645,724	161,431
Liabilities - amortization deferred interest	(599,668)	(149,918)
<b>Total</b>	<b>46,056</b>	<b>11,513</b>

Since 19 September 2018, the Company has been committed with an APA with the Dutch Tax Authorities concerning the minimum margin required between the proceeds received from loans and the loans granted to REN SGPS. 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. Given that the current APA is due as at 31 December 2022, there are already discussions going on with the Tax Authorities concerning the update of the terms of the agreement.

A taxable income for 2021 was calculated under the profit before taxation of the amount EUR 7,738,664 (31 December 2020: EUR 8,217,644), 15% (31 December 2020: 16.5%) corporate income tax has been calculated for the first

EUR 245,000, 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 1,986,583 (31 December 2020: EUR 2,087,139).

The Company has concluded 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 2021 and 2020.

## 12. Long-term loans to group companies

	31/Dec/21	31/Dec/20
	EUR	EUR
Bonds	1,690,722,931	1,490,603,302
<b>Total</b>	<b>1,690,722,931</b>	<b>1,490,603,302</b>
<b>Bonds</b>		
Movement during the financial year:		
Opening balance	1,490,603,302	1,527,195,869
Reclassification from long to short-term loans	(99,000,000)	(39,000,000)
Bonds subscribed	300,000,000	-
Movement capitalized deferred expenses	(880,371)	2,407,433
<b>Closing balance</b>	<b>1,690,722,931</b>	<b>1,490,603,302</b>

The interest rates on the loans to group companies, in long and short-term, are between 0.7% and 3.0% (31 December 2020: 0.3% and 3.0%) and the weighted average interest is 2.0% (2020: 1.9%).

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 is 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/21	31/Dec/20
	EUR	EUR
Bonds	1,823,922,083	1,649,694,626
<b>Total</b>	<b>1,823,922,083</b>	<b>1,649,694,626</b>



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.

### 13. Deferred tax

	31/Dec/21 EUR	31/Dec/20 EUR
Deferred income tax	16,369	27,852
<b>Total</b>	<b>16,369</b>	<b>27,852</b>

	31/Dec/21 EUR	31/Dec/20 EUR
Deferred tax Movement during the financial year:		
Opening Balance	27,852	39,365
Effect from amortization of IFRS 9 adoption impact	(11,483)	(11,513)
<b>Closing balance</b>	<b>16,369</b>	<b>27,852</b>

A tax rate of 25% was used in the valuation of taxable and deductible temporary differences as at 31 December 2021 and 2020. The tax rate is an average rate against the future prospects of the taxable income of the recoverable company in the coming years.

### 14. Short-term loans to group companies

	31/Dec/21 EUR	31/Dec/20 EUR
Short term bonds	99,000,000	39,000,000
Commercial paper	188,400,000	463,400,000
<b>Total</b>	<b>287,400,000</b>	<b>502,400,000</b>

#### Bonds Movement during the financial year:

Opening balance	39,000,000	279,755,000
Bonds repaid	(39,000,000)	(279,755,000)
Reclassification from Long to Short-term bonds	99,000,000	39,000,000
<b>Closing balance</b>	<b>99,000,000</b>	<b>39,000,000</b>

**Commercial paper Movement during the financial year:**

Opening balance	463,400,000	162,500,000
CP subscribed	1,226,800,000	1,001,100,000
CP repaid	(1,501,800,000)	(700,200,000)
<b>Closing balance</b>	<b>188,400,000</b>	<b>463,400,000</b>

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 2020.

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/21	31/Dec/20
	EUR	EUR
Short term bonds	99,143,360	40,866,849
Commercial paper	189,603,721	464,967,867
<b>Total</b>	<b>288,747,081</b>	<b>505,834,716</b>

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 -0.574% and 0.3018% (maturities of one week and ten years, respectively).

**15. Receivables from group companies**

	31/Dec/21	31/Dec/20
	EUR	EUR
Interest receivable bonds	28,699,772	27,197,241
Interest receivable commercial paper	599,358	850,975
Interest payable commercial paper	-	9,927
Receivable fees	109,229	109,229
Receivable recharged invoices from REN SGPS	649,267	42,005
<b>Total</b>	<b>30,057,626</b>	<b>28,209,377</b>

**16. Other receivables**

	31/Dec/21	31/Dec/20
	EUR	EUR
Receivable Portuguese withholding tax	333,541	3,468,161
Other receivables	-	1,600
<b>Total</b>	<b>333,541</b>	<b>3,469,761</b>

Requests for refund of 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 received in May 2021.

With respect to the amount withheld in 2014 and 2015 exercises, it was received a favorable decision for the reimbursement of EUR 3,063,079, duly received in May 2021. For the remaining parcel of EUR 333,541 yet to be reimbursed to the Company, the discussion with Portuguese Tax Authorities is still going on, being expected a conclusion of the process in the course of 2022.

**17. Cash and cash equivalents**

	31/Dec/21	31/Dec/20
	EUR	EUR
Current accounts EUR	302,763	89,696
<b>Total</b>	<b>302,763</b>	<b>89,696</b>

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



## 18. 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 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 (2020: EUR 189,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 10.54% as of 31 December 2021 (31 December 2020: 10.45%).

During the Shareholders General Assembly meeting, held on 5 March 2021, the Shareholders approved the distribution EUR 5,500,000 as dividends of the net profit for the year 2020 amounting to EUR 6,103,505. The dividend was distributed to the Shareholders on 22 March 2021.

Management proposes to distribute the net profit for the year 2021 amounting to EUR 5,500,000 as dividends and the amounts of EUR 252,081 to the caption "Retained Earnings". This has not yet been reflected in 2021 statement of financial position.

## 19. Long-term borrowings

	31/Dec/21	31/Dec/20
	EUR	EUR
Bank borrowings	44,279,207	142,750,343
Bonds	1,642,881,788	1,343,336,349
<b>Total</b>	<b>1,687,160,995</b>	<b>1,486,086,692</b>

	31/Dec/21	31/Dec/20
	EUR	EUR
Bank borrowings		
Movement during the financial year	44,279,207	142,750,343
Opening balance	142,750,343	181,722,673
Reclassification from long to short-term Borrowings	(99,000,000)	(39,000,000)
Movement capitalized deferred expenses	528,864	27,670
<b>Closing balance</b>	<b>44,279,207</b>	<b>142,750,343</b>

	31/Dec/21	31/Dec/20
	EUR	EUR
Bonds		
Movement during the financial year	1,642,881,788	1,343,336,349
Opening balance	1,343,336,349	1,339,531,620
Bonds issued	300,000,000	-
Movement capitalized deferred expenses	(454,561)	3,804,729
<b>Closing balance</b>	<b>1,642,881,788</b>	<b>1,343,336,349</b>

The interest rates charged on the borrowings from third parties are between 0.5% and 2.5% (31 December 2020: 1.1% and 2.5%) and the weighted average interest is 1.7% (2020: 1.9%).

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/21	31/Dec/20
	EUR	EUR
Bank borrowings	46,020,344	127,237,553
Bonds issued	1,746,555,723	1,488,293,268
<b>Total</b>	<b>1,792,576,067</b>	<b>1,615,530,821</b>

The fair value is 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 -0.574% and 0.3018% (maturities of one week and ten years, respectively).

Every Company's bank borrowings operations are linked to EURIBOR so there is no impact from IBOR transition.

In December 2021, the revolving unsecured credit facility agreement between the Company and REN SGPS with SMBC Bank EU AG had its termination date extended to its seventh anniversary.

In April 2021, under the EUR 5,000,000,000 Euro Medium Term Note Programme, REN Finance issued a EUR 300,000,000 Green Bond due on 16 April 2029.

**20. Tax payable**

	31/Dec/21	31/Dec/20
	EUR	EUR
<b>Tax Payable</b>		
Value Added tax	117,787	74,750
Corporate Income Tax	106,714	399,142
<b>Total</b>	<b>224,501</b>	<b>473,892</b>

**21. Short-term borrowings**

	31/Dec/21	31/Dec/20
	EUR	EUR
Bank borrowings	99,000,000	39,000,000
European Commercial Paper		275,000,000
Bonds		
<b>Total</b>	<b>99,000,000</b>	<b>314,000,000</b>



**Bank borrowings**

Movement during the financial year	31/Dec/21	31/Dec/20
	EUR	EUR
Opening balance	39,000,000	12,000,000
Reclassification from long to short-term borrowings	99,000,000	39,000,000
Loans received	-	330,000,000
Loans repaid	(39,000,000)	(342,000,000)
<b>Closing balance</b>	<b>99,000,000</b>	<b>39,000,000</b>

**European Commercial Paper**

Movement during the financial year	31/Dec/21	31/Dec/20
	EUR	EUR
Opening balance	275,000,000	-
European CP Issued	830,000,000	275,500,000
European CP repaid	(1,105,000,000)	(500,000)
<b>Closing balance</b>	<b>-</b>	<b>275,000,000</b>

**Bonds**

Movement during the financial year	31/Dec/21	31/Dec/20
	EUR	EUR
Opening balance	-	267,755,000
Reclassification from long to short-term bonds	-	-
Bonds redemption	-	(267,755,000)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

The interest rates charged on the borrowings from third parties are between 0.5% and 2.5% (31 December 2020: 1.1% and 2.5%) and the weighted average interest is 1.7% (2020: 1.9%).

**Fair Value**

	31/Dec/21	31/Dec/20
	EUR	EUR
Bank borrowings	99,109,248	40,328,535
European Commercial Paper	-	274,823,902
Bonds	-	-
<b>Total</b>	<b>99,109,248</b>	<b>315,152,437</b>

The fair value is 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 -0.574% and 0.3018% (maturities of one week and ten years, respectively).

**22. Interest payable**

	31/Dec/21	31/Dec/20
	EUR	EUR
Payable interest on bank borrowings	110,129	123,238
Payable interest on bonds	22,778,767	21,714,872
Interest receivable on European Commercial Paper Issued	-	32,108
Payable fees	109,229	109,229
<b>Total</b>	<b>22,998,125</b>	<b>21,979,447</b>

**23. Payables to group companies**

	31/Dec/21	31/Dec/20
	EUR	EUR
Payable withholding tax to REN SGPS	333,541	3,468,161
Payable recharged invoices by REN SGPS	485,116	211,744
<b>Total</b>	<b>818,657</b>	<b>3,679,905</b>

**24. Other liabilities and accrued expenses**

	31/Dec/21	31/Dec/20
	EUR	EUR
Tax advisor fees	11,448	28,587
Audit fees	26,500	26,500
Law firm fees	-	176,518
Other expenses	10,009	17,533
<b>Total</b>	<b>47,957</b>	<b>249,138</b>

**25. Contingent liabilities**

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.

## 26. 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, 7, 8, 10, 12, 14, 15 and 23.

	Note	2021 EUR	2020 EUR
<b>Assets</b>			
Long-term loans to group companies	12	1,690,722,931	1,490,603,302
Short-term loans to group companies	14	287,400,000	502,400,000
Receivables from group companies	15	30,057,626	28,209,377
<b>Total</b>		<b><u>2,008,180,557</u></b>	<b><u>2,021,212,679</u></b>
<b>Liabilities</b>			
Payables to Group Company	23	818,657	3,679,905
<b>Total</b>		<b><u>818,657</u></b>	<b><u>3,679,905</u></b>
		2021 EUR	2020 EUR
<b>Income Statement:</b>			
Interest income	6	41,837,594	53,734,426
Interest expense	7	(346,252)	(55,306)
Other income	8	6,416	42,005
Invoices recharged by REN SGPS	10	(272,617)	(211,744)
<b>Total</b>		<b><u>41,225,141</u></b>	<b><u>53,509,381</u></b>

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 12 and 14. 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 15. The "Other receivables" relate mainly to the amount which the reimbursement has already been requested to the Portuguese tax, refer to note 16.

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 129,614 (2020: EUR 82,098) for administrative services.

The remuneration paid to the Directors was EUR 9,928 (2020: EUR 9,801). 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.

## **27. 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 Rosario
- Mr. G.J. Figueira Morais Soares

## **28. Subsequent events**

On 24 February 2022, Russia carried out a large-scale military invasion of Ukraine, which led to a worsening general climate of global uncertainty with negative effects on the outlook for the evolution of the world economy and financial markets.

The Group is actively monitoring this situation, as well as the pandemic caused by the COVID-19 virus, has activated all the necessary plans and, despite the situation being 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, once again, that the Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts are regulated, which to a certain extent minimizes the possible impacts of the Russian invasion of Ukraine as well as the pandemic.

## **29. Approval of the Financial Statements**

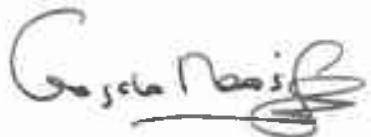
The Financial Statements were approved by the Board of Managing Directors on 15 March 2022.

Board of Managing Directors:

Mr. E.M. van Ankeren

A blue ink signature in a cursive style, appearing to read 'E.M. van Ankeren'.

Mr. G. J. Figueira Morais Soares

A blue ink signature in a cursive style, appearing to read 'G. J. Figueira Morais Soares'.

Mr. H.R.T. Kroner

A blue ink signature in a cursive style, appearing to read 'H.R.T. Kroner'.

Mr. N. M. da Silva Alves do Rosario

A blue ink signature in a cursive style, appearing to read 'N. M. da Silva Alves do Rosario'.

**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 14.1 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 2021 included in the annual accounts

### Our opinion

We have audited the financial statements 2021 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 2021 and of its result and its cash flows for 2021 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 2021
- The following statements for 2021: 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.

### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### Our understanding of the business

REN Finance B.V. is incorporated as a wholly-owned subsidiary of REN – Redes Energéticas Nacionais, SGPS, S.A. (REN SGPS) to assist REN SGPS in raising funds and on-lending money to companies within the group. REN SGPS' main activities are the transmission of electricity, transmission and storage of natural gas and LNG and other related activities in Portugal. The main income of REN Finance B.V. is the interest income on the loans to REN SGPS. There are no changes in the company or its environment compared to the previous reporting period.

We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### Materiality

Materiality	€10.0 million (2020: €10.1 million)
Benchmark applied	0.5% of total assets
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and repayments to the holders of the bonds and the commercial paper issued by the company and other lenders. We determined materiality consistent with prior financial year.

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.

### Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a finance company. We made use of specialists in the areas of income taxes including transfer pricing.

### Our focus on fraud and non-compliance with laws and regulations

#### Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

#### Our audit response related to fraud risks

We identify and assess the risks of material misstatements of the financial statements due to fraud.

During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of managing directors' process for responding to the risks of fraud and monitoring the system of internal control, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. We have used data analysis to identify and address high-risk journal entries. We have also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates, including the measurement of expected credit losses, as disclosed in Note 4. "Significant accounting judgments and estimates and key sources of estimation uncertainty" to the financial statements.

We considered available information and made enquiries of relevant members of the board of managing directors as well as the group auditor of REN SGPS.

The consideration of the potential risk of management override of controls or other inappropriate influence over the financial reporting process, enquiries and assessment of other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

#### Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected (internal) lawyers' letters and have been informed by the management that there was no correspondence with regulatory authorities, enquired with the group auditor of REN SGPS and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### Our audit response related to going concern

As disclosed in note 4.1. Going concern evaluation to the financial statements, the board of managing directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated the specific assessment with the board of managing directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of managing directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial position of REN SGPS in cooperation with the group auditor. 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.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. 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.

#### Our key audit matter

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, the nature of our key audit matter did not change.

#### Valuation of loans issued to the parent company

<b>Risk</b>	<p>The company is exposed to the risk that its parent company, 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.</p> <p>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 the 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 2021 and therefore decided not to recognize an allowance for expected credit losses in the financial statements, as disclosed in note "3.2.2.4 Assessment of the Expected credit loss".</p>
<b>Our audit approach</b>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with of IFRS 9 "Financial Instruments", and the low credit risk simplification of paragraph 5.5.10 in particular.</p>

Valuation of loans issued to the parent company	
	<p>We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of internal controls of the processes underlying the estimation process as relevant to our audit of the financial statements and considered the risks related to management override of controls, including management bias that may represent a risk of material misstatement due to fraud.</p> <p>Furthermore, we verified that the board of managing directors appropriately measured the loss allowance at an amount equal to 12-month expected credit losses, instead of the lifetime expected credit losses, taking into consideration the external credit rating of REN SGPS and events subsequent to 31 December 2021. We tested mathematical accuracy of the expected credit losses provision calculations and, using independent EY statistics, we challenged key assumptions in the model, i.e. the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions. We challenged whether the board of managing directors' conclusion that the calculated expected credit losses are immaterial is appropriate in the circumstances and evaluated the related disclosure.</p>
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

The annual accounts contain other information in addition to the financial statements and our auditor's report thereon.

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 for the management report and the other 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 report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information 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 ever since that financial year.

### No prohibited non-audit services

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

## Description of responsibilities regarding the financial statements

### Responsibilities of 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. The "Information in support of our opinion" section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- 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
- 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

#### Communication

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 of REN SGPS and the board of managing directors 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, 15 March 2022

Ernst & Young Accountants LLP

signed by P. Sira