



# **ANNUAL ACCOUNTS 2022**

**REN FINANCE B.V.**

AMSTERDAM



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## **Board of Managing Directors report**

The Board of Managing Directors herewith presents to the shareholder the annual accounts of REN Finance B.V. (the “Company”) for the year 2022.

### **General**

The Company, with its head office in De Cuserstraat 93, Unit 205, 1081 CN Amsterdam, the Netherlands, was established by deed of incorporation executed on 10 May 2013 with its legal seat in Amsterdam.

The objectives 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 (“the 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 Note Programme. More details about it can be found in the base prospectus dated 28 June 2022 available on the Group’s website.

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

### **Overview of activities**

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

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

In May 2022, the Company negotiated an amendment to the EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China (Europe) S.A., with maturity until May 2027.

In July 2022, the Company negotiated a new EUR 50,000,000 facility agreement with Mediobanca International (Luxembourg) S.A., with maturity until July 2026.

### **Results**

The net profit for the year ended 31 December 2022 amounts to EUR 8,949,601 (year ended 31 December 2021: EUR 5,752,081). The net profit is the result of the margin between the interest income and interest expense and the incurring of costs like fees.

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



Particularly, as at 31 December 2022, current liabilities in the amount of EUR 571,730,582 (31 December 2021: EUR 123,089,240) are lower than current assets, which total EUR 771,776,728 (31 December 2021: EUR 318,093,930).

In addition to the consistent results that the Company has been presenting throughout the years, in line with the expectation, the Company has, as per 31 December 2022, committed Revolving Credit Facilities with SMBC Bank EU AG in the amount of EUR 150,000,000, with the Industrial and Commercial Bank of China (Europe) S.A. in the amount of EUR 120,000,000 with EUR 85,000,000 available for use, with the Bank of China Limited, Luxembourg Branch in the amount of EUR 250,000,000 with EUR 240,000,000 available for use and with Mediobanca International (Luxembourg) S.A., available for use in the amount of EUR 50,000,000.

Furthermore, in order to guarantee the current treasury needs of the Company and to have the necessary dynamic and flexibility to fulfil the current liquidity needs, the Company, as at 31 December 2022, has a Master Money Market loan agreement contracted and not used in the amount of EUR 100,000,000 with Société Générale, and a EUR 5,000,000,000 Euro Medium Term Note Programme with EUR 3,350,000,000 available for issuing additional bonds on the capital markets.

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.

For more information about the Company financial and credit risks, please see 'Credit Risk' section below.

#### **Audit Committee**

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

#### **Financial Risk Management**

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

Considering that the purpose of the Company is to participate, finance, collaborate and lead the management of group companies, the necessity of debt increases is analysed periodically considering the funding needs and liquidity position of the group companies. Furthermore, given the Company purpose and the constant need of leveraging its capital structure to meet the funding needs of the group companies, and as stated in the Advance Pricing Agreement (APA) signed with the Tax Authorities, 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. As at 31 December 2022, the Company has a total amount of EUR 189,020,400 (31 December 2021: EUR 189,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 11.15% as of 31 December 2022 (31 December 2021: 10.54%).

#### **Financial Instruments**

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2022 the Company did not undertake trading in financial instruments.

#### **Currency Risk**

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



## Market and Interest Rate Risk

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

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

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2022 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a mirrored transaction with a counterparty which mitigates the risk.

Under these assumptions, a positive variation of 0.25% in market interest rates would result in a profit before tax increase of around EUR 1,612,500 for the 2022 exercise (2021: EUR 1,860,000). Conversely, a negative variation of the same rate, would result in a profit before tax decrease on the same amount. In neither scenario, there would be an impact on the Company's equity figures.

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

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

## Credit Risk

Financial instruments, which potentially expose the Company to credit risk, amount to EUR 1,916,881,308 (31 December 2021: EUR 2,008,180,557) and relate to receivables from the parent company. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparties, 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 Baa2, BBB and BBB, respectively). Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

REN SGPS always makes funds available before the due date of every payment obligation or borrowing, to enable REN Finance to meet all its obligations. As per 31 December 2022, there is no indication that the loans given to the Company will be impaired in the near future or that the loans receivable will not be received. Furthermore, current bank borrowings outstanding are bounded by several covenants that REN SGPS, as the ultimate beneficiary of the operations, has to comply with, among which stand out: Cross default, Pari Passu and Negative Pledge. As of the same date, REN SGPS complied with all these covenants.

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

## Future Outlook

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

With respect to the effects of climate change and its rising threats, the Group is committed to being an active agent for environmental protection, implementing reforestation policies, promoting environmental education, preserving biodiversity, defending the rational use of natural resources and the prevention of pollution, while also playing an active role in the prevention of climate change. The Group recognizes the existence of risks and opportunities for its activities relating to climate change. Along with it, the Group's sustainable and consistent growth in the past years have empowered it with a robust operational structure and the enough financial tools to buffer the short term waves of the market retrenchments.

In terms of the current economic environment, and as elaborated above, despite the inflation in the euro zone constantly hit records high in the course of 2022 and the European Central Bank be under growing pressure to tighten monetary policy, the Group operates, essentially, in two business areas - Electricity and Gas - according to concession contracts attributed by the Regulatory Authorities. These concession contracts are regulated, which in a certain way minimizes the possible impacts of this unrestrained inflation by linking the Group pricing policy to its operational costs. Furthermore, as the Company financial and operational activities are mainly driven by the Group activity, no further harming consequences from the monetary policy uncertainty are expected.

In this context, funding and re-financing of existing loans will take place, according to the investment needs of the Group. Management is of the opinion that the present level of activities will be maintained in the near future and no significant changes are expected.

## Compliance

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

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

#### **Control System & Board of Managing Directors**

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

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

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



Amsterdam, 21 March 2023

**Board of Managing Directors:**

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Mr. G. J. Figueira Morais Soares

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Mr. N. M. da Silva Alves do Rosário

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Mr. H.R.T. Kröner

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Mr. E.M. van Ankeren







# Financial Statements

## Statement of comprehensive income for the years ended 31 December 2022 and 2021

	Note	31/Dec/22 EUR	31/Dec/21 EUR
Interest income	6	44,259,581	42,633,666
<b>Interest income net</b>		<b>44,259,581</b>	<b>42,633,666</b>
Interest expense	7	(35,534,140)	(33,734,384)
<b>Interest margin</b>		<b>8,725,441</b>	<b>8,899,282</b>
Other income	8	67,200	6,495
Salaries, wages and taxes	9	(104,040)	(116,813)
General and administrative expenses	10	(1,082,742)	(1,050,300)
<b>Profit before taxation</b>		<b>7,605,859</b>	<b>7,738,664</b>
Corporate Income tax	11	1,343,742	(1,986,583)
<b>Net Profit for the year</b>		<b>8,949,601</b>	<b>5,752,081</b>
<b>Other comprehensive income, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>8,949,601</b>	<b>5,752,081</b>
<b>Profit attributable to owners of the Company</b>		<b>8,949,601</b>	<b>5,752,081</b>
<b>Total comprehensive income attributable to owners of the Company</b>		<b>8,949,601</b>	<b>5,752,081</b>

**Statement of financial position as at 31 December 2022 and 31 December 2021**  
(Before appropriation of current year's result)

	<u>Note</u>	<u>31/Dec/22</u> EUR	<u>31/Dec/21</u> EUR
<b>Assets</b>			
<b>Non-Current Assets</b>			
Long-term loans to group companies	12	1,145,706,453	1,690,722,931
Deferred tax	13	4,886	16,369
<b>Total Non-Current Assets</b>		<b><u>1,145,711,339</u></b>	<b><u>1,690,739,300</u></b>
<b>Current assets</b>			
Short-term loans to group companies	14	740,973,367	287,400,000
Receivables from group companies	15	30,201,488	30,057,626
Tax receivable	20	20,096	-
Other receivables	16	333,541	333,541
Cash and cash equivalents	17	248,236	302,763
<b>Total Current Assets</b>		<b><u>771,776,728</u></b>	<b><u>318,093,930</u></b>
	<b><u>TOTAL ASSETS</u></b>	<b><u>1,917,488,067</u></b>	<b><u>2,008,833,230</u></b>
<b>Shareholder's Equity and Liabilities</b>			
<b>Shareholder's Equity</b>			
Share capital	18	20,000	20,000
Share premium	18	189,020,400	189,020,400
Retained Earnings	18	4,042,595	3,790,514
Profit for the year	18	8,949,601	5,752,081
<b>Total Shareholder's Equity</b>		<b><u>202,032,596</u></b>	<b><u>198,582,995</u></b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	19	1,143,724,889	1,687,160,995
<b>Total Non-Current Liabilities</b>		<b><u>1,143,724,889</u></b>	<b><u>1,687,160,995</u></b>
<b>Current Liabilities</b>			
Tax payable	20	68,236	224,501
Short-term borrowings	21	547,755,713	99,000,000
Interest payable	22	23,034,508	22,998,125
Payables to group companies	23	654,476	818,657
Other liabilities and accrued expenses	24	217,649	47,957
<b>Total Current Liabilities</b>		<b><u>571,730,582</u></b>	<b><u>123,089,240</u></b>
	<b><u>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</u></b>	<b><u>1,917,488,067</u></b>	<b><u>2,008,833,230</u></b>

### Statement of changes in Equity for the years ended 31 December 2022 and 2021

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

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
<b>01/Jan/22</b>	<b>20,000</b>	<b>189,020,400</b>	<b>3,790,514</b>	<b>5,752,081</b>	<b>198,582,995</b>
Appropriation of profit	-	-	5,752,081	(5,752,081)	-
Profit for the year	-	-	-	8,949,601	8,949,601
Dividends	-	-	(5,500,000)	-	(5,500,000)
<b>31/Dec/22</b>	<b>20,000</b>	<b>189,020,400</b>	<b>4,042,595</b>	<b>8,949,601</b>	<b>202,032,596</b>

## Statement of cash flows for the years ended 31 December 2022 and 2021

	Note	31/Dec/22	31/Dec/21
		EUR	EUR
<b>Cash flows from operating activities:</b>			
Interest received		38,751,374	39,437,620
Interest paid		(29,480,016)	(29,806,021)
Suppliers and Wages paid		(1,056,786)	(1,451,173)
Corporate Income Tax paid		(2,117,561)	(2,267,449)
Value Added Tax paid		(173,992)	(176,809)
Other tax payments/receipts		3,373,189	(20)
<b>Net cash generated by operating activities</b>		<b>9,296,208</b>	<b>5,736,148</b>
<b>Cash flows from investing activities:</b>			
Long-term loans provided to group companies	12	(35,000,000)	(300,000,000)
Short-term loans provided to group companies	14	(369,300,000)	(1,226,800,000)
Repayments short-term and long-term loans by group companies	12 and 14	498,800,000	1,540,800,000
Income from other fees received		2,347,400	2,793,344
<b>Net cash generated by / (used in) investing activities</b>		<b>96,847,400</b>	<b>16,793,344</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of bonds and borrowings	19 and 21	35,000,000	1,130,000,000
Repayment loans of third parties	19 and 21	(134,000,000)	(1,144,000,000)
Expense from other fees paid		(1,698,135)	(2,816,425)
Dividends paid		(5,500,000)	(5,500,000)
<b>Net cash generated by / (used in) financing activities</b>		<b>(106,198,135)</b>	<b>(22,316,425)</b>
<b>Net change in cash and cash equivalents</b>		<b>(54,527)</b>	<b>213,067</b>
Foreign currency fluctuations		-	-
<b>Cash and cash equivalents at the beginning of the year</b>	17	<b>302,763</b>	<b>89,696</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>248,236</b>	<b>302,763</b>

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

## Notes to the Financial Statements

### 1. General

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

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

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

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

In the following paragraphs the Company has analyzed the effects of the new IFRS Standards. These are effective for annual periods beginning on or after 1 January 2022. Please note that the adoption of the below mentioned amendments does not have any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
- Annual Improvements Cycle - 2018-2020

The following standards, interpretations, amendments and revisions have been endorsed by the EU with mandatory application for annual periods beginning on or after 1 January 2022.

## New Accounting Standards

### 2.1. Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. Also added is a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

These amendments are not relevant to the company because acquisitions are not applicable.

### 2.2. Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss.

These amendments are not relevant to the company because the entity do.

### 2.3. Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Company has taken adoption into account on the amendments to IAS 37 in the current year but it proves not to have any effect impact on the current measurement and recognition of financial statement line items, nor on the presentation and disclosure.

Some annual improvements include amendments made to the following standards, respectively IFRS 1, IFRS 9, IFRS 16 and IFRS 41. These do not impact these financial statements, respectively as first-time adoption of International Financial Reporting Standards is not applicable for these Financial Statements (IFRS 1), Leases are not applicable (IFRS 16) and Agriculture is not applicable (IFRS 41). For the IFRS 9 amendment, the information on the '10 per cent' test to assess whether to derecognize a financial liability and the fees paid or received between the entity and the lender, this does not have any impact on the current measurement and recognition of financial statement line items, nor on the presentation and disclosure.

### 2.4. Other

The Company did not use any early adoption option of any of the below standards in these Financial Statements for the year ended 31 December 2022. Nevertheless, the future adoption of the following standards is not expected to have significant impacts on the Company's Financial Statements.

#### *New and/or amended standards endorsed but not effective*

- IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17) Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and Amendments to IFRS 9 - Comparative Information

The Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

### 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.

All financial instruments are measured at Amortized Cost.

##### 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 Baa2 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 an entity fully owned by REN SGPS, with the exclusive purpose of raising funds in the debt market to be subsequently transferred, in the form of Commercial Paper and Bonds to REN SGPS, providing the required liquidity to meet the Group investment needs. Therefore, merely as a funding instrument of the Group, REN Finance's exposure consist solely of its counterparty risk driven by the financial operations with REN SGPS, which, consecutively bears all other risks and exposures related to the same operations.

The credit risk of REN SGPS is considered 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 - Baa2 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:

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

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

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

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

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

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

### **3.5. Other receivables**

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

### **3.6. Cash and cash equivalents**

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

### **3.7. Statement of Cash Flows**

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

### **3.8. Loans and Borrowings**

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

### **3.9. Liabilities and other payables**

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

### **3.10. Interest Income and other income**

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

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

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

### **3.11. Expense recognition**

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

### **3.12. Corporate income tax**

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

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

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

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

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

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

- estimate of the collectable amount of receivables (Note 15 and 16)
- estimate of the fair value of loans receivables and borrowings (Note 12, 14, 19 and 21)
- estimate of the created (tax) provisions (Note 11)

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

##### 4.1. Going concern evaluation

The Board of Managing 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 the large-scale military invasion that Russia carried out against Ukraine, from 24 February 2022, there was a general worsening of the global climate of uncertainty, with negative effects on the prospects for the world economy evolution and financial markets.

The REN Group is actively monitoring this situation, has activated all the necessary plans and, despite the situation being unpredictable, REN Group does not have or estimate to have, as of this date, significant effects on its operability and regulatory duties. It should be noted that the REN Group operates, essentially, in two business areas, Electricity and Gas, according to concession contracts attributed to the Group. These concession contracts with Portuguese Authorities will carry on for an extended period of time, which in a certain way minimizes the volatility and potential negative impacts of such markets uncertainties.

#### 5. Financial Risks Management

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

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

##### 5.1. Currency Risk

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

##### 5.2. Credit risk

The company's maximum exposure amounted to EUR 1,916,881,308 (31 December 2021: EUR 2,008,180,557) 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 Baa2, 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 2022, there is no indication that the loans given to the REN SGPS will be impaired in the near future or that the loans receivable will not be received. The bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge, which REN SGPS complies with.

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

### **5.3. Interest rate risk**

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

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

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

A sensitivity analysis was made based on the Company's total interest income for the period until 31 December 2022 with the assumption that changes in market interest rates affect interest income and expense.

Under this scenario, a positive variation of 0.25% in market interest rates would result in a profit before tax increase of around EUR 1,612,500 for the 2022 exercise (2021: EUR 1,860,000). Conversely, a negative variation of the same rate, would result in a profit before tax decrease on the same amount. In neither case, there would be an 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 Board of Managing Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### 5.5. Liquidity and interest risk tables

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

31/Dec/22

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
<b>Borrowings</b>				
Bank borrowings	2,233,138	50,597,310	-	52,830,448
Bonds	578,875,000	552,000,000	608,250,000	1,739,125,000
<b>Total</b>	<b>581,108,138</b>	<b>602,597,310</b>	<b>608,250,000</b>	<b>1,791,955,448</b>
Payables to group companies	333,541	-	-	333,541
<b>Total</b>	<b>581,441,679</b>	<b>602,597,310</b>	<b>608,250,000</b>	<b>1,792,288,989</b>

31/Dec/21

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

### 6. Interest income

	2022	2021
	EUR	EUR
Interest on bonds subscribed	37,167,140	38,386,141
Interest on commercial paper subscribed	2,333,240	1,538,476
Interest on European Commercial Paper issued	-	796,072
Amortization of Fees	4,759,201	1,912,977
<b>Total</b>	<b>44,259,581</b>	<b>42,633,666</b>

Interest income is calculated using the effective interest rate method.

## 7. Interest expense

	<u>2022</u>	<u>2021</u>
	EUR	EUR
Interest on bank borrowings	637,218	1,964,589
Interest on bonds issued	28,875,000	28,438,895
Interest on commercial paper subscribed	-	346,252
Amortization of Fees	6,021,922	2,984,648
<b>Total</b>	<b><u>35,534,140</u></b>	<b><u>33,734,384</u></b>

Interest expense is calculated using the effective interest rate method.

## 8. Other income

	<u>2022</u>	<u>2021</u>
	EUR	EUR
Invoices recharged to REN SGPS	39,943	6,416
Upfront payment CIT discount	85	79
Interest income on taxes reimbursed	27,172	-
<b>Total</b>	<b><u>67,200</u></b>	<b><u>6,495</u></b>

## 9. Salaries, wages and taxes

	<u>2022</u>	<u>2021</u>
	EUR	EUR
Salary	91,893	69,160
Charges on remuneration (Wage taxes and Social Security charges)	9,841	46,346
Insurance	2,306	1,307
<b>Total</b>	<b><u>104,040</u></b>	<b><u>116,813</u></b>

During 2022 and 2021, the Company had one employee and hence incurred salaries and related social security charges. The Company did not pay any pension premium in 2022 and 2021.

## 10. General and administrative expenses

	<u>2022</u>	<u>2021</u>
	EUR	EUR
<b>External suppliers:</b>		
Office rent	18,886	17,749
Audit fees(*)	37,025	32,065
Tax advice fees	117,486	74,038
Law firm fees	52,823	149
Rating agency fees	125,911	166,000
Other fees and expenses	285,235	267,835
Invoices recharged by REN SGPS	320,935	272,617
Reversed VAT charge	124,441	219,847
<b>Total</b>	<b><u>1,082,742</u></b>	<b><u>1,050,300</u></b>
	<b>Ernst &amp; Young Accountants LLP</b>	<b>Total</b>
<b>* Audit Fees</b>	<b>EUR</b>	<b>EUR</b>
<b>2022</b>		
Audit of the Financial Statements	37,025	37,025
<b>Total</b>	<b><u>37,025</u></b>	<b><u>37,025</u></b>
<b>2021</b>		
Audit of the Financial Statements	32,065	32,065
<b>Total</b>	<b><u>32,065</u></b>	<b><u>32,065</u></b>

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



## 11. Corporate income tax

	<b>2022</b>	<b>2021</b>
	EUR	EUR
CIT of the year	1,990,835	1,975,100
Taxes received from Dutch Tax Authorities	(3,346,060)	-
Deferred income tax	11,483	11,483
<b>Total</b>	<b><u>(1,343,742)</u></b>	<b><u>1,986,583</u></b>

	<b>2022</b>	<b>2021</b>
	EUR	EUR
Profit before taxation	7,605,859	7,738,664
Fiscal lower result on depreciation deferred interest	(45,930)	(45,930)
Non-deductible operating expenses above the EUR 825,000 cap	321,838	305,667
	<b><u>7,881,767</u></b>	<b><u>7,998,401</u></b>
CIT 15% for the first EUR 395,000 (2021:245,000)	59,250	36,750
CIT 25.8% (2021:25%)	1,931,585	1,938,350
<b>Total</b>	<b><u>1,990,835</u></b>	<b><u>1,975,100</u></b>

<b>31/Dec/22</b>	<b>Expense</b>	<b>Deferred Tax (25%)</b>
	EUR	EUR
Assets - amortization deferred interest	643,959	160,990
Liabilities - amortization deferred interest	(598,029)	(149,507)
<b>Total</b>	<b><u>45,930</u></b>	<b><u>11,483</u></b>

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

Since 19 September 2018, the Company has been committed with an APA with the Dutch Tax Authorities concerning the minimum margin required between the proceeds received from loans and the loans granted to REN SGPS. This agreement

remained valid until 31 December 2022. Currently, there are discussions going on with the Tax Authorities concerning the update of the terms of the agreement.

Following a tax audit in Portugal, as part of a Mutual Agreement Procedure (MAP) requested by the entity in May 2020, the Competent Authorities of Portugal and the Netherlands reached agreement in 2022 on (the adjustment of) the remuneration that the Company should receive from REN SGPS with respect to its loans to REN SGPS, for the financial years 2015, 2016 and 2017, which has been accepted by the Company. The adjustments resulted in a reduction of taxable income, and a refund of corporate income tax of the Company of EUR 1,077,286 for 2015, EUR 1,061,114 for 2016 and EUR 1,207,660 for 2017. The final tax assessments of the Company for these years were reduced by the Dutch tax inspector accordingly and the tax, including interest, was refunded in 2022.

Nonetheless, despite the conversations initiated with the Portuguese and the Dutch Tax Authorities concerning the period from 2018 to 2022, it is not clear if the same approach will be adopted prospectively for this period. In fact, it was stated by the Tax Authorities that the solution reached with respect to the period from 2015 to 2017 cannot be regarded as a precedent for any further exercises. In this context, REN Finance performed an assessment and scenario analysis as per IFRIC 23, believing that the most probable outcome is consistent with the tax assessment followed for the preparation of the financial statements, as the Group consistently applied the pricing defined on the APA Agreement, valid until 31 December 2022, with all tax calculations computed on this basis.

Finally, it should be noted that in the unlikely event that either the Portuguese or Dutch Tax Authorities challenge the final position of the Group, this could lead to an additional tax recovery by the entity.

A taxable income for 2022 was calculated under the profit before taxation of the amount EUR 10,951,919 (31 December 2021: EUR 7,738,664), 15% corporate income tax has been calculated for the first EUR 395,000 (2021: EUR 245,000), and 25.8% (2021: 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 2,002,318 (31 December 2021: EUR 1,986,583).

The Company has concluded that possible corrections to the tax returns resulting from tax reviews and/or inspections carried out by the tax authorities will not have a significant effect on the Financial Statements as of 31 December 2022 and 2021.

## 12. Long-term loans to group companies

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Bonds	1,145,706,453	1,690,722,931
<b>Total</b>	<b><u>1,145,706,453</u></b>	<b><u>1,690,722,931</u></b>
<b>Bonds</b>		
<b>Movement during the financial year:</b>		
Opening balance	1,690,722,931	1,490,603,302
Reclassification from long to short-term	(550,000,000)	(99,000,000)
Bonds subscribed	35,000,000	300,000,000
Bonds paid	(35,000,000)	-
Movement capitalized deferred expenses	4,983,522	(880,371)
<b>Closing balance</b>	<b><u>1,145,706,453</u></b>	<b><u>1,690,722,931</u></b>

The interest rates on the loans to group companies, in long and short-term, are between 0.7% and 3.1% (31 December 2021: 0.7% and 3.0%) and the weighted average interest is 2.2% (2021: 2.0%).

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

The Board of Managing Directors executed an impact analysis based on estimated Probabilities of Default and Loss Given Default for the considered exposures (considering REN's rating - Baa2 by Moody's). The calculation resulted in an immaterial impact and, as such, no credit allowance was recorded.

#### Fair Value

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Bonds	1,073,051,748	1,823,922,083
<b>Total</b>	<b><u>1,073,051,748</u></b>	<b><u>1,823,922,083</u></b>

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

#### 13. Deferred tax

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Deferred income tax	4,886	16,369
<b>Total</b>	<b><u>4,886</u></b>	<b><u>16,369</u></b>

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
<b>Deferred tax Movement during the financial year:</b>		
Opening Balance	16,369	27,852
Effect from amortization of IFRS 9 adoption impact	(11,483)	(11,483)
<b>Closing balance</b>	<b><u>4,886</u></b>	<b><u>16,369</u></b>

A tax rate of 25.8% was used in the valuation of taxable and deductible temporary differences as at 31 December 2022 and 2021. The tax rate is an average rate against the future prospects of the taxable income of the recoverable company in the coming years.

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

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Short term bonds	548,073,367	99,000,000
Commercial paper	192,900,000	188,400,000
<b>Total</b>	<b><u>740,973,367</u></b>	<b><u>287,400,000</u></b>
<b>Bonds Movement during the financial year:</b>		
Opening balance	99,000,000	39,000,000
Bonds repaid	(99,000,000)	(39,000,000)
Reclassification from Long to Short-term bonds	550,000,000	99,000,000
Movement capitalized deferred expenses	(1,926,633)	-
<b>Closing balance</b>	<b><u>548,073,367</u></b>	<b><u>99,000,000</u></b>
<b>Commercial paper Movement during the financial year:</b>		
Opening balance	188,400,000	463,400,000
CP subscribed	369,300,000	1,226,800,000
CP repaid	(364,800,000)	(1,501,800,000)
<b>Closing balance</b>	<b><u>192,900,000</u></b>	<b><u>188,400,000</u></b>

The interest rates on the loans to group companies, in long and short-term, are between 0.7% and 3.1% (31 December 2021: 0.7% and 3.0%) and the weighted average interest is 2.2% (2021: 2.0%).

#### Fair Value

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Short term bonds	555,590,700	99,143,360
Commercial paper	193,463,210	189,603,721
<b>Total</b>	<b><u>749,053,910</u></b>	<b><u>288,747,081</u></b>

The fair value of borrowings is calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between 1.872% and 3.1444% (2021: -0.574% and 0.3018%) with maturities of one week and ten years, respectively.

## 15. Receivables from group companies

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Interest receivable bonds	28,713,091	28,699,772
Interest receivable commercial paper	1,335,044	599,358
Receivable fees	113,410	109,229
Receivable recharged invoices from REN SGPS	39,943	649,267
<b>Total</b>	<b><u>30,201,488</u></b>	<b><u>30,057,626</u></b>

## 16. Other receivables

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Receivable Portuguese withholding tax	333,541	333,541
<b>Total</b>	<b><u>333,541</u></b>	<b><u>333,541</u></b>

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

With respect to the amount withheld in 2014 and 2015 exercises, it was received a favorable decision for the reimbursement of EUR 3,063,079, duly received in May 2021. For the remaining parcel of EUR 333,541 yet to be reimbursed to the Company, the discussion with Portuguese Tax Authorities is still going on, being expected a conclusion of the process in the course of 2023.

## 17. Cash and cash equivalents

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Current accounts EUR	248,236	302,763
<b>Total</b>	<b><u>248,236</u></b>	<b><u>302,763</u></b>

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

## 18. Shareholder's Equity

The authorized share capital of the Company amounts to EUR 20,000 and is divided into 20,000 ordinary shares of EUR 1 each. Issued and paid in are 20,000 shares.

According to the APA, 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. As at 31 December 2022, the Company has a total amount of EUR 189,020,400 (2021: EUR 189,020,400) of share premium received from REN SGPS, which represented a coverage ratio of 11.15% as of 31 December 2022 (31 December 2021: 10.54%).

During the Shareholders General Assembly meeting, held on 15 March 2022, the Shareholders approved the distribution EUR 5,500,000 as dividends of the net profit for the year 2021 amounting to EUR 5,752,081. In the same meeting, it was also decided to add the remainder of the profit EUR 252,081 to Retained Earnings. The dividend was distributed to the Shareholders on 22 March 2022.

Management proposes to distribute the net profit for the year 2022 amounting to EUR 8,500,000 as dividends and the amounts of EUR 449,601 to the caption “Retained Earnings”. This has not yet been reflected in 2022 statement of financial position.

## 19. Long-term borrowings

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
<b>Bank borrowings</b>	44,265,154	44,279,207
<b>Bonds</b>	1,099,459,735	1,642,881,788
<b>Total</b>	<u><u>1,143,724,889</u></u>	<u><u>1,687,160,995</u></u>
<b>Bank borrowings</b>		
<b>Movement during the financial year</b>	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Opening balance	44,279,207	142,750,343
Reclassification from long to short-term Borrowings	-	(99,000,000)
Movement capitalized deferred expenses	(14,053)	528,864
<b>Closing balance</b>	<u><u>44,265,154</u></u>	<u><u>44,279,207</u></u>
<b>Bonds</b>		
<b>Movement during the financial year</b>	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Opening balance	1,642,881,788	1,343,336,349
Bonds issued	-	300,000,000
Reclassification from long to short-term Bonds	(550,000,000)	-
Movement capitalized deferred expenses	6,577,947	(454,561)
<b>Closing balance</b>	<u><u>1,099,459,735</u></u>	<u><u>1,642,881,788</u></u>

The interest rates charged on the borrowings from third parties are between 0.5% and 2.9% (31 December 2021: 0.5% and 2.5%) and the weighted average interest is 1.8% (2021: 1.7%).

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

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Bank borrowings	45,395,470	46,020,344
Bonds issued	1,008,254,430	1,746,555,723
<b>Total</b>	<b><u>1,053,649,900</u></b>	<b><u>1,792,576,067</u></b>

The fair value is calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data. Despite the recent market volatility and rising interest rates environment, these fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between 1.872% and 3.1444% (2021: -0.574% and 0.3018%) with maturities of one week and ten years, respectively.

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

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

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

In May 2022, the Company negotiated an amendment to the EUR 120,000,000 facility agreement with Industrial and Commercial Bank of China (Europe) S.A., with maturity until May 2027.

In July 2022, the Company negotiated a new EUR 50,000,000 facility agreement with Mediobanca International (Luxembourg) S.A., with maturity until July 2026.

## 20. Tax receivable and payable

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
<b>Tax Receivable</b>		
Corporate Income Tax	20,096	-
<b>Total</b>	<b><u>20,096</u></b>	<b><u>-</u></b>

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
<b>Tax Payable</b>		
Value Added tax	68,236	117,787
Corporate Income Tax	-	106,714
<b>Total</b>	<b><u>68,236</u></b>	<b><u>224,501</u></b>

## 21. Short-term borrowings

	<u>31/Dec/22</u>	<u>31/Dec/201</u>
	EUR	EUR
Bank borrowings	-	99,000,000
European Commercial Paper	-	-
Bonds	547,755,713	-
<b>Total</b>	<b><u>547,755,713</u></b>	<b><u>99,000,000</u></b>
<b>Bank borrowings</b>		
<b>Movement during the financial year</b>	<b><u>31/Dec/22</u></b>	<b><u>31/Dec/21</u></b>
	EUR	EUR
Opening balance	99,000,000	39,000,000
Reclassification from long to short-term borrowings	-	99,000,000
Loans repaid	(99,000,000)	(39,000,000)
<b>Closing balance</b>	<b><u>-</u></b>	<b><u>99,000,000</u></b>
<b>European Commercial Paper</b>		
<b>Movement during the financial year</b>	<b><u>31/Dec/22</u></b>	<b><u>31/Dec/21</u></b>
	EUR	EUR
Opening balance	-	275,000,000
European CP Issued	-	830,000,000
European CP repaid	-	(1,105,000,000)
<b>Closing balance</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Bonds</b>		
<b>Movement during the financial year</b>	<b><u>31/Dec/22</u></b>	<b><u>31/Dec/21</u></b>
	EUR	EUR
Opening balance	-	-
Reclassification from long to short-term bonds	550,000,000	-
Bonds redemption	-	-
Movement capitalized deferred expenses	(2,244,287)	-
<b>Closing balance</b>	<b><u>547,755,713</u></b>	<b><u>-</u></b>

The interest rates charged on the borrowings from third parties are between 0.5% and 2.9% (31 December 2021: 0.5% and 2.5%) and the weighted average interest is 1.8% (2021: 1.7%).



## Fair Value

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
<b>Bank Borrowings</b>	-	99,192,248
<b>Bonds</b>	552,666,321	-
<b>Total</b>	<u>552,666,321</u>	<u>99,109,248</u>

The fair value is calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between 1.872% and 3.1444% (2021: -0.574% and 0.3018%) with maturities of one week and ten years, respectively.

## 22. Interest payable

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Payable interest on bank borrowings	142,331	110,129
Payable interest on bonds	22,778,767	22,778,767
Payable fees	113,410	109,229
<b>Total</b>	<u>23,034,508</u>	<u>22,998,125</u>

## 23. Payables to group companies

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Payable withholding tax to REN SGPS	333,541	333,541
Payable recharged invoices by REN SGPS	320,935	485,116
<b>Total</b>	<u>654,476</u>	<u>818,657</u>

## 24. Other liabilities and accrued expenses

	<u>31/Dec/22</u>	<u>31/Dec/21</u>
	EUR	EUR
Tax advisor fees	49,294	11,448
Audit fees	33,275	26,500
Rating agency fees	125,911	-
Other expenses	9,169	10,009
<b>Total</b>	<u>217,649</u>	<u>47,957</u>

## 25. Contingent liabilities

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

## 26. Related-party transactions

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

During the year, there were various related party transactions between the Company and its shareholder, REN SGPS. The related party transactions are disclosed under Note 6, 7, 8, 10, 12, 14, 15 and 23.

	Note	2022	2021
		EUR	EUR
<b>Assets</b>			
Long-term loans to group companies	12	1,145,706,453	1,690,722,931
Short-term loans to group companies	14	740,973,367	287,400,000
Receivables from group companies	15	30,201,488	30,057,626
<b>Total</b>		<b>1,916,881,308</b>	<b>2,008,180,557</b>
<b>Liabilities</b>			
Payables to Group Company	23	654,476	818,657
<b>Total</b>		<b>654,476</b>	<b>818,657</b>
<b>Income Statement:</b>			
Interest income	6	44,259,581	41,837,594
Interest expense	7	-	(346,252)
Other income	8	39,943	6,416
Invoices recharged by REN SGPS	10	(320,935)	(272,617)
<b>Total</b>		<b>43,978,589</b>	<b>41,225,141</b>

The above table shows all the amounts related to party relationship divided between captions included in the Financial Statements and captions included in the Statement of Comprehensive Income. All loans to group companies amounts in captions “Long-term loans to group companies” and “Short-term loans to group companies” are provided against an at arms’ length mark-up, refer to notes 12 and 14. The “Receivable from group companies” amount is related to interest and fees concerning the agreements with the parent company along with the amounts recharge to the Company, refer to note 15. The “Other receivables” relate mainly to the amount which the reimbursement has already been requested to the Portuguese tax, refer to note 16.

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

Intertrust (Netherlands) B.V. also provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged EUR 80,968 (2021: EUR 129,614) for administrative services.

The remuneration paid to the Directors was EUR 10,196 (2021: EUR 9,928). The Directors who receive remuneration from the parent company do not receive any remuneration from the Company for their directorship.

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

## **27. Directors**

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

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

## **28. Subsequent events**

In February 2023, the Company negotiated an amendment to the EUR 250,000,000 facility agreement with Bank of China Limited, Luxembourg Branch, with maturity extended from September 2024 until February 2028.

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

The Financial Statements were approved by the Board of Managing Directors on 21 March 2023.



Amsterdam, 21 March 2023

**Board of Managing Directors:**

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Mr. G. J. Figueira Morais Soares

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Mr. N. M. da Silva Alves do Rosário

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Mr. H.R.T. Kröner

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Mr. E.M. van Ankeren



### Other information

#### Statutory rules concerning appropriation of the profit

According to Article 14.1 of the Company's Articles of Association, the net profit for the year is, provided the approval of the Board of Managing Directors is given, at the disposal of the shareholder.

#### Independent auditor's report

## Independent auditor's report

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

## Report on the audit of the financial statements 2022 included in the annual accounts

### Our opinion

We have audited the financial statements 2022 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 2022 and of its result and its cash flows for 2022 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 2022
- ▶ The following statements for 2022: the statements of comprehensive income, changes in equity and cash flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

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

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

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

### Information in support of our opinion

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

### Our understanding of the business

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

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

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Materiality	€9.6 million (2021: €10.0 million)
Benchmark applied	0.5% of total assets
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that total assets reflects the source of income and repayments to the holders of the bonds and the commercial paper issued by the company and to other lenders. We determined materiality consistent with prior financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of managing directors that misstatements in excess of €480 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.

### Teaming and use of specialists

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

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

#### Our responsibility

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

### **Our audit response related to fraud risks**

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

We refer to pages 4 through 6 of the board of managing directors report for the board of managing directors' risk assessment after consideration of potential fraud risks.

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

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

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

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

As described in our key audit matter "Valuation of loans issued to the parent company", we specifically considered whether the risks related to management override of controls in the determination of the allowance for expected credit losses indicated a management bias that may represent a risk of material misstatement due to fraud.

We did not identify a risk of fraud in revenue recognition.

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

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



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

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of managing directors, reading minutes and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected (internal) lawyers' letters and correspondence with regulatory authorities, enquired with the group auditor of REN SGPS and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### **Our audit response related to going concern**

As disclosed in note 4.1. "Going concern evaluation" to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of managing directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of managing directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of managing directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern, including considerations relating to the financial position of REN SGPS in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

#### **Our key audit matter**

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

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

## Valuation of loans issued to the parent company

**Risk**

The company is exposed to the risk that its parent company, REN SGPS, defaults on meeting its obligations. As loans to the parent company (long-term and short-term loans to group companies) represent the most significant portion of the company's current and non-current assets, any impairment may have a material impact on the financial statements. Moreover, we considered the risks related to management override of controls, including management bias that may represent a risk of material misstatement due to fraud. As such we identified valuation of loans issued to the parent company as key audit matter.

We refer to note "3.2.2. Impairment", of the financial statements, where the board of managing directors has disclosed the policies and procedures in respect of the expected credit loss assessment on loans issued to the parent company. The board of managing directors concluded that the calculated impact of expected credit loss is not material as at 31 December 2022 and therefore decided not to recognize an allowance for expected credit losses in the financial statements, as disclosed in note "3.2.2.4 Assessment of the Expected credit loss".

**Our audit approach**

Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policies related to recognition of expected credit losses in accordance with of IFRS 9 "Financial Instruments", and the low credit risk simplification of paragraph 5.5.10 in particular. We evaluated whether the accounting policies and methods applied for making estimates have been applied consistently. We also evaluated the design of internal controls of the processes underlying the estimation process as relevant to our audit of the financial statements.

Furthermore we verified that the board of managing directors appropriately measured the loss allowance at an amount equal to twelve-month expected credit losses, instead of the lifetime expected credit losses, taking into consideration the external credit rating of REN SGPS and events subsequent to 31 December 2022. We tested mathematical accuracy of the expected credit losses provision calculations and, using independent EY statistics, we challenged key assumptions in the model, i.e., the probability of default and loss given default rates. We also performed sensitivity analyses on these key assumptions. We challenged whether the board of managing directors' conclusion that the calculated expected credit losses are immaterial, is appropriate in the circumstances and evaluated the related disclosure.

**Key observations**

Based on procedures performed, we did not identify evidence of material misstatement in the valuation of loans issued to the parent company.

## Report on other information included in the annual accounts

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

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

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

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

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

## Report on other legal and regulatory requirements

### Engagement

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

### No prohibited non-audit services

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

## Description of responsibilities regarding the financial statements

### Responsibilities of the board of managing directors for the financial statements

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

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

### **Our responsibilities for the audit of the financial statements**

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

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

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of managing directors
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication**

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

We provide the audit committee of REN SGPS and 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, 21 March 2023

Ernst & Young Accountants LLP

signed by P. Sira