2019

Annual Accounts 2019

REN FINANCE B.V.

AMSTERDAM

Index

Management Board´s report

Management herewith presents to the shareholder the annual accounts of REN Finance B.V. for the year 2019.

General

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

The objects of the Company are:

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

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

Both the Company and REN SGPS act as issuer under a EUR 5,000,000,000 Euro Medium Term Programme ("the Programme"). More details about the Programme can be found in the base prospectus dated 29 October 2019 available on the Group´s website.

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

Overview of activities

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

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

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

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

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

In January 2018, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with Intesa SanPaolo. The proceeds were used to subscribe internal Commercial Paper issued by REN SGPS. The Commercial Paper was redeemed by REN SGPS and the EUR 150,000,000 was repaid to Intesa Sanpaolo in January 2019.

Results

The net profit for the year 2019 amounts to EUR 6,177,313 (2018: EUR 6,643,288). The net income is the result of the margin between the interest income and interest expense and the incurring of costs like fees.

During the year of 2019 operating activities generated EUR 7,189,772 (2018: EUR 7,226,784) in cash flows while investing activities generated an inflow of EUR 142,747,677 (2018 an outflow: EUR 155,683,646). However financing activities generated an outflow of EUR 149,991,793 (2018 an inflow: EUR 148,016,521), which resulted in a net cash flow negative of EUR 54,344 (2018: negative EUR 440,341) in cash and cash equivalents.

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. As a 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

Financial Instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2019 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.

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.

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

Market Risk

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2019 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a counterparty which mitigates the risk.

Using these assumptions a 0.25% negative variation in market interest rates would result in a profit before tax variation of EUR 487,500 for the year 2019.

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.

Credit Risk

Financial instruments, which potentially expose the Company to credit risk, amount to EUR 2,000,544,989 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 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 the REN Finance to meet all its obligations. As per 31 December 2019, 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, 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

Despite the already expected devastating consequents of the recent COVID-19 pandemic outbreak, not only on Portuguese and European economies, but also with no exception across every world economies, we consider that is yet too soon to assess with any degree of accuracy the real impact of this unprecedented event. Undoubtedly, REN Group is aware of and permanently assessing the ultimate impact of COVID-19 pandemic on its markets and operations. Nonetheless, as this unmatched pandemic outbreak continues to spread at a rocketing rate throughout the world, it has becoming impossible to quantify the magnitude of its impacts as sufficient grounds for the definition of a response strategy and risk mitigating actions.

For the time being, as global economies are taking a big hit, it is our belief that REN Group's sustainable and consistent growth in the past years have empowered us with a robust operational structure and the enough financial tools to buffer the short term waves of the market retrenchments of such unmatched event. Based on the above, as of this date, we do not expect any significant impact on the 2019 and 2020 financial statements of REN Finance.

Despite the current adverse economic context driven by the COVID-19 pandemic outbreak, management is of the opinion that, as the markets stabilize following this event, the present level of activities will be restored in the foreseen future.

In this context, funding and re-financing of existing loans will take place, according to the investment needs of the Group.

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

Compliance

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

Control System & Management Board

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

The shareholders' meetings are attended by the Board of Managing Directors and all decisions are taken unanimously. On 16 July 2019, Mr. Gerrit Jan Huizing resigned from the Management Board and Mr. Henri Ralph Theodoor Kröner was appointed as member of the Management Board. The Management Board is composed by:

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

Diversity

With effect from 1 January 2013, the Management and Supervision Act came into force, which means that certain major companies must aim for a balanced distribution between men and women with respect to the number of seats on the Management Board. During 2019, the Management consisted of four men. In the future, the Company will try to realize a balanced distribution.

Amsterdam,

Board of Managing Directors:

Mr. E. van Ankeren

Mr. N. M. da Silva Alves do Rosário

Mr. H.R.T. Kröner

Mr. G. J. Figueira Morais Soares

Financial Statements

Statement of comprehensive income for the years ended 31 December 2019 and 2018

	Note	2019	2018
		EUR	EUR
Interest income	6	56,799,425	57,415,492
Interest income net		**56,799,425**	**57,415,492**
Interest expense	7	(47,528,655)	(47,288,568)
Interest margin		**9,270,770**	**10,126,924**
Other income	8	83,669	463,846
Salaries, wages and taxes	9	(48,308)	(57,605)
General and administrative expenses	10	(1,038,992)	(1,512,860)
Provisions (charge) / release	11	1,006	(56,074)
Profit before taxation		**8,268,145**	**8,964,231**
Corporate Income tax	12	(2,090,832)	(2,320,943)
Net Profit for the year		**6,177,313**	**6,643,288**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the year		**6,177,313**	**6,643,288**
Profit attributable to owners of the Company		**6,177,313**	**6,643,288**
Total comprehensive income attributable to owners of the Company		**6,177,313**	**6,643,288**

Statement of financial position as at 31 December 2019 and 2018
(Before appropriation of current year's result)

	Note	31/Dec/19	31/Dec/18
		EUR	EUR
Assets			
Non-Current Assets			
Long-term loans to group companies	13	1,527,195,869	1,805,977,480
Deferred tax	14	39,365	50,848
Total Non-Current Assets		**1,527,235,234**	**1,806,028,328**
Current assets			
Short-term loans to group companies	15	442,255,000	301,500,000
Receivables from group companies	16	31,094,120	32,610,167
Other receivables	17	3,469,761	3,469,660
Cash and cash equivalents	18	215,655	269,998
Total Current Assets		**477,034,536**	**337,849,825**
TOTAL ASSETS		**2,004,269,770**	**2,143,878,153**
Shareholder's Equity and Liabilities			
Shareholder´s Equity			
Share capital	19	20,000	20,000
Share premium	19	165,020,400	157,020,400
Retained Earnings	19	2,482,696	839,408
Profit for the year	19	6,177,313	6,643,288
Total Shareholder´s Equity		**173,700,409**	**164,523,096**
Non-Current Liabilities			
Long-term borrowings	20	1,521,254,293	1,798,556,444
Provisions	21	-	56,074
Total Non-Current Liabilities		**1,521,254,293**	**1,798,612,518**
Current Liabilities			
Tax payable	22	1,027,450	2,096,909
Short-term borrowings	23	279,755,000	150,000,000
Accrued interest	24	24,683,452	24,599,187
Payables to group companies	25	3,744,854	3,792,541
Other liabilities and accrued expenses	26	104,312	253,902
Total Current Liabilities		**309,315,068**	**180,742,539**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**2,004,269,770**	**2,143,878,153**

Statement of changes in Equity for the years ended 31 December 2019 and 2018

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
1-Jan-18	20,000	163,452,400	839,408	4,493,104	**168,804,912**
Capital changes	-	(6,432,000)	-	-	**(6,432,000)**
Appropriation of profit	-	-	4,493,104	(4,493,104)	**-**
Profit for the year	-	-	-	6,643,288	**6,643,288**
Dividends	-	-	(4,493,104)	-	**(4,493,104)**
31-Dec-18	**20,000**	**157,020,400**	**839,408**	**6,643,288**	**164,523,096**

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

Statement of cash flows for the years ended 31 December 2019 and 2018

	Note	31/Dec/19	31/Dec/18
		EUR	EUR
Cash flows from operating activities:			
Interest received		53,678,076	47,199,063
Interest paid		(42,351,293)	(37,571,351)
Suppliers and Wages paid		(34,930)	(1,154,683)
Corporate Income Tax paid		(2,624,336)	(1,184,102)
Value Added Tax paid		(721,859)	(62,143)
Net cash generated by operating activities		**7,945,658**	**7,226,784**
Cash flows from investing activities:			
Long-term loans provided to group companies	13	(45,000,000)	(300,000,000)
Short-term loans provided to group companies	15	(513,400,000)	(450,900,000)
Repayments short-term and long-term loans by group companies	13 and 15	697,400,000	593,900,000
Income from other fees received		2,640,249	1,316,354
Net cash generated by / (used in) investing activities		**141,640,249**	**(155,683,646)**
Cash flows from financing activities:			
Capital changes	19	8,000,000	(6,432,000)
Proceeds from issue of bonds and borrowings	20 and 23	275,000,000	450,000,000
Repayment loans of third parties	20 and 23	(425,000,000)	(287,400,000)
Expense from other fees paid		(2,640,250)	(3,658,375)
Dividends paid		(5,000,000)	(4,493,104)
Net cash generated by / (used in) financing activities		**(149,640,250)**	**148,016,521**
Net change in cash and cash equivalents		**(54,343)**	**(440,341)**
Foreign currency fluctuations		-	-
Cash and cash equivalents at the beginning of the year	18	269,998	710,339
Cash and cash equivalents at the end of the year	18	**215,655**	**269,998**

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

Notes to the Financial Statements

1. General

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

The objects of the Company are:

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

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

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

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

2. Accounting Framework for the preparation of the Financial Statements

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

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

In the following paragraphs the Company has analyzed the possible effects of the new IFRS Standards. These are effective for annual periods beginning on or after January 1, 2019.

- Amendment to IFRS 9 - Prepayment Features with Negative Compensation
- IFRS 16 - Leases
- IFRIC 23 - Uncertainty Over Income Tax Treatments
- Amendment to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS (2015-2017 cycle)
- Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement

The following standards, interpretations, amendments and revisions have been endorsed by the EU with mandatory application for annual periods beginning on or after January 1, 2020. The Company did not use any early adoption option of any of these standards in these Financial Statements for the year ended 31 December 2019:

- Amendments to references to the conceptual framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

New Accounting Standards

2.1. Amendment to IFRS 9 Prepayment Features with Negative Compensation

This amendment covers what financial assets may be measured at amortized cost and how to account for the modification of a financial liability. Companies are enabled by this amendment to measure at amortized cost some pre-payable financial assets with negative compensation. Furthermore, the amendment confirms that most modifications of financial liabilities will result in immediate recognition. This amendment does not have any impact on the Company's Financial Statements.

2.2. IFRS 16 Leases

This standard replaces IAS 17 – Leases and the associated interpretations, with impact on the accounting performed by lessees, who are obliged to recognize for lease contracts a lease liability corresponding to future lease payments and, respectively, an asset related with the "right of use". This standard does not have any impact on the Company's Financial Statements. The standard provides for two exemptions of recognition for tenants - lease contracts where assets have low value and short-term lease contracts (i.e. contracts with a duration of 12 months or less). It should be noted that this standard is not applicable to the assets assigned to the concession contract ("IFRIC 12 – Service Concession Arrangements").

In this context, REN Finance has two rental agreements outstanding related to the office and the accommodation of its sole employee, which were assessed to be short term rentals and, therefore, outside the scope of the new accounting standard.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.3. IFRIC 23 Uncertainty Over Income Tax Treatments

This standard is developed to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. IFRIC 23 does not have any impact on the Company's Financial Statements.

2.4. Amendment to IAS 28 Long-term Interests in Associates and Joint Ventures

In this amendment the IASB clarified that the exclusion of interests in associates and joint ventures in IFRS 9 applies only to interests a company accounts for using the equity method. The amendment has no impact on the Financial Statements of the Company.

2.5. Annual improvements to IFRS (2015-2017 cycle)

The changes introduced in the 2015-2017 cycle focused on the revision of: (i) IAS 23 - Borrowing Costs (clarifies the computation of the average interest rate); (ii) IAS 12 - Income Tax (establishes that the tax impact of the dividends distribution should be accounted for when the account payable is recorded); and (iii) IFRS 3 and IFRS 11 (clarifies that when obtaining control of a joint venture the financial interest should be accounted for at fair value). The adoption of this amendment did not result in any impacts on financial statements.

2.6. Amendment to IAS 19 Plan Amendment, Curtailment or Settlement

If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment has no impact on the Financial Statements of the Company.

2.7. Other

The future adoption of the following standards is not expected to have significant impacts on the Company’s Financial Statements:

- **Amendments to references to the conceptual framework in IFRS Standards**
  The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- **Amendments to IAS 1 and IAS 8 – Definition of Material**
  The changes in Definition of Material all relate to a revised definition of 'material' which is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**
  These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

  On the assets side, the Company’s IBOR exposure amounted to EUR 195,000,000, related to subscribed bonds from parent company, namely to 6-months-Euribor and 3-months-Euribor in the amounts of EUR 150,000,000 and EUR 45,000,000, respectively. Parallel to these operations, the Company carries an equal exposure on the liabilities side, driven by the loans operations outstanding, namely to 6-months-Euribor and 3-months-Euribor in the amounts of EUR 150,000,000 and EUR 45,000,000, respectively.

Standards and interpretations, amended or revised, not endorsed by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future years, have not, until the date of preparation of these financial statements, been endorsed by the European Union:

Standard	Applicable for financial years beginning	Resume
IFRS 17 - Insurance Contracts	01/jan/21	This standard is intended to replace IFRS 4 and requires that all insurance contracts to be accounted for consistently.
Amendment to IFRS 3 - Business Combinations	01/jan/20	These amendments: (i) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (ii) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (iii) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01/jan/22	These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.

These standards and interpretations were not yet endorsed by the European Union and consequently the Company has not adopted them on the 31 December 2019 financial statements and the Company does not expect any impacts on the Financial Statements

3. Main Accounting Policies

3.1. Basis of Preparation

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

3.2. Financial Instruments

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

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

3.2.1. Classification and measurement

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

IFRS 9 determines three main categories to classify financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit (FVTPL).

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

3.2.2. Impairment

3.2.2.1. General Approach

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

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

In accordance with IFRS 9, losses will be measured on one of the following bases:

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

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

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

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

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

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

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

1. Financial instrument has a low risk of default;

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

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

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

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

3.2.2.3. Credit-impaired financial asset

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

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

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

3.2.2.4. Assessment of the Expected credit loss

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

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

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

3.3. Financial assets

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

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

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

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

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

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

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

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

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

3.4. Financial liabilities

Financial liability is any liability that is:

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

IFRS 9 establishes the classification of financial liabilities in two categories:

i. Financial liabilities at fair value through profit and loss;
ii. Other financial liabilities.

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

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

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

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

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

3.5. Other receivables

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

3.6. Cash and cash equivalents

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

3.7. Statement of Cash Flows

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

3.8. Loans and Borrowings

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

3.9. Liabilities and other payables

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

3.10. Provisions

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

3.11. Interest Income and other income

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

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

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

3.12. Expense recognition

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

3.13. Corporate income tax

Corporate income tax is calculated at the applicable rate based on income reported in these Financial Statements, taking into account permanent differences between profit calculated according to the statement of comprehensive income and profit calculated for taxation purposes.

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

3.14. Accounting estimates and judgements

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

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

In the preparation of the accompanying Financial Statements, 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
- estimate of the fair value of receivables and loans payable
- estimate of the created provisions

4.1. Going concern evaluation

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In result of this assessment, the Board 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 Euro s. The currency risk exposure is therefore minimal.

5.2. Credit risk

The company's maximum exposure amounted to EUR 2,000,544,989 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 2019, 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.

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

A sensitivity analysis was made based on the Company's total interest income for the period until 31 December 2019 with the assumption that changes in market interest rates affect interest income.

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

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

5.4. Liquidity risk management

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

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

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

5.5. Liquidity and interest risk tables

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

31 December 2019	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Bank borrowings	14,204,196	188,130,147	-	202,334,343
Bonds	307,848,363	649,875,000	833,500,000	1,791,223,363
Total	**322,052,559**	**838,005,147**	**833,500,000**	**1,993,557,706**
Trade and other payables	3,744,854	-	-	3,744,854
Total	**325,797,413**	**838,005,147**	**833,500,000**	**1,997,302,560**

31 December 2018

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Bank borrowings	152,315,000	52,246,014	151,505,342	356,066,356
Bonds	40,093,363	931,769,589	835,328,767	1,807,191,719
Total	**192,408,363**	**984,015,603**	**986,834,109**	**2,163,258,075**
Trade and other payables	3,792,541	-	-	3,792,541
Total	**196,200,904**	**984,015,603**	**986,834,109**	**2,167,050,616**

6. Interest income

	2019	2018
	EUR	EUR
Other interest	-	19,801
Interest on bonds	51,375,594	51,272,503
Interest on commercial paper	1,690,901	2,694,022
Amortization of Fees	3,732,930	3,429,166
Total	**56,799,425**	**57,415,492**

Interest income is calculated using the effective interest rate method.

7. Interest expense

	2019	2018
	EUR	EUR
Interest on bank borrowings	2,245,653	2,489,655
Interest on bonds issued	40,070,613	39,848,842
Amortization of Fees	5,212,389	4,950,071
Total	**47,528,655**	**47,288,568**

8. Other income

	2019	2018
	EUR	EUR
Invoices recharged to REN SGPS	83,669	463,846
Total	**83,669**	**463,846**

9. Salaries, wages and taxes

	2019	2018
	EUR	EUR
Salary	48,308	57,605
Total	**48,308**	**57,605**

During 2018, the Company had one employee and hence incurred salaries and related social security charges. During 2019, the Company had one employee until 31 July 2019 and between that period until 2 December 2019, there were no costs related to salaries, wages and taxes. Starting 2 December 2019 until the end of the reporting period, the Company had one employee and hence incurred salaries and related social security charges. The Company did not pay any pension premium in 2019 and 2018.

10. General and administrative expenses

	2019	2018
	EUR	EUR
External suppliers:		
Office rent	14,186	13,946
Audit fees(*)	31,308	24,680
Tax advice fees	113,950	176,519
Law firm fees	185,035	104,908
Rating agency fees	157,500	513,358
Other fees and expenses	135,476	111,723
Invoices recharged by REN SGPS	259,507	352,572
Reversed VAT charge	142,030	215,154
Total	**1,038,992**	**1,512,860**

* Audit Fees	Deloitte Accountants B.V.	Ernst & Young LLP	Total
	EUR	EUR	EUR
2019			
Other audit engagements	2,069	4,239	6,308
Audit of the Financial Statements	-	25,000	25,000
Total	**2,069**	**29,239**	**31,308**
2018			
Other audit engagements	-	-	-
Audit of the Financial Statements	9,680	15,000	24,680
Total	**9,680**	**15,000**	**24,680**

11. Provisions

	31/Dec/19	31/Dec/18
	EUR	EUR
Provision for Tax Contingency	(1,006)	56,074
Total	**(1,006)**	**56,074**

In 2018, the provision was for tax concerning a VAT audit on previous years. In the year 2019, the company paid EUR 55,068 related to the tax concerning a VAT. The amount of EUR 1,006 is the difference between the amount paid and the provision.

12. Corporate income tax

	2019	2018
	EUR	EUR
Adjustments of CIT from previous periods	(5,568)	-
CIT of the year	2,084,917	2,201,201
Deferred income tax	11,483	119,742
Total	**2,090,832**	**2,320,943**

	2019	2018
	EUR	EUR
Profit before taxation	8.268.145	8.964.231
Fiscal lower result on depreciation deferred interest	(45.930)	(45.930)
Penalty correction	(4.471)	-
VAT expenses	-	(433.456)
Non-deductible expenses	169.927	359.958
	8.387.671	**8.844.803**
CIT 19% (for the first EUR 200,000)	38.000	40.000
CIT 25%	2.046.917	2.161.201
Total	**2.084.917**	**2.201.201**

31 December 2019	Expense	Deferred Tax (25%)
	EUR	EUR
Assets - amortization deferred interest	643,959	160,990
Liabilities - amortization deferred interest	(598,029)	(149,507)
VAT expenses	-	-
Others	-	-
Total	**45,930**	**11,483**

31 December 2018	Expense	Deferred Tax (25%)
	EUR	EUR
Assets - amortization deferred interest	643,959	160,990
Liabilities - amortization deferred interest	(598,029)	(149,507)
VAT expenses	433,456	108,364
Others	(420)	(105)
Total	**478,966**	**119,742**

The Company has concluded renewing an Advance Pricing Agreement (APA) with the Dutch Tax Authorities concerning the minimum margin required between the proceeds received from loans and the loans granted to REN SGPS. The new APA was signed on 19 September 2018.

A taxable income for 2019 was calculated under the profit before taxation of the amount EUR, 19% corporate income tax has been calculated for the first EUR 200,000, and 25% income tax has been calculated for the remainder value, taking into account non-deductible expenses and income, which resulted in a charged CIT of EUR.

The Company understands that possible corrections to the tax returns resulting from tax reviews and/or inspections carried out by the tax authorities will not have a significant effect on the Financial Statements as of 31 December 2019 and 2018.

13. Long-term loans to group companies

	31/Dec/19	31/Dec/18
	EUR	EUR
Bonds	1,527,195,869	1,805,977,480
Total	**1,527,195,869**	**1,805,977,480**

Bonds

Movement during the financial year:		
Opening balance	1,805,977,480	1,507,326,585
Reclassification from long to short-term loans	(279,755,000)	-
Bonds subscribed	45,000,000	300,000,000
Bonds repaid	(45,000,000)	-
Bonds redeemed	-	-
Movement capitalized deferred expenses	973,389	(1,349,105)
Closing balance	**1,527,195,869**	**1,805,977,480**

The interest rates on the loans to group companies, in long and short-term, are between 0.9% and 5.3% (31 December 2018: 0.8%;- 5.3%) and the weighted average interest is 2.7% (in December of 2018: 2.4%).

During 2019, in the scope of the negotiation of a new EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China, the company repaid a EUR 35,000,000 then outstanding bond, and a new bond of EUR 35,000,000 was issued. Refer to note 24.

Also during 2019, in the scope of the negotiation of a new EUR 250,000,000 revolving credit facility agreement with Bank of China, the company repaid a EUR 10,000,000 then outstanding bond, and a new bond of EUR 10,000,000 was issued. Refer to note 24.

In January 2018, the Company issued EUR 300,000,000, due in January 2028, in scope of REN PortGas´ acquisition. This issue enabled the Company to repay the outstanding amount of the facility agreement entered in May 2017. Refer to note 24.

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

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

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

Fair Value

	31/Dec/19 EUR	**31/Dec/18** EUR
Bonds	1,708,359,120	1,906,552,058
Total	**1,708,359,120**	**1,906,552,058**

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

14. Deferred tax

	2019	2018
	EUR	EUR
Deferred income tax	39,365	50,848
Total	**39,365**	**50,848**

	2019	2018
	EUR	EUR
Deferred tax Movement during the financial year:		
Opening Balance	50,848	108,364
Effect from amortization of IFRS 9 adoption impact	(11,483)	50,848
Utilization (Tax Provision)	-	(108,364)
Closing balance	**39,365**	**50,848**

The tax rate of 25% used in the valuation of taxable and deductible temporary differences as of December 31, 2019 has been updated, using an average rate against the future prospects of the taxable income of the recoverable company in the coming years.

This amount of deferred income tax is mainly related to the impact adopting of IFRS 9 as per the 2018 Financial Statements.

15. Short-term loans to group companies

	31/Dec/19	31/Dec/18
	EUR	EUR
Short term bonds	279,755,000	-
Commercial paper	162,500,000	301,500,000
Total	**442,255,000**	**301,500,000**
Bonds Movement during the financial year:		
Opening balance	-	-
Reclassification from Long to Short-term bonds	279,755,000	-
Closing balance	**279,755,000**	**-**
Commercial paper Movement during the financial year:		
Opening balance	301,500,000	444,500,000
CP subscribed	513,400,000	738,300,000
CP repaid	(652,400,000)	(881,300,000)
Closing balance	**162,500,000**	**301,500,000**

The interest rates on the loans to group companies, in long and short-term, are between 0.9% and 5.3% (31 December 2018: 0.8% - 5.3%) and the weighted average interest is 2.7% (in December of 2018: 2.4%).

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

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

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

In January 2018, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with Intesa SanPaolo. The proceeds were used to subscribe internal Commercial Paper issued by REN SGPS. The Commercial Paper was redeemed by REN SGPS and the EUR 150,000,000 was repaid to Intesa Sanpaolo in January 2019.

In 2018, the non-cash item is related to a new Commercial Paper subscription made from a previously subscribed Commercial Paper that matured on the same date. These two Commercial Paper had the same nominal amount and no funds were transferred. It relates to the final reimburse of the agreement signed in 2017 with a Bank Syndicate, refer to note 23:

	31/Dec/19	31/Dec/18
	EUR	EUR
CP subscribed	513,400,000	738,300,000
Non Cash	-	(287,400,000)
Cash Flow Paid	**513,400,000**	**450,900,000**

	31/Dec/19	31/Dec/18
	EUR	EUR
CP repaid	(652,400,000)	(881,300,000)
Non Cash	-	287,400,000
Cash Flow Received	**(652,400,000)**	**(593,900,000)**

Fair Value

	31/Dec/19	31/Dec/18
	EUR	EUR
Short term bonds	296,815,154	-
Commercial paper	163,905,707	303,302,301
Total	**460,720,861**	**303,302,301**

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 -0.499% and 0.213% (maturities of one week and ten years, respectively).

16. Receivables from group companies

	31/Dec/19	31/Dec/18
	EUR	EUR
Interest receivable bonds	30,145,214	30,198,634
Interest receivable commercial paper	694,451	1,252,612
Receivable fees	190,250	70,958
Receivable recharged invoices from REN SGPS	64,205	1,087,963
Total	**31,094,120**	**32,610,167**

17. Other receivables

	31/Dec/19	31/Dec/18
	EUR	EUR
Receivable Portuguese withholding tax	3,468,161	3,468,161
Other receivables	1,600	1,499
Total	**3,469,761**	**3,469,660**

Requests for refund the amount EUR 3,468,161 concerning the Portuguese tax withheld and paid in previous years were made with the Portuguese tax authorities in 2017. The Company expects that the full amount will be refunded.

18. Cash and cash equivalents

	31/Dec/19	31/Dec/18
	EUR	EUR
Current accounts EUR	215,655	269,998
Total	**215,655**	**269,998**

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

19. Shareholder´s Equity

The authorized share capital of the Company amounts to EUR 20,000 and is divided into 20,000 ordinary shares of EUR 1 each. Issued and paid in are 20,000 shares. During the reporting year, the shareholder increased the share premium of the Company for a total amount of EUR 8,000,000.

According to the Advance Pricing Agreement (APA), 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. Therefore the Company has a total amount of EUR 165,020,400 (2018: EUR 157,020,400) of share premium received from REN SGPS.

During the Shareholders General Assembly meeting, held on 2 April 2019, the Shareholders approved the distribution EUR 5,000,000 as dividends of the net profit for the year 2018 amounting.

Management proposes to distribute the net profit for the year 2019 amounting to EUR 5,500,000.00 as dividends and the amounts of EUR 677,313.16 to the caption "Retained Earnings". This has not yet been reflected in 2019´s statement of financial position.

20. Long-term borrowings

	31/Dec/19	31/Dec/18
	EUR	EUR
Bank borrowings	181,722,673	194,830,269
Bonds	1,339,531,620	1,603,726,175
Total	**1,521,254,293**	**1,798,556,444**

Bank borrowings Movement during the financial year	31/Dec/19	31/Dec/18
	EUR	EUR
Opening balance	194,830,271	194,867,013
Reclassification from long to short-term Borrowings	(12,000,000)	-
Loans received	45,000,000	-
Loans repaid	(45,000,000)	-
Movement capitalized deferred expenses	(1,107,598)	(36,744)
Closing balance	**181,722,673**	**194,830,269**

Bonds Movement during the financial year	31/Dec/19	31/Dec/18
	EUR	EUR
Opening balance	1,603,726,175	1,305,635,738
Reclassification from long to short-term bonds	(267,755,000)	-
Bonds issued	-	300,000,000
Bonds redeemed	-	-
Movement capitalized deferred expenses	3,560,445	(1,909,563)
Closing balance	**1,339,531,620**	**1,603,726,175**

The interest rates charged on the borrowings from third parties are between 1.1% and 4.8% (31 December 2018: 0% - 4.8%) and the weighted average interest is 2.3% (31 December 2018: 2.2%).

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

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

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

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/19	31/Dec/18
	EUR	EUR
Bank borrowings	182,089,103	199,654,162
Bonds issued	1,484,901,656	1,665,094,629
Total	**1,666,990,759**	**1,864,748,791**

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 -0.499% and 0.213% (maturities of one week and ten years, respectively).

21. Provisions

	31/Dec/19	31/Dec/18
	EUR	EUR
Provision for Tax Contingency	-	56,074
Total	**-**	**56,074**

As per 31 December 2018, the provision was for Tax concerning a VAT audit on previous years. It was paid during 2019, so there is no provision amount as per 31 December 2019.

	31/Dec/19	31/Dec/18
	EUR	EUR
Provision Movement during the financial year:		
Opening balance	56,074	433,456
Utilization	(55,068)	(433,456)
Reversions	(1,006)	-
Increase	-	56,074
Closing balance	**-**	**56,074**

The movement which occurred during 2019 was a usage of the provision recognized in 2018 in the amount of EUR 56,074.

22. Tax payable

	31/Dec/19	31/Dec/18
	EUR	EUR
Value Added tax	100,648	625,409
Wage Tax	1,963	1,672
Corporate Income Tax	924,839	1,469,828
Total	**1,027,450**	**2,096,909**

23. Short-term borrowings

	31/Dec/19	31/Dec/18
	EUR	EUR
Short term part - Bonds	267,755,000	-
Short term part - Bank borrowings	12,000,000	150,000,000
Total	**279,755,000**	**150,000,000**

Short term part - Bonds		
Movement during the financial year		
Opening balance	-	-
Reclassification to Current Bonds	267,755,000	-
Closing balance	**267,755,000**	**-**

Short term part - Bank borrowings		
Movement during the financial year		
Opening balance	150,000,000	287,400,000
Reclassification from long to short-term Borrowings	12,000,000	-
Loans received	230,000,000	150,000,000
Loans repaid	(380,000,000)	(287,400,000)
Closing balance	**12,000,000**	**150,000,000**

Fair Value

	31/Dec/19	31/Dec/18
	EUR	EUR
Bonds	281,087,364	-
Bank Borrowings	13,680,893	150,005,359
Total	**294,768,257**	**150,005,359**

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 -0.499% and 0.213% (maturities of one week and ten years, respectively).

In January 2018, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with Intesa SanPaolo. The proceeds were used to subscribe internal Commercial Paper issued by REN SGPS. The Commercial Paper was redeemed by REN SGPS and the EUR 150,000,000 was repaid to Intesa Sanpaolo in January 2019.

24. Accrued interest

	31/Dec/19	31/Dec/18
	EUR	EUR
Payable interest on bank loans	122,625	134,903
Payable interest on bonds	24,370,577	24,393,326
Payable fees	190,250	70,958
Total	**24,683,452**	**24,599,187**

25. Payables to group companies

	31/Dec/19	31/Dec/18
	EUR	EUR
Payable withholding tax to REN SGPS	3,468,161	3,468,161
Payable recharged invoices by REN SGPS	276,693	324,380
Total	**3,744,854**	**3,792,541**

26. Other liabilities and accrued expenses

	31/Dec/19 EUR	31/Dec/18 EUR
Tax advisor fees	25,255	81,858
Audit fees	25,000	15,000
Law firm fees	22,451	139,037
Administration fees	-	11,214
Other expenses	31,606	6,793
Total	**104,312**	**253,902**

27. Contingent liabilities

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

28. Related-party transactions

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

During the year, there were various related party transactions between the Company and its shareholder, REN SGPS. The related party transactions are disclosed under Note 6, 8, 10, 13, 15 and 16.

	Note	31/Dec/19 EUR	31/Dec/18 EUR
Assets			
Long-term loans to group companies	13	1,527,195,869	1,805,977,480
Short-term loans to group companies	15	442,255,000	301,500,000
Receivables from group companies	16	31,094,120	32,610,167
Total		**2,000,544,989**	**2,140,087,647**
Liabilities			
Payables to Group Company	25	3,744,854	3,792,541
Total		**3,744,854**	**3,792,541**

		31/Dec/19 EUR	31/Dec/18 EUR
Income Statement:			
Interest income	6	56,799,425	57,415,492
Other income	8	83,669	463,846
Invoices recharged by REN SGPS	10	(259,507)	(352,572)
Total		**56,623,587**	**57,526,766**

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

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

Intertrust (Netherlands) B.V. also provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged EUR 77,806 (2018: EUR 55,676) for administrative services.

The remuneration paid to the Directors was EUR 9,547 (2018: EUR 9,384). 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.

29. Directors

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

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

30. Subsequent events

Despite the already expected devastating consequents of the recent COVID-19 pandemic outbreak, not only on Portuguese and European economies, but also with no exception across every world economies, we consider that is yet too soon to assess with any degree of accuracy the real impact of this unprecedented event. Undoubtedly, REN Group is aware of and permanently assessing the ultimate impact of COVID-19 pandemic on its markets and operations. Nonetheless, as this unmatched pandemic outbreak continues to spread at a rocketing rate throughout the world, it has becoming impossible to quantify the magnitude of its impacts as sufficient grounds for the definition of a response strategy and risk mitigating actions.

31. Approval of the Financial Statements

The Financial Statements were approved by the Board of Managing Directors and authorized for issue on 24 March 2020.
No entity´s owner has power, except annual general meeting, to amend the Financial Statements after they have been issued.

Board of Managing Directors:

Mr. E. van Ankeren

Mr. N. M. da Silva Alves do Rosário

Mr. H.R.T. Kröner

Mr. G. J. Figueira Morais Soares

Other information

Independent auditor´s report

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

Statutory rules concerning appropriation of the profit

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

EY
Building a better working world

Independent auditor's report

To: the shareholders of REN Finance B.V.

Report on the audit of the financial statements 2019 included in the annual accounts

Our opinion

We have audited the financial statements 2019 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 2019, and of its result and its cash flows for 2019 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 2019
- The following statements for 2019: 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. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€10.0 million (2018: €10.7 million)
Benchmark applied	0.5% of total assets as at 31 December 2019
Explanation	We have applied total assets as we believe that this benchmark is the most appropriate metric for the performance of the Company. The holders of the bonds and loans issued by the Company are most interested in the proceeds of the loans to related companies, which almost represent total assets.

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 €500 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

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

Valuation of loans issued to the parent company	
Risk	The main activity of the Company is to operate as a financing company of its parent company, REN SGPS S.A., raising funds from third party lenders through bonds issuance, loans and other facilities. The Company is exposed to the risk that REN SGPS S.A. defaults on meeting its obligations. As loans to the parent company represent the most significant portion of the Company's current and non-current assets, any impairment may have a material impact on the financial statements. As such, we identified valuation of loans to the parent company as key audit matter. We refer to note "3.2.2. Impairment", of the financial statements, where management has disclosed the policies and procedures in respect of expected credit loss assessment on loans issued to the parent company. Management concluded that the calculated impact of expected credit loss is not material as at 31 December 2019 and therefore decided not to recognize this in the financial statements, as disclosed in note "3.2.2.4".
Our audit approach	In our audit, we have applied mainly substantive audit procedures on the balances of loans to the parent company including the expected credit loss calculation. Amongst other procedures we have: ▶ Obtained an understanding of the process of estimation of expected credit loss on the loans to the parent company ▶ Reviewed key judgments and estimates made by management to calculate the expected credit loss ▶ Assessed the calculation of the expected credit loss ▶ Assessed the appropriateness of the relevant disclosures made
Key observations	Based on procedures performed, we did not identify evidence of material misstatement in the valuation of loans issued to the parent company.

Emphasis of matter relating to Corona developments
The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on REN Finance B.V. is disclosed in the management board's report section "Future Outlook" and the disclosure about events after the reporting period in note "30. Subsequent events". We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual accounts

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

- The board of managing directors' report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

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

Report on other legal and regulatory requirements

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

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
Our services are only related to the audit of the financial statements.

EY
Building a better working world

Description of responsibilities for the financial statements

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

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

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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, 24 March 2020

Ernst & Young Accountants LLP

signed by R.A.J.M. Emmerink