ANNUAL ACCOUNTS 2023

REN FINANCE B.V.

AMSTERDAM

Index

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 2023.

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.

The Company employs one full time employee and a Board of Directors of four members that oversees the governance of the company. Two of the Board members are provided by Intertrust (Netherlands) B.V. The Directors who receive remuneration from the parent company do not receive any remuneration from the Company for their directorship.

Both the Company and REN SGPS act as issuers under a EUR 5,000,000,000 Euro Medium Term Note Programme. More details about it can be found in the base prospectus dated 11 September 2023 available on the Group´s website. Parallel to it, both the Company and REN SGPS act as issuers under a EUR 600,000,000.00 European Commercial Paper Programme for the issuance of Commercial Paper.

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

Results and overview

The net profit for the year ended 31 December 2023 amounts to EUR 18,609,627 (year ended 31 December 2022: EUR 8,949,601). Even though the net profit is commonly driven by the result of the margin between the interest income and interest expense and the incurring of costs like fees, in 2023, there was an extraordinary impact with a tax reimbursement in the amount of EUR 8,933,458 by Dutch tax authorities.

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 2023, current liabilities in the amount of EUR 18,981,819 (31 December 2022: EUR 571,730,582) are lower than current assets, which total EUR 230,024,040 (31 December 2022: EUR 771,776,728).

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 2023, 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 and with Mediobanca International (Luxembourg) S.A., in the amount of EUR 50,000,000.

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. that extended the maturity of the agreement until May 2027. The previous contract was valid until February 2024.

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.

In February 2023, the Company negotiated an amendment to the EUR 250,000,000 facility agreement with Bank of China Limited, Luxembourg Branch that extended the maturity of the agreement until February 2028. The previous contract was valid until June 2024.

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 2023, 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 3,900,000,000 available for issuing additional bonds on the capital markets.

In September 2023, REN SGPS and REN Finance signed together as issuers the update to the EUR 600,000,000 European Commercial Paper Programme for the issuance of notes.

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 concerning capital management, is to uphold an optimal equity structure, through a rational use of debt and consistently adhering to a low-risk appetite.

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, 8% of the outstanding loans (receivables) should be held as equity on the Company's balance sheet. As at 31 December 2023, the Company has a total amount of EUR 189,020,400 (31 December 2022: EUR 189,020,400) of share premium received from REN SGPS, representing 16.65% of the outstanding loans (receivables)as of 31 December 2023 (31 December 2022: 11.15%).

Financial Instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2023 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 its main objective 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 2023 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 87,500 for the 2023 exercise (2022: EUR 1,612,500). Conversely, a negative variation of the same rate, would result in a profit before tax decrease on the same amount.

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 1,363,752,147 (31 December 2022: EUR 1,916,881,308) and relate to receivables from the parent company. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk.

Credit risk is managed by the Company in accordance with the Group's policy (REN SGPS' current rating as attributed by Moody's, Fitch and S&P is 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 2023, 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.

The Group operates primarily in two business areas – Electricity and Gas – under concession contracts regulated by the respective Regulatory Authorities. These regulatory measures serve as a protective mechanism, linking the Group's pricing policy to operational costs and thereby mitigating potential impacts of unrestrained inflation.

Furthermore, the Company's financial and operational activities are closely tied to the overall performance of the Group, which minimizes the potential adverse consequences arising from the uncertainties in monetary policy. This strategic alignment between pricing and operational costs positions the Group to navigate challenges posed by the dynamic economic environment effectively.

With respect to the effects of climate change and its rising threats, the Group is committed to being an active agent for environmental protection, implementing reforesting policies, promoting environmental education, preserving biodiversity, defending the rational use of natural resources and the prevention of pollution, while also playing an active role in the prevention of climate change. The Group recognizes the existence of risks and opportunities for its activities relating to climate change. 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 the evolving economic landscape of 2023, driven by the persistent inflationary pressures within the euro zone that reached record highs in the course of the year, the European Central Bank (ECB) has taken a tight monetary policy strategy. More recently, despite some signs that inflation might be under control with the achievement of a moderated price stability within the euro zone, the ECB have decided to maintain a tighten price stability by refraining from decreasing the main reference interest rates.

Nevertheless, despite such restrictive monetary policies, Management remains confident that the current level of activities will be sustained in the near future, with no significant deviations anticipated. Funding and re-financing of existing loans will take place, according to the investment needs of the Group, even in more adverse markets.

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.

In addition to the annual accounts, the Group's website gathers the array of codes of conduct adhered to and enforced by the Company. Furthermore, it outlines references to relevant international conventions and guidelines to which the Company adheres.

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, 14 March 2024

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 2023 and 2022

	Note	31/Dec/23	31/Dec/22
		EUR	EUR
Interest income	6	39,985,643	44,259,581
Interest income net		**39,985,643**	**44,259,581**
Interest expense	7	(27,380,928)	(35,534,140)
Interest margin		**12,604,715**	**8,725,441**
Other income	8	51,574	67,200
Salaries, wages and taxes	9	(107,006)	(104,040)
General and administrative expenses	10	(947,492)	(1,082,742)
Charge to allowance for impairment	16	(333,541)	-
Profit before taxation		**11,268,250**	**7,605,859**
Corporate Income tax	11	7,341,377	1,343,742
Net Profit for the year		**18,609,627**	**8,949,601**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the year		**18,609,627**	**8,949,601**
Profit attributable to owners of the Company		**18,609,627**	**8,949,601**
Total comprehensive income attributable to owners of the Company		**18,609,627**	**8,949,601**

Statement of financial position as at 31 December 2023 and 31 December 2022

(Before appropriation of current year's result)

	Note	31/Dec/23	31/Dec/22
		EUR	EUR
Assets			
Non-Current Assets			
Long-term loans to group companies	12	1,134,297,239	1,145,706,453
Deferred tax	13	-	4,886
Total Non-Current Assets		**1,134,297,239**	**1,145,711,339**
Current assets			
Short-term loans to group companies	14	203,900,000	740,973,367
Receivables from group companies	15	25,554,908	30,201,488
Tax receivable	20	-	20,096
Other receivables	16	-	333,541
Cash and cash equivalents	17	235,591	248,236
Total Current Assets		**229,690,499**	**771,776,728**
TOTAL ASSETS		**1,363,987,738**	**1,917,488,067**
Shareholder's Equity and Liabilities			
Shareholder´s Equity			
Share capital	18	20,000	20,000
Share premium	18	189,020,400	189,020,400
Retained Earnings	18	4,492,196	4,042,595
Profit for the year	18	18,609,627	8,949,601
Total Shareholder´s Equity		**212,142,223**	**202,032,596**
Non-Current Liabilities			
Long-term borrowings	19	1,132,863,696	1,143,724,889
Total Non-Current Liabilities		**1,132,863,696**	**1,143,724,889**
Current Liabilities			
Tax payable	20	705,936	68,236
Short-term borrowings	21	-	547,755,713
Interest payable	22	17,413,900	23,034,508
Payables to group companies	23	783,199	654,476
Other liabilities and accrued expenses	24	78,784	217,649
Total Current Liabilities		**18,981,819**	**571,730,582**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**1,363,987,738**	**1,917,488,067**

Statement of changes in Equity for the years ended 31 December 2023 and 2022

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
01/Jan/22	**20,000**	**189,020,400**	**3,790,514**	**5,752,081**	**198,582,995**
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)**
31/Dec/22	**20,000**	**189,020,400**	**4,042,595**	**8,949,601**	**202,032,596**

	Share Capital	Share Premium	Retained Earnings	Profit for the year	Total
01/Jan/23	**20,000**	**189,020,400**	**4,042,595**	**8,949,601**	**202,032,596**
Appropriation of profit	-	-	8,949,601	(8,949,601)	-
Profit for the year	-	-	-	18,609,627	**18,609,627**
Dividends	-	-	(8,500,000)	-	**(8,500,000)**
31/Dec/23	**20,000**	**189,020,400**	**4,492,196**	**18,609,627**	**212,142,223**

Statement of cash flows for the years ended 31 December 2023 and 2022

	Note	31/Dec/23	31/Dec/22
		EUR	EUR
Cash flows from operating activities:			
Interest received		42,748,180	38,751,374
Interest paid		(30,269,791)	(29,480,016)
Suppliers and Wages paid		(1,001,824)	(1,056,786)
Corporate Income Tax paid		(878,531)	(2,117,561)
Value Added Tax paid		(113,586)	(173,992)
Other tax payments/receipts		8,933,362	3,373,189
Net cash generated by operating activities		**19,417,810**	**9,296,208**
Cash flows from investing activities:			
Long-term loans provided to group companies	12	-	(35,000,000)
Short-term loans provided to group companies	14	(456,900,000)	(369,300,000)
Repayments short-term and long-term loans by group companies	12 and 14	1,005,900,000	498,800,000
Income from other fees received		1,418,198	2,347,400
Net cash generated by / (used in) investing activities		**550,418,198**	**96,847,400**
Cash flows from financing activities:			
Proceeds from issue of bonds and borrowings	19 and 21	-	35,000,000
Repayment loans of third parties	19 and 21	(560,000,000)	(134,000,000)
Expense from other fees paid		(1,348,653)	(1,698,135)
Dividends paid		(8,500,000)	(5,500,000)
Net cash generated by / (used in) financing activities		**(569,848,653)**	**(106,198,135)**
Net change in cash and cash equivalents		**(12,645)**	**(54,527)**
Foreign currency fluctuations		-	-
Cash and cash equivalents at the beginning of the year	17	248,236	302,763
Cash and cash equivalents at the end of the year	17	**235,591**	**248,236**

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 2023. 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.

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 2023.

2.1 New Accounting Standards

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in effective for annual periods beginning on or after 1 January 2023:

2.1.1. IFRS 17 – Insurance Contracts: Initial Application of IFRS 17

IFRS 17 replaces IFRS 4 – "Insurance contracts", the standard that has been in force on an interim basis since 2004. IFRS 17 is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with participation characteristics discretionary.

The amendments to IFRS 17 are intended to assist companies in implementing the Standard and to facilitate the explanation of their financial performance.

The adoption of this standard does not result in any impact on the Company's Financial Statements.

2.1.2. Amendments to IAS 1 and IFRS Practice statement 2 - Disclosure of Accounting policies

Effective for annual period beginning on or after 1 January 2023.

These amendments aim to change the requirements in IAS 1 with regard to disclosure of accounting policies. An entity discloses its material accounting policies, instead of its significant accounting policies, so there are examples and explanations to identify a material accounting policy. The materiality concept is demonstrated in IFRS Practice Statement 2 through the "four-step materiality process".

The adoption of this standard does not result in significant impacts on the Company's Financial Statements.

2.1.3. Amendments to IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Effective for annual period beginning on or after 1 January 2023.

These amendments clarify the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change of this type used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The adoption of this standard does not result in significant impacts on the Company's Financial Statements.

2.1.4. Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual period beginning on or after 1 January 2023.

These amendments included, essentially, certain transaction where the initial recognition exemption is not applied, namely when its initial recognition gave rise to equal amounts of taxable and deductible temporary differences.

The adoption of this standard does not result in significant impacts on the Company's Financial Statements.

2.1.5. Amendments to IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and Amendments to IFRS 9 – Comparative Information

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The adoption of this standard does not result in significant impacts on the Company's Financial Statements.

2.1.6. Amendments to IAS 12 – Income Taxes: International Tax Reform – Pillar Two Model Rules

These amendments introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The adoption of this standard does not result in significant impacts on on the Company's Financial Statements.

2.2 Future Accounting Standards

The following standards, interpretations, amendments and revisions have been endorsed by the European Union with mandatory application in future economic exercises:

2.2.1 Amendments to IAS 16 – Leases: Lease Liability in a sale and leaseback (new standard to be applied for periods beginning on or after 1 January 2024)

These amendments included requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction, in order to not recognizing any gain or loss on the right of use retained.

The future adoption of this standard is not expected to have significant impacts on the Company's Financial Statements.

2.2.2 Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (new standard to be applied for periods beginning on or after 1 January 2024)

These amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current, and include clarifying the classification requirements for debt a company might settle by converting it into equity. These amendments clarify, not change, existing requirements, and so are not expected to affect companies' financial statements significantly. However, they could result in companies reclassifying some liabilities from current to non-current, and vice versa.

The future adoption of this standard is not expected to have significant impacts on on the Company's Financial Statements.

The Company did not use any early adoption option of any of the above on the Company's Financial Statements for the year ended 31 December 2023.

3. Main Accounting Policies

3.1 Basis of Preparation

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

3.2 Financial Instruments

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

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

3.2.1. Classification and measurement

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

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

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

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:
i. Financial liabilities at fair value through profit and loss;
ii. 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 allowance 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 allowance for credit losses on loans receivables (Note 12 and 14)
- 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)
- estimate of the impairment allowance of receivables (Note 16)

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.

Associated with the large-scale military invasion by Russia against Ukraine on February 24, 2022, the escalation of violence in the conflict between Israel and Gaza, and the crisis in the Red Sea related to maritime transportation, there has been a widespread worsening of the global climate of uncertainty with negative effects on the prospects for the global economy and financial markets.

REN Group is actively monitoring the situations, has activated all necessary plans, and, despite the unpredictable situation, there are currently no significant effects on its operability and regulatory duties, nor are significant effects estimated. It is noteworthy that the REN Group operates primarily in two business areas, Electricity and Gas, according to concession contracts awarded to the Group and regulated, which somewhat minimizes the possible impacts of these conflicts.

REN Group remains strongly committed and assumes a facilitating role in the energy transition and environmental protection, recognizing that the integrated and synergistic adaptation of gas and electricity infrastructure is crucial to achieving the decarbonization goals established by national energy policy. The development of the necessary infrastructure for the energy transition and the mission of ensuring uninterrupted energy supply to the entire country, contributing to the engagement and development of the communities in which it operates, is realized through the establishment of high criteria for protection, conservation, and environmental restoration, acting in accordance with best practices regarding its contribution as an environmentally responsible company. On the other hand, the continuous development of innovation projects, some focused on emerging themes such as sustainability and circular economy, hydrogen and renewable gases, digitization, and cybersecurity, which are "incorporated" into different companies of the REN Group, significantly contributes to positioning and realizing the energy transition.

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 1,363,752,147 (31 December 2022: EUR 1,916,881,308) 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 2023, 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 its main objective 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 87,500 for the 2023 exercise (2022: EUR 1,612,500). Conversely, a negative variation of the same rate, would result in a profit before tax decrease on the same amount.

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/23

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Borrowings				
Bank borrowings	1,459,132	37,878,476	-	39,337,608
Bonds	19,250,000	839,500,000	301,500,000	1,160,250,000
Total	**20,709,132**	**877,378,476**	**301,500,000**	**1,199,587,608**
Payables to group companies	333,541	-	-	333,541
Total	**21,042,673**	**877,378,476**	**301,500,000**	**1,199,921,149**

31/Dec/22

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Borrowings				
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
Total	**581,108,138**	**602,597,310**	**608,250,000**	**1,791,955,448**
Payables to group companies	333,541	-	-	333,541
Total	**581,441,679**	**602,597,310**	**608,250,000**	**1,792,288,989**

6. Interest income

	2023	2022
	EUR	EUR
Interest on bonds subscribed	30,545,787	37,167,140
Interest on commercial paper subscribed	7,591,181	2,333,240
Amortization of Fees	1,848,675	4,759,201
Total	**39,985,643**	**44,259,581**

Interest income is calculated using the effective interest rate method.

7. Interest expense

	2023	2022
	EUR	EUR
Interest on bank borrowings	1,437,649	637,218
Interest on bonds issued	23,228,930	28,875,000
Amortization of Fees	2,714,349	6,021,922
Total	**27,380,928**	**35,534,140**

Interest expense is calculated using the effective interest rate method.

8. Other income

	2023	2022
	EUR	EUR
Invoices recharged to REN SGPS	51,572	39,943
Upfront payment CIT discount	2	85
Interest income on taxes reimbursed	-	27,172
Total	**51,574**	**67,200**

9. Salaries, wages and taxes

	2023	2022
	EUR	EUR
Salary	94,356	91,893
Charges on remuneration (Wage taxes and Social Security charges)	11,133	9,841
Insurance	1,517	2,306
Total	**107,006**	**104,040**

During 2023 and 2022, the Company had one employee and hence incurred salaries and related social security charges.

The Company did not pay any pension premium in 2023 and 2022.

10. General and administrative expenses

	2023	2022
	EUR	EUR
External suppliers:		
Office rent	20,508	18,886
Audit fees(*)	61,562	37,025
Tax advice fees	84,286	117,486
Law firm fees	25,519	52,823
Rating agency fees	52,804	125,911
Other fees and expenses	190,435	285,235
Invoices recharged by REN SGPS	449,658	320,935
Reversed VAT charge	62,720	124,441
Total	**947,492**	**1,082,742**

*** Audit Fees**	Ernst & Young Accountants LLP	Total
	EUR	EUR
2023		
Audit of the Financial Statements	61,562	61,562
Total	**61,562**	**61,562**

2022		
Audit of the Financial Statements	37,025	37,025
Total	**37,025**	**37,025**

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

	2023	2022
	EUR	EUR
CIT of the year	1,567,099	1,990,835
Taxes received from Dutch Tax Authorities	(8,933,458)	(3,346,060)
Correction of previous year's	20,096	-
Deferred income tax	4,886	11,483
Total	**(7,341,377)**	**(1,343,742)**

	2023	2022
	EUR	EUR
Profit before taxation	11,268,250	7,605,859
MAP Adjustment	(5,475,049)	-
Fiscal lower result on depreciation deferred interest	(19,543)	(45,930)
Non-deductible operating expenses above the EUR 825,000 cap	353,081	321,838
	6,126,739	**7,881,767**
CIT 19% for the first EUR 200,000 (2022:395,000)	38,000	59,250
CIT 25.8%	1,529,099	1,931,585
Total	**1,567,099**	**1,990,835**

31/Dec/23	Expense	Deferred Tax (25%)
	EUR	EUR
Assets - amortization deferred interest	268,576	67,144
Liabilities - amortization deferred interest	(249,032)	(62,258)
Total	**19,544**	**4,886**

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

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. For the financial year ending 31 December 2023, the Company's taxable profit, as estimated, is in accordance with the methodology and principles agreed under the MAP, as explained next.

Taxes received from Dutch Tax Authorities - 2022

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.

Taxes received from Dutch Tax Authorities - 2023

Following the MAP, it was subsequently discussed with the Dutch tax authorities by REN Finance B.V. (as well as with the Portuguese tax authorities by REN SGPS) to apply the same methodology for the years 2018 up to and including 2022. As both the Dutch and the Portuguese tax authorities agreed with the approach, ex officio adjustments resulted in a reduction of taxable income, and a refund of corporate income tax of the Company of EUR 2,194,964 for 2018, EUR 1,910,172 for 2019, EUR 1,887,149 for 2020, EUR 1,779,734 for 2021 and EUR 1,161,439 for 2022 (total amount of EUR 8,933,458). The final tax assessments of the Company for these years were reduced by the Dutch tax inspector accordingly and the tax, including interest (if applicable), was refunded.

MAP Adjustment

The Company's taxable profit for the financial year ending 31 December 2023, as estimated, is in accordance with the methodology and principles agreed under the MAP, as applied for the years 2018 to 2022, which the tax authorities (the Dutch and Portuguese tax authorities) have agreed with, i.e., REN Finance B.V. shall, for corporate income tax purposes be remunerated through the sum of the following components: i) cost of funding and ii) remuneration for the equity at risk. With this method, the taxable income of the Company for the financial year ended December 31, 2023, is estimated at EUR 6,126,741 resulting in estimated corporate income tax due of EUR 1,567,099. In other words, a MAP tax adjustment to the amount of EUR 5,475,049 will be included in the corporate income tax return of the Company in 2023.

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 2023 and 2022.

12. Long-term loans to group companies

	31/Dec/23	31/Dec/22
	EUR	EUR
Bonds	1,134,297,239	1,145,706,453
Total	**1,134,297,239**	**1,145,706,453**

Bonds		
Movement during the financial year:		
Opening balance	**1,145,706,453**	**1,690,722,931**
Reclassification from long to short-term	-	(550,000,000)
Bonds subscribed	-	35,000,000
Bonds paid	(10,000,000)	(35,000,000)
Movement capitalized deferred expenses	(1,409,214)	4,983,522
Closing balance	**1,134,297,239**	**1,145,706,453**

The interest rates on the loans to group companies, in long and short-term, are between 0.7% and 5.0% (31 December 2022: 0.7% and 3.1%) and the weighted average interest is 2.7% (2022: 2.2%).

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

	31/Dec/23	31/Dec/22
	EUR	EUR
Bonds	1,111,436,205	1,073,051,748
Total	**1,111,436,205**	**1,073,051,748**

The fair value of the Bonds subscribed 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 these instruments are still included in level 2 on the fair value hierarchy.

13. Deferred tax

	31/Dec/23	31/Dec/22
	EUR	EUR
Deferred income tax	-	4,886
Total	**-**	**4,886**

	31/Dec/23	31/Dec/22
	EUR	EUR
Deferred tax Movement during the financial year:		
Opening Balance	**4,886**	**16,369**
Effect from amortization of IFRS 9 adoption impact	(4,886)	(11,483)
Closing balance	**-**	**4,886**

As at 31 December 2023, a tax rate of 25% (31 December 2022: 25.8%) was used in the valuation of taxable and deductible temporary differences.

14. Short-term loans to group companies

	31/Dec/23	31/Dec/22
	EUR	EUR
Short term bonds	-	548,073,367
Commercial paper	203,900,000	192,900,000
Total	**203,900,000**	**740,973,367**
Bonds Movement during the financial year:		
Opening balance	**548,073,367**	**99,000,000**
Bonds repaid	(550,000,000)	(99,000,000)
Reclassification from Long to Short-term bonds	-	550,000,000
Movement capitalized deferred expenses	1,926,633	(1,926,633)
Closing balance	**-**	**548,073,367**
Commercial paper Movement during the financial year:		
Opening balance	**192,900,000**	**188,400,000**
CP subscribed	456,900,000	369,300,000
CP repaid	(445,900,000)	(364,800,000)
Closing balance	**203,900,000**	**192,900,000**

The interest rates on the loans to group companies, in long and short-term, are between 0.7% and 5.0% (31 December 2022: 0.7% and 3.1%) and the weighted average interest is 2.7% (2022: 2.2%).

Fair Value

	31/Dec/23	31/Dec/22
	EUR	EUR
Short term bonds	-	555,590,700
Commercial paper	208,765,174	193,463,210
Total	**208,765,174**	**749,053,910**

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 3.900% and 3.513% (2022: 1.872% and 3.2910%) with maturities of one week and one year, respectively.

15. Receivables from group companies

	31/Dec/23	31/Dec/22
	EUR	EUR
Interest receivable bonds	21,369,548	28,713,091
Interest receivable commercial paper	4,067,375	1,335,044
Receivable fees	96,014	113,410
Receivable recharged invoices from REN SGPS	21,971	39,943
Total	**25,554,908**	**30,201,488**

16. Other receivables

	31/Dec/23	31/Dec/22
	EUR	EUR
Receivable Portuguese withholding tax	333,541	333,541
Impairment Allowance	(333,541)	-
Total	**-**	**333,541**

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.

Given the delay in concluding this process, the company decided to record an impairment for allowance for the amount still to be received.

17. Cash and cash equivalents

	31/Dec/23	31/Dec/22
	EUR	EUR
Current accounts EUR	235,591	248,236
Total	**235,591**	**248,236**

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. Such criteria continued to be adopted for 2023. As at 31 December 2023, the Company has a total amount of EUR 189,020,400 (2022: EUR 189,020,400) of share premium received from REN SGPS, representing 16.65% of the outstanding loans (receivables) as of 31 December 2023 (31 December 2022: 11.15%).

During the Shareholders General Assembly meeting, held on 21 March 2023, the Shareholders approved the distribution EUR 8,500,000 as dividends of the net profit for the year 2022 amounting to EUR 8,949,601. In the same meeting, it was also decided to add the remainder of the profit EUR 449,601 to Retained Earnings. The dividend was distributed to the Shareholders on 17 April 2023.

Management proposes to distribute the net profit for the year 2023 amounting to EUR 15,000,000 as dividends and the amounts of EUR 3,609,627 to the caption “Retained Earnings”. This has not yet been reflected in 2023 statement of financial position.

19. Long-term borrowings

	31/Dec/23	31/Dec/22
	EUR	EUR
Bank borrowings	34,227,720	44,265,154
Bonds	1,098,635,976	1,099,459,735
Total	**1,132,863,696**	**1,143,724,889**

Bank borrowings **Movement during the financial year**	31/Dec/23	31/Dec/22
	EUR	EUR
Opening balance	**44,265,154**	**44,279,207**
Loans repaid	(10,000,000)	-
Movement capitalized deferred expenses	(37,434)	(14,053)
Closing balance	**34,227,720**	**44,265,154**

Bonds **Movement during the financial year**	31/Dec/23	31/Dec/22
	EUR	EUR
Opening balance	**1,099,459,735**	**1,642,881,788**
Reclassification from long to short-term Bonds	-	(550,000,000)
Movement capitalized deferred expenses	(823,759)	6,577,947
Closing balance	**1,098,635,976**	**1,099,459,735**

The interest rates charged on the borrowings from third parties are between 0.5% and 4.8% (31 December 2022: 0.5% and 2.9%) and the weighted average interest is 1.8% (2022: 1.8%).

The Company’s bank borrowings have the following main types of covenants: Cross default, Pari Passu and Negative Pledge. The Company has consistently complied with every covenants, either in 2022 and 2023.

Fair Value

	31/Dec/23	31/Dec/22
	EUR	EUR
Bank borrowings	35,775,343	45,395,470
Bonds issued	1,060,302,450	1,008,254,430
Total	**1,096,077,793**	**1,053,649,900**

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 2.261% and 3.909% (2022: 1.872% and 3.1444%) with maturities of one week and ten years, respectively.

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. that extended the maturity of the agreement until May 2027. The previous contract was valid until February 2024.

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.

In February 2023, the Company negotiated an amendment to the EUR 250,000,000 facility agreement with Bank of China Limited, Luxembourg Branch that extended the maturity of the agreement until February 2028. The previous contract was valid until June 2024.

In September 2023, REN SGPS and REN Finance signed together as issuers the update to the EUR 600,000,000 European Commercial Paper Programme for the issuance of Notes.

20. Tax receivable and payable

Tax Receivable	31/Dec/23	31/Dec/22
	EUR	EUR
Corporate Income Tax	-	20,096
Total	**-**	**20,096**

Tax Payable	31/Dec/23	31/Dec/22
	EUR	EUR
Value Added tax	17,370	68,236
Corporate Income Tax	688,566	-
Total	**705,936**	**68,236**

21. Short-term borrowings

	31/Dec/23	31/Dec/22
	EUR	EUR
Bonds	-	547,755,713
Total	**-**	**547,755,713**

Bonds		
Movement during the financial year	**31/Dec/23**	**31/Dec/22**
	EUR	EUR
Opening balance	**547,755,713**	**-**
Reclassification from long to short-term bonds	-	550,000,000
Bonds redemption	(550,000,000)	-
Movement capitalized deferred expenses	2,244,287	(2,244,287)
Closing balance	**-**	**547,755,713**

The interest rates charged on the borrowings from third parties are between 0.5% and 4.8% (31 December 2022: 0.5% and 2.9%) and the weighted average interest is 1.8% (2022: 1.8%).

Fair Value

	31/Dec/23	31/Dec/22
	EUR	EUR
Bonds	-	552,666,321
Total	**-**	**552,666,321**

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 as at 31 December 2022 ranged between 1.872% and 3.1444% with maturities of one week and ten years, respectively.

22. Interest payable

	31/Dec/23	31/Dec/22
	EUR	EUR
Payable interest on bank borrowings	185,189	142,331
Payable interest on bonds	17,132,697	22,778,767
Payable fees	96,014	113,410
Total	**17,413,900**	**23,034,508**

23. Payables to group companies

	31/Dec/23	31/Dec/22
	EUR	EUR
Payable withholding tax to REN SGPS	333,541	333,541
Payable recharged invoices by REN SGPS	449,658	320,935
Total	**783,199**	**654,476**

24. Other liabilities and accrued expenses

	31/Dec/23	31/Dec/22
	EUR	EUR
Tax advisor fees	21,682	49,294
Audit fees	37,785	33,275
Rating agency fees	-	125,911
Other expenses	19,317	9,169
Total	**78,784**	**217,649**

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, 8, 10, 12, 14, 15 and 23.

	Note	2023	2022
		EUR	EUR
Assets			
Long-term loans to group companies	12	1,134,297,239	1,145,706,453
Short-term loans to group companies	14	203,900,000	740,973,367
Receivables from group companies	15	25,554,908	30,201,488
Total		**1,363,752,147**	**1,916,881,308**
Liabilities			
Payables to Group Company	23	783,199	654,476
Total		**783,199**	**654,476**

		2023	2022
		EUR	EUR
Income Statement:			
Interest income	6	39,985,643	44,259,581
Other income	8	51,572	39,943
Invoices recharged by REN SGPS	10	(532,374)	(320,935)
Total		**39,504,841**	**43,978,589**

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 16. The “Other receivables” relate mainly to the amount which the reimbursement has already been requested to the Portuguese tax, refer to note 15.

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 77,491 (2022: EUR 80,968) for administrative services.

The remuneration paid to the Directors was EUR 10,926 (2022: EUR 10,196). 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 2024, under the EUR 5,000,000,000 Euro Medium Term Note Programme, REN Finance issued a EUR 300,000,000 Green Bond due on 27 February 2032.

29. Approval of the Financial Statements

The Financial Statements were approved by the Board of Managing Directors on 14 March 2024.

Amsterdam, 14 March 2024

Board of Managing Directors:

Mr. G. J. Figueira Morais Soares

Mr. N. M. da Silva Alves do Rosário

Mr. H.R.T. Kröner

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 the managing directors of REN Finance B.V.

Report on the audit of the financial statements 2023 included in the annual accounts

Our opinion

We have audited the financial statements 2023 of REN Finance B.V. based in Amsterdam, the Netherlands.

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 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) 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 2023
- The following statements for 2023: the statements of comprehensive income, changes in equity and cash flows
- The notes comprising material accounting policy information 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	€6.8 million (2022: €9.6 million).
Benchmark applied	0.5% of total assets as at 31 December 2023.
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 €340 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 listed finance company. We have made use of specialists in the area 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, as well as the REN SGPS code of conduct, whistle blower procedures and incident registration. 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.

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things 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 judgements and estimates and key sources of estimation uncertainty" to the financial statements, including the allowance for credit losses on loans receivables. Furthermore, we have used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions and transactions with related parties. We also evaluated whether transactions with related parties were accounted for at-arm's length and in accordance with transfer pricing documentation.
We did not identify a risk of fraud in revenue recognition, other than the aforementioned risks related to management override of controls.

We considered available information and made enquiries of relevant executives, directors, and 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 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, correspondence with regulatory authorities, and enquired with the group auditor of REN SGPS. We 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 matters

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

In comparison with previous year, 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 the 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 credit losses may have a material impact on the company's financial position and results. We consider the valuation of the loans issued to the parent company and determination of the expected credit losses a key audit matter because this is an area that involves significant judgment and determines the ability of the company to fulfil its obligations and to continue as a going concern. We refer to Note "3.2.2. Impairment" to the financial statements, where the board of managing directors 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 2023 and therefore decided not to recognize an allowance for expected credit losses in the financial statements, as disclosed in "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 insofar relevant to our audit of the financial statements. Furthermore, we have performed the following substantive audit procedures: ▸ Recalculation and verification of the amortized cost calculation performed by the company and its alignment with the underlying contracts ▸ Recalculation of the interest income recorded in the statement of comprehensive income and verification of the accuracy of the amounts accrued in the statement of financial position based on the contractually agreed terms ▸ Confirming our understanding of the company's data, assumptions and method used to determine the expected credit losses on the loans issued to parent company ▸ Evaluation of the financial position and determining that the parent company, REN SGPS, has met its financial obligations towards the company throughout the year and up to the date of this report and verifying the most recent ratings assigned by external credit rating agency to REN SGPS ▸ Inspection of the outcome of the previous accounting estimate and the subsequent re-estimation and performing sensitivity analyses on the key assumptions ▸ Recalculation of the expected credit losses and, using an independent credit default study, challenging the key assumptions in the model, i.e. the probability of default and loss given default rates. Verification that the board of managing directors' appropriately measured the loss allowance at an amount equal to 12-month expected credit losses, instead of the lifetime expected credit losses ▸ Finally, 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

Valuation of loans issued to the parent company	
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 date.

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-IFRSs 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 framework 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, 14 March 2024

Ernst & Young Accountants LLP

signed by P. Sira