

2018



Annual Accounts 2018

REN FINANCE B.V.
AMSTERDAM

Initialed
for identification purposes only
Ernst & Young Accountants LLP



Index

Management Board's report	2
Financial Statements	6
Statement of comprehensive income for the years ended 31 December 2018 and 2017	7
Statement of financial position as at 31 December 2018 and 2017	8
Statement of changes in Equity for the years ended 31 December 2018 and 2017	9
Statement of cash flows for the years ended 31 December 2018 and 2017	10
Notes to the Financial Statements	11
Other information	35

Initialed
for identification purposes only
Ernst & Young Accountants LLP



Management Board's report

Management herewith presents to the shareholder the annual accounts of REN Finance B.V. for the year 2018.

General

REN Finance B.V. (referred to in this document as "REN B.V." or "the Company"), with 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 legal seat in Amsterdam.

The objects of the Company are:

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

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

Both the Company and REN SGPS act as issuer under a EUR 5,000,000,000 Euro Medium Term Programme (the "Programme"). More details about the Programme can be found in the base prospectus dated 28 December 2018 available on the Group's website.

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

Overview of activities

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

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

Results

The net profit for the year 2018 amounts to EUR 6,643,288 (2017: EUR 4,493,104). The net income is the result of the margin between the interest income and interest expense and the incurring of costs like fees.

During the year of 2018 operating activities generated EUR 7,226,785 (2017: EUR 3,477,992) in cash flows while investing activities generated an outflow of EUR 155,683,646 (2017: EUR 466,586,305). However financing activities generated EUR 148,016,521 (2017: EUR 463,446,152), which resulted in a net negative cash flow of EUR 440,340 (2017: positive EUR 337,839) in cash and cash equivalents.

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

Initialed
for identification purposes only
Ernst & Young Accountants LLP



Audit Committee

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

Financial Risk Management

Financial Instruments

The Company's principal financial instruments comprise loans granted, borrowings and bank balances. During the financial year 2018 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 Euro. The currency risk exposure is therefore null.

Interest Rate Risk

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

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

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

Market Risk

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2018 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a counterparty which mitigates the risk.

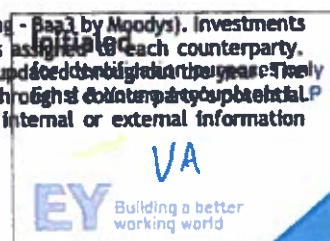
Using these assumptions a 0.25% variation in market interest rates would result in a profit before tax variation of EUR 784,381 for the year 2018.

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

Credit Risk

Financial instruments, which potentially subject the Company to credit risk, which amount to EUR 2,140,087,647 related to receivables from parent company. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk.

Credit risk is managed by the Company in accordance with the Group's policy (REN's rating - Baa3 by Moody's). 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 during the year. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty default or 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 Company to meet all its obligations. As per 31 December 2018, 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. 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.

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 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

Funding and re-financing of existing loans will take place in the near future as the market continues to be favorable from an interest perspective.

Management is of the opinion that the present level of activities will be maintained in the near future and no significant changes are expected.

No circumstances are expected which will affect future turnover and profitability. Also no activities in the field of research and development are expected in the near future.

Compliance

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

Control System & Management Board

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

Initialled
for identification purposes only
Ernst & Young Accountants LLP
VA
EY Building a better working world

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

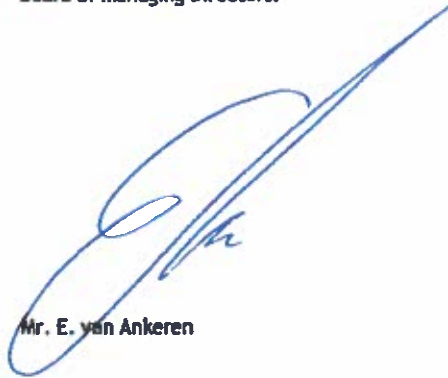
- Mr. E. van Ankeren
- Mr. G. J. Huizing
- Mr. N.M. da Silva Alves do Rosário
- Mr. G.J. Figueira Morais Soares

Diversity

With effect from 1 January 2013, the Management and Supervision Act came into force, which means that certain major companies must aim for a balanced distribution between men and women with respect to the number of seats on the Management Board. During 2018 the Management consisted of four men. In the future, the Company will try to realize a balanced distribution.

Amsterdam, 2 April 2019

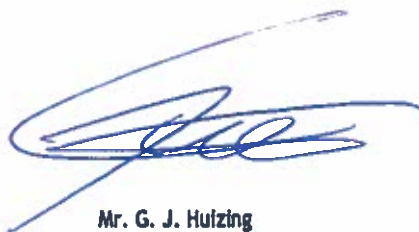
Board of Managing Directors:



Mr. E. van Ankeren



Mr. N. M. da Silva Alves do Rosário



Mr. G. J. Huizing



Mr. G. J. Figueira Morais Soares

Initialed
for identification purposes only
Ernst & Young Accountants LLP

VA

EY Building a better
working world

Financial Statements

Initialed
for identification purposes only
Ernst & Young Accountants LLP



Statement of comprehensive income for the years ended 31 December 2018 and 2017

	Note	2018	2017
		EUR	EUR
Interest income	6	57,415,492	49,827,007
Interest income net		57,415,492	49,827,007
Interest expense	7	(47,288,568)	(42,031,348)
Interest margin		10,126,924	7,795,659
Other income	8	463,846	190,340
Salaries, wages and taxes	9	(57,605)	(51,129)
General and administrative expenses	10	(1,512,860)	(1,523,733)
Provisions	11	(56,074)	(433,456)
Profit before taxation		8,964,231	5,977,681
Corporate Income tax	12	(2,320,943)	(1,484,577)
Net Profit for the year		6,643,288	4,493,104
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		6,643,288	4,493,104
Profit attributable to owners of the company		6,643,288	4,493,104
Total comprehensive income attributable to owners of the company		6,643,288	4,493,104

Statement of financial position as at 31 December 2018 and 2017
(Before appropriation of current year's result)

	Note	31/Dec/18 EUR	31/Dec/17 EUR
Assets			
Non-Current Assets			
Long-term loans to group companies	13	1,805,977,480	1,507,326,585
Deferred tax	14	50,848	108,364
Total Non-Current Assets		1,806,028,328	1,507,434,949
Current assets			
Short-term loans to group companies	15	301,500,000	444,500,000
Receivables from group companies	16	32,610,167	25,601,579
Other receivables	17	3,469,660	3,468,161
Cash and cash equivalents	18	269,998	710,339
Total Current Assets		337,849,825	474,280,079
TOTAL ASSETS		2,143,878,153	1,981,715,028
Shareholder's Equity and Liabilities			
Shareholder's Equity			
Share capital	19	20,000	20,000
Share premium	19	157,020,400	163,452,400
Retained Earnings	19	839,408	1,026,086
Profit for the year	19	6,643,288	4,493,104
Total Shareholder's Equity		164,523,096	168,991,590
Non-Current Liabilities			
Long-term borrowings	20	1,798,556,444	1,500,502,751
Provisions	21	56,074	433,456
Total Non-Current Liabilities		1,798,612,518	1,500,936,207
Current Liabilities			
Tax payable	22	2,096,909	493,312
Short-term borrowings	23	150,000,000	287,400,000
Accrued interest	24	24,599,187	19,834,863
Payables to group companies	25	3,792,541	3,654,687
Other liabilities and accrued expenses	26	253,902	404,369
Total Current Liabilities		180,742,539	311,787,231
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,143,878,153	1,981,715,028

Initialed
for identification purposes only
Ernst & Young Accountants LLP

VA
 Building a better
working world

Statement of changes in Equity for the years ended 31 December 2018 and 2017

	Share Capital	Share premium	Retained Earnings	Profit for the year	Total
1-Jan-17	20,000	110,220,400	6,526,235	3,734,631	120,501,266
Capital increase	-	53,232,000	-	-	53,232,000
Appropriation of profit	-	-	3,734,631	(3,734,631)	-
Profit for the year	-	-	-	4,493,104	4,493,104
Dividends	-	-	(9,234,780)	-	(9,234,780)
31-Dec-17	<u>20,000</u>	<u>163,452,400</u>	<u>1,026,086</u>	<u>4,493,104</u>	<u>168,991,590</u>

IFRS 9 Impact (186,678) (186,678)

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

Initialed
for identification purposes only
Ernst & Young Accountants LLP

VA
EY Building a better working world

Statement of cash flows for the years ended 31 December 2018 and 2017

	Note	31/Dec/18 EUR	31/Dec/17 EUR
Cash flows from operating activities:			
Interest received		47,199,063	42,192,821
Interest paid		(37,571,351)	(36,287,217)
Suppliers and Wages paid		(1,154,683)	(768,654)
Corporate Income Tax paid		(1,184,102)	(1,317,064)
Value Added Tax paid		(62,143)	(341,894)
Net cash generated by / (used in) operating activities		7,226,784	3,477,992
Cash flows from investing activities:			
Long-term loans provided to group companies	13	(300,000,000)	(150,000,000)
Short-term loans provided to group companies	15	(450,900,000)	(763,950,000)
Repayments short-term and long-term loans by group companies	15	593,900,000	446,046,995
Income from other fees received		1,316,354	1,316,700
Net cash used in investing activities		(155,683,646)	(466,586,305)
Cash flows from financing activities:			
Capital increases	19	-	54,432,000
Capital decreases	19	(6,432,000)	(1,200,000)
Proceeds from issue of bonds and borrowings	20 and 23	450,000,000	680,400,000
Repayment loans of third parties	23	(287,400,000)	(258,000,000)
Expense from other fees paid		(3,658,375)	(2,951,068)
Dividends paid		(4,493,104)	(9,234,780)
Net cash generated by financing activities		148,016,521	463,446,152
Net change in cash and cash equivalents		(440,341)	337,839
Foreign currency fluctuations		-	-
Cash and cash equivalents at the beginning of the year	18	710,339	372,500
Cash and cash equivalents at the end of the year	18	269,998	710,339

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 head office in De Cuserstraat 93, Unit 205, 1081 CN Amsterdam, The Netherlands, were established by deed of incorporation executed on 10 May 2013 with legal seat in Amsterdam and registered in the Trade Register at Chamber of Commerce under number 57903093.

The objects of the Company are:

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

The Company belongs to a corporate group controlled by REN - Redes Energeticas Nacionais, SGPS, S.A., 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 IFRS as adopted by the EU and also in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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

In the following paragraphs the Company has analyzed the possible effects of the new IFRS Standards. These are effective for annual periods beginning on or after January 1, 2018.

- IFRS 9
- IFRS 15
- Annual improvements to IFRS (2014-2016 cycle)

The following standards, interpretations, amendments and revisions have been endorsed by the EU with mandatory application for annual periods beginning on or after January 1, 2019. The Company did not use any early adoption option of any of these standards in these financial statements for the year ended 31 December 2018:

- Amendment to IFRS 9
- IFRS 16
- IFRIC 23
- Amendment to IAS 28

New Accounting Standards

2.1. IFRS 9 Financial Instruments

In July 2014, IASB (International Accounting Standards Board) issued a final version of IFRS 9 Financial Instruments. The European Commission Regulation No 2067/2016, issued on November 22 2016.

The Company adopted IFRS 9 which had a decrease on its financial liabilities book value in the amount of EUR 3,240,826, a decrease on its financial assets in the amount of EUR 3,489,730 and a decrease in the caption "Retained earnings" in the amount of about EUR 186,678 (increase in deferred tax from assets in the amount of EUR 62,226) mainly related to changes in the measurement of financial liabilities in connection with the exchange bond operation completed by the Company in 2016 according to IFRS 9.

2.1.1. Classification and measurement

IFRS 9 presents a new 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). IFRS 9 eliminates IAS 39 categories: Held to Maturity (HTM), Loans and Receivables and Available for Sale (AFS).

In accordance with IFRS 9, embedded derivative contracts are not bifurcated for financial assets. Instead, the contractual cash flow characteristics of the hybrid financial instrument should be evaluated that may result that it needs to be classified as a single financial asset measured at fair value through profit or loss.

Initialed
for identification purposes only
Ernst & Young Accountants LLP



The next table shows the changes occurred on transition to IFRS 9 from the 31st of December 2017 to the 1st of January 2018:

	Note	Category	31/Dec/17 IAS 39 EUR	Impact EUR	Category	01/Jan/18 IFRS 9 EUR
Assets						
Others assets			4,178,500	-		4,178,500
Loans and other receivables from group companies	2.1.3	Loans & Receivables	1,977,428,164	(3,489,730)	Amortized cost	1,973,938,434
Deferred tax assets			108,364	62,226		170,590
		TOTAL ASSETS	1,981,715,028	(3,427,504)		1,978,287,524
Shareholder's Equity and Liabilities						
Shareholder's Equity						
Share capital			20,000	-		20,000
Share premium			163,452,400	-		163,452,400
Retained Earnings			1,026,086	(186,678)		839,408
Profit for the year			4,493,104	-		4,493,104
		Total Shareholder's Equity	168,991,590	(186,678)		168,804,912
Liabilities						
Borrowings and accrued interest	2.1.3	Loans & Receivables	1,807,737,614	(3,240,826)	Amortized cost	1,804,496,788
Other liabilities			4,985,824	-		4,985,824
		TOTAL LIABILITIES	1,812,723,438	(3,240,826)		1,809,482,612
		TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,981,715,028	(3,427,504)		1,978,287,524

2.1.2. Impairment

2.1.2.1. General Approach

In July 2014, "IFRS 9 Financial Instruments" was released by the IASB to replace IAS 39. The effective date is for annual periods beginning after January 1st, 2018.

The IFRS 9 is divided into three topics, known as "Phases":

- Phase 1: "Classification and Measurement";
- Phase 2: "Impairment";
- Phase 3: "Hedge Accounting".

The Impairment Phase requirements demands the recognition of Expected Credit Losses (ECL) as a loss allowance. IFRS 9 replaces the "loss incurred" model in IAS 39 with an expected credit loss (ECL) model. As such, it will no longer be necessary for the loss event to occur so that impairment is recognized.

The new impairment model will be 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".

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

The following non-exhaustive list of information may be relevant in assessing changes in credit risk:

- a) significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception, including, but not limited to, the credit spread that would result if a particular financial instrument or similar financial instrument with the same terms and the same counterparty were newly originated or issued at the reporting date.
- b) other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage) because of changes in the credit risk of the financial instrument since initial recognition.
- c) significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to:
 - the credit spread;
 - the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and
 - other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- d) an actual or expected significant change in the financial instrument's external credit rating.
- e) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates.
- f) an actual or expected significant change in the operating results of the borrower. Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business only for identification purposes only

Examples include actual or expected declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business only for identification purposes only

- organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.
- g) significant increases in credit risk on other financial instruments of the same borrower.
 - h) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
 - i) expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
 - j) contractual payments are more than 30 days past due.

The credit risk on a financial instrument is considered low, and the financial instrument can be classified in stage 1, when the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and 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.

An external rating of 'investment grade' is an example of a financial instrument that may be considered as having low credit risk.

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.

2.1.2.3. 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 reorganisation;
- 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.

2.1.2.4. Assessment of the Expected credit loss

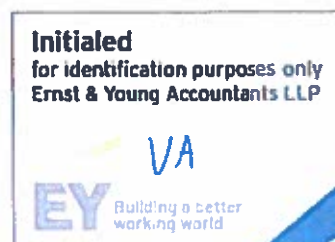
REN Finance It's a vehicle owned 100% by REN SGPS, with the purpose of issue debt that is fully transferred in form of Commercial Paper or Bonds to fund the Group. Therefore, the exposures of REN Finance to REN S.A. are merely an operational instrument to gather funding and not loans bearing significant credit risk.

As at the transition date, the credit risk of REN S.A. It was considered low and stable (investment grade), and, as such, considered to be in stage 1.

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

2.1.3. Classification - Financial Liabilities

IFRS 9 maintains the requirements in IAS 39 for the classification of financial liabilities.



However, in accordance with IAS 39, all changes in Fair Value of liabilities designated as FVTPL are recognized in profit or loss, whereas, in accordance with IFRS 9, these changes in Fair Value are generally presented as follows:

- The amount of changes in Fair Value that is attributable to changes in the liability credit risk is presented in the Other Comprehensive Income (OCI) and is not recycled to profit or loss; and
- The remaining amount of changes in Fair Value is shown in Profit or Loss.

The Company has not yet designated any financial liability as FVTPL and, currently, does not intend to do so.

In addition, in accordance with IFRS 9 and as confirmed by the IASB's Interpretations Committee, modified financial liabilities that do not result in derecognition shall be measured at the date of their modification at their present value by applying the original effective rate of the liability as the discount rate and any difference recognized as a gain or loss in the results of the year.

The treatment under IAS 39 allowed the deferral of this differential by reviewing the effective interest rate, a treatment applied by the Company in connection with the exchange bond operation completed in 2016. This change had a decrease on the book value of the Company's financial liabilities in the amount of EUR 3,240,826, a decrease on the book value of the Company's financial assets in the amount of EUR 3,489,730 and in the caption "Retained earnings" in the amount of about EUR 186,678 (increase of deferred tax from assets in the amount of EUR 62,226).

2.1.4. Disclosures

IFRS 7 requires new disclosures, in particular with regarding hedge accounting, credit risk and expected losses (Note 3.3 and Note 3.4).

2.2. IFRS 15 Revenue from Contracts with Customers

This new standard only applies to contracts for the delivery of assets or rendering of services: i) establishes that the company recognizes the revenue when the contractual obligation to deliver assets or provide services is satisfied; ii) and the amount that reflects the consideration to which the company is entitled, as established in the "5 step methodology". The adoption of this standard does not result in significant impacts on the Company's financial statements.

2.3. IFRS 16 Leases

This standard replaces IAS 17 - Leases and the associated interpretations, with impact on the accounting performed by lessees, which are obliged to recognize for lease contracts a lease liability corresponding to future lease payments and, respectively, an asset related with the "right of use". The future adoption of this standard is not expected to have significant impacts on the Company's financial statements.

2.4. Other

The future adoption of the following standards is not expected to have significant impacts on the Company's financial statements:

- Annual improvements to IFRS (2015-2017 cycle)
- Amendment to IFRS 9 Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty Over Income Tax Treatments
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

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.

3.3. 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 Bonds.

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.

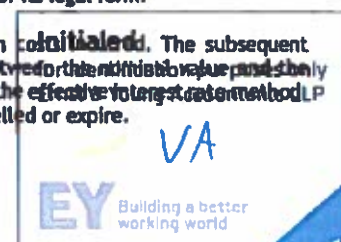
Financial assets at amortized cost are classified as "Loans and other receivables" in the statement of financial position, are initially recorded at fair value, and subsequently measured at amortized cost using the effective interest rate method, less any expected credit loss.

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

A financial instrument is classified as a financial liability when a contractual obligation exists by the issuer to liquidate capital and/or interests, by the delivery of cash or other financial asset, independently of its legal form.

Borrowings are initially measured at fair value, net of directly attributed transaction costs. The subsequent measurement of these borrowings is made at amortized cost, being the difference between the initial value and the initial fair value recognized in the profit and loss statement over the loan maturity, using the effective interest rate method. Financial liabilities are derecognized when the related obligations are discharged, cancelled or expire.



The borrowings' fair value is calculated with the discounted cash flows method, using the interest rate curve on the date of the statement of financial position in accordance with each loan characteristics.

3.5. Other receivables

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

3.6. Cash and cash equivalents

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

3.7. Statement of Cash Flow

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

3.8. Loans and Borrowings

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

3.9. Liabilities and other payables

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

3.10. Provisions

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

3.11. Interest Income and expense recognition

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

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

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

3.12. Expenses recognition

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate.

3.13. Corporate income tax

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

Deferred tax is recognised 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 consolidated 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 realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used.

3.14. Accounting estimates and judgements

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

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

In the preparation of the accompanying financial statements, 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.

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

- estimate of the collectable amount of receivables
- estimate of the fair value of receivables and loans payable
- estimate of the created provisions

4.1. Going concern evaluation

The Board of Directors evaluated the Company's going concern capability, based on all the relevant information, facts and circumstances, of financial, commercial and other natures, including subsequent events occurred after the financial statement report date. In result of this assessment, the Board concludes that the Company has the adequate resources to proceed its activity, not intending to cease its operations in short term, and therefore considers adequate the use of a going concern basis in the preparation of the Company's financial statements.

5. Financial Risks Management

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

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

5.1. Currency Risk

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

5.2. Credit risk

Financial instruments, which potentially subject the Company to credit risk, which amount to EUR 2,140,087,647 related to receivables from parent company. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur. No collateral is required by the Company to support financial instruments subject to credit risk. 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 rating - Baa3 by Moody's), Loans and Borrowings 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 Company to meet all its obligations. As per 31 December 2018, 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. The bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge, which REN SGPS complies with. The Company's counterparty risk on bank deposits is mitigated by the selection of well-known domestic institutions, which are considered at the time of deposit to have minimal risk of default. The company's management actively and regularly monitors the credit counterparty risk and undertakes financial transactions with entities that are solvent.

5.3. Interest rate risk

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

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

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

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

A sensitivity analysis was made based on the Company's total interest income due to the subscribed Commercial Paper for the period until 31 December 2018 with the assumption that changes in market interest rates affect interest income. The interest received from Commercial Paper is the only subject to market risk, the remaining interest income/expense has a counterparty which mitigates the risk.

Using these assumptions a 0.25% variation in market interest rates would result in a profit before tax variation of EUR 784,381 for the year 2018 and there is no impact in the Company's equity.

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.

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 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 December 2018

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

31 December 2017

	Less than 1 year	1-5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR
Bank borrowings	289,862,243	52,911,014	153,155,342	495,928,599
Bonds	34,843,363	933,112,952	526,541,096	1,494,497,411
Total	324,705,606	986,023,966	679,696,438	1,990,426,010
Trade and other payables	3,654,687	-	-	3,654,687
Total	328,360,293	986,023,966	679,696,438	1,994,080,697

6. Interest income

	2018	2017
	EUR	EUR
Other interest	19,801	19,056
Interest on bonds	51,272,503	42,757,841
Interest on commercial paper	2,694,022	3,866,970
Amortisation of Fees	3,429,166	3,183,140
Total	57,415,592	49,827,007

Interest income is calculated using the effective rate.

57,415,592
49,827,007
Ernst & Young Accountants LLP

7. Interest expense

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Interest on bank borrowings	9,504,256	8,635,861
Interest on bonds issued	32,881,134	27,919,707
Fees	4,903,178	5,475,780
Total	<u>47,288,568</u>	<u>42,031,348</u>

8. Other income

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Invoices recharged to REN SGPS	463,846	190,340
Total	<u>463,846</u>	<u>190,340</u>

9. Salaries, wages and taxes

	<u>2018</u>	<u>2017</u>
	EUR	EUR
Salary	57,605	51,129
Total	<u>57,605</u>	<u>51,129</u>

During 2018 and 2017 the Company had one employee and hence incurred salaries and related social security charges during the reporting period. The Company did not pay any pension premium in 2018 and 2017.

Initialed
for identification purposes only
Ernst & Young Accountants LLP



10. General and administrative expenses

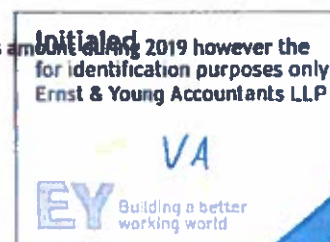
	<u>2018</u>	<u>2017</u>
	EUR	EUR
External suppliers:		
Office rent	13,946	13,833
Audit fees(*)	24,680	30,746
Tax advice fees	176,519	72,370
Law firm fees	104,908	491,020
Rating agency fees	513,358	211,000
Other fees and expenses	111,723	136,487
Invoices recharged by REN SGPS	352,572	186,526
Reversed VAT charge	215,154	381,751
Total	<u>1,512,860</u>	<u>1,523,733</u>

* Audit Fees	Deloitte	Ernst &	Total
	Accountants B.V.	Young LLP	
	EUR	EUR	EUR
2017			
Other audit engagements	-	-	-
Audit of the financial statements	30,746	-	30,746
Total	<u>30,746</u>	<u>-</u>	<u>30,746</u>
2018			
Other audit engagements	-	-	-
Audit of the financial statements	9,680	15,000	24,680
Total	<u>9,680</u>	<u>15,000</u>	<u>24,680</u>

11. Provisions

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Provision for Tax Contingency	56,074	433,456
Total	<u>56,074</u>	<u>433,456</u>

The provision is for Tax concerning a VAT audit on previous years. It's expected pay this amount during 2019 however the final decision on the assessment has been issued.



12. Corporate income tax

	2018	2017
	EUR	EUR
Adjustments of CIT from previous periods	-	157
CIT of the year	2,201,201	1,592,784
Deferred income tax	119,742	(108,364)
Total	2,320,943	1,484,577

	2018	2017
	EUR	EUR
Profit before taxation	8,964,231	5,977,681
Fiscal lower result on depreciation deferred interest (IFRS 9)	(45,930)	-
VAT expenses	(433,456)	433,456
Non-deductible expenses	359,958	-
	8,844,803	6,411,137
CIT 20% (for the first EUR 200,000)	40,000	40,000
CIT 25%	2,161,201	1,552,784
Total	2,201,201	1,592,784

	Expense	Deferred Tax (25%)
	EUR	EUR
IFRS 9 Impact - Assets	643,959	160,990
IFRS 9 Impact - Liabilities	(598,029)	(149,507)
VAT expenses	433,456	108,364
Others	(420)	(105)
Total	478,966	119,742

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

A taxable income for 2018 was calculated under the profit before taxation of the amount EUR 8,964,231, 20% corporate income tax has been calculated for the first EUR 200,000, and 25% income tax has been calculated on the remainder value, taking into account non-deductible expenses and income, which resulted in a charged CIT of EUR 2,201,201 on purposes only

Ernst & Young Accountants LLP

The Company understands that possible corrections to the tax returns resulting from tax reviews and/or inspections carried out by the tax authorities will not have a significant effect on the financial statements as of 31 December 2018 and 2017.

13. Long-term loans to group companies

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Bonds	1,805,977,480	1,507,326,585
Total	1,805,977,480	1,507,326,585
Bonds		
Movement during the financial year:		
Opening balance	1,507,326,585	1,356,085,660
Bonds subscribed	300,000,000	150,000,000
Bonds repaid	-	-
Bonds redeemed	-	-
Movement capitalized deferred expenses	(1,349,105)	1,240,925
Closing balance	1,805,977,480	1,507,326,585

The interest rates on the loans to group companies, in long and short term, are between 0.8% - 5.3% (31 December 2017: 1.1% - 5.3%) and the weighted average interest is 2.4% (in December of 2017: 2.5%).

In 2017, the proceeds of a EUR 150,000,000 facility agreement with CDB (China Development Bank) were used to subscribe internal Bonds issued by REN SGPS.

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

Fair Value

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Bonds	1,906,552,058	1,540,453,228
Total	1,906,552,058	1,540,453,228

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

14. Deferred tax

	2018	2017
	EUR	EUR
Deferred income tax	50,848	108,364
Total	50,848	108,364

	2018	2017
	EUR	EUR
Deferred tax Movement during the financial year:		
Opening Balance	108,364	-
Increases (IFRS 9 Adoption)	50,848	108,364
Utilization (Tax Provision)	(108,364)	-
Closing balance	50,848	108,364

The tax rate of 25% used in the valuation of taxable and deductible temporary differences as of December 31, 2017 has been updated for each company in the consolidation perimeter, using an average rate against the future prospects of the taxable income of each recoverable company in the coming years. This amount of deferred income tax is mainly related to the impact adopting of IFRS 9. For IFRS' 9 full impact refer to note 2.1.3.

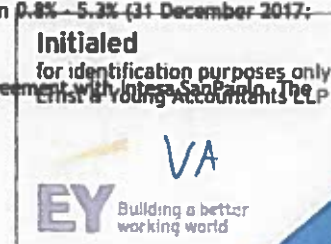
15. Short-term loans to group companies

	31/Dec/18	31/Dec/17
	EUR	EUR
Commercial paper	301,500,000	444,500,000
Total	301,500,000	444,500,000

Commercial paper Movement during the financial year:		
Opening balance	444,500,000	126,596,995
CP subscribed	738,300,000	1,294,350,000
CP repaid	(881,300,000)	(976,446,995)
Closing balance	301,500,000	444,500,000

The interest rates on the loans to group companies, in long and short term, are between 0.8% - 5.3% (31 December 2017: 1.1% - 5.3%) and the weighted average interest is 2.4% (in December of 2017: 2.5%).

In January 2018, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with Intesa San Paolo. The proceeds were used to subscribe internal Commercial Paper issued by REN SGPS.



In previous mentioned items (subscribed and repaid) a non cash item of EUR 287,400,000 is included. The non cash item is related to a new Commercial Paper subscription made from a previously subscribed Commercial Paper that matured on the same date. These two Commercial Paper had the same nominal amount and no funds were transferred. It relates to the final reimburse of the agreement signed in 2017 with a Bank Syndicate, refer to note 23:

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
CP subscribed	738,300,000	1,294,350,000
Non Cash	(287,400,000)	(530,400,000)
Cash Flow Paid	450,900,000	763,950,000

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
CP repaid	(881,300,000)	(976,446,995)
Non Cash	287,400,000	530,400,000
Cash Flow Received	(593,900,000)	(446,046,995)

Fair Value

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Commercial paper	303,302,301	446,553,400
	303,302,301	446,553,400

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.373% and 0.826% (maturities of one week and ten years, respectively).

16. Receivables from group companies

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Interest receivable bonds	30,198,634	23,777,037
Interest receivable commercial paper	1,252,612	906,738
Receivable fees	70,958	727,464
Receivable recharged invoices from SGPS	1,087,963	190,340
Total	<u>32,610,167</u>	<u>25,601,579</u>

17. Other receivables

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Receivable Portuguese withholding tax	3,468,161	3,468,161
Other Receivables	1,499	-
Total	<u>3,469,660</u>	<u>3,468,161</u>

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

18. Cash and cash equivalents

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Current accounts EUR	269,998	710,339
Total	<u>269,998</u>	<u>710,339</u>

The funds maintained in the current account are freely available.

19. Shareholder's Equity

The authorized share capital of the Company amounts to EUR 20,000 and is divided into 20,000 common shares of EUR 1 each. Issued and paid in are 20,000 shares. During 2018 the Company decreased share premium for a total amount of EUR 6,432,000.

According to the APA 8% of the outstanding loans (receivables) should be held as equity on the Consolidated Balance Sheet. Therefore the Company has a total amount of EUR 157,020,400 (2017: EUR 163,452,400) of these financing receivables from REN SGPS.

During the Shareholders General Assembly meeting held on 13 March 2018, the Shareholders approved the distribution EUR 4,493,104 as dividends of the net profit for the year 2017 amounting.

Management proposes to distribute the net profit for the year 2018 amounting to EUR 5,000,000 as dividends and the amounts of EUR 1,643,288 to the caption "Retained Earnings". This has not yet been reflected in 2018's statement of financial position.

20. Long-term borrowings

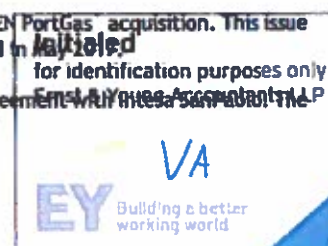
	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Bank borrowings	194,830,269	194,867,013
Bonds	1,603,726,175	1,305,635,738
Total	1,798,556,444	1,500,502,751
Bank borrowings		
Movement during the financial year	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Opening balance	194,867,013	44,685,175
Loans received	-	150,000,000
Loans repaid	-	-
Movement capitalized deferred expenses	(36,744)	181,838
Closing balance	194,830,269	194,867,013
Bonds		
Movement during the financial year	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Opening balance	1,305,635,738	1,303,266,072
Bonds issued	300,000,000	-
Bonds redeemed	-	-
Movement capitalized deferred expenses	(1,909,563)	2,369,666
Closing balance	1,603,726,175	1,305,635,738

The interests rates charged on the borrowings from third parties are between 0% - 4.8% (31 December 2017: 0.9% - 4.8%) and the weighted average interest is 2.2% (31 December 2017: 2.2%).

In November 2017, the Company entered with REN SGPS into a EUR 150,000,000 facility agreement with China Development Bank ("CDB"). The proceeds were used to subscribe internal Bonds issued by REN SGPS.

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

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



The Company's bank borrowings have the following main types of covenants and securities: Cross default, Pari Passu and Negative Pledge. And the company complies with it.

Fair Value

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Bank borrowings	199,654,162	204,674,404
Bonds issued	1,665,094,629	1,382,239,838
Total	<u>1,864,748,791</u>	<u>1,586,914,242</u>

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.373% and 0.826% (maturities of one week and ten years, respectively).

21. Provisions



	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Provision for Tax Contingency	56,074	433,456
Total	<u>56,074</u>	<u>433,456</u>

The provision is for Tax concerning a VAT audit on previous years. It's expected pay this amount during 2019 however the final decision on the assessment has been issued.

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Provision Movement during the financial year:		
Opening balance	433,456	-
Utilization	(433,456)	-
Increase	56,074	433,456
Closing balance	<u>56,074</u>	<u>433,456</u>

The movement which occurred during 2018 were a usage of the provision recognized in 2017 in the amount of EUR 433,456 and an amount of EUR 56,074 was recognized as a provision concerning the most possible disclosure of the VAT audit, which consists of penalties due in the future.

Initialed
for identification purposes only
Ernst & Young Accountants LLP

Building a better working world

22. Tax payable

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Value Added tax	625,409	38,942
Wage Tax	1,672	1,641
Corporate Income Tax	1,469,828	452,729
Total	<u>2,096,909</u>	<u>493,312</u>

23. Short-term borrowings

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Short term part - Bank borrowings	150,000,000	287,400,000
Total	<u>150,000,000</u>	<u>287,400,000</u>
Short term part - Bank borrowings		
Movement during the financial year		
Opening balance	287,400,000	15,000,000
Loans received	150,000,000	530,400,000
Loans repaid	(287,400,000)	(258,000,000)
Closing balance	<u>150,000,000</u>	<u>287,400,000</u>

Fair Value

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Bank Borrowings	150,005,359	290,111,842
	<u>150,005,359</u>	<u>290,111,842</u>

The fair value of borrowings are calculated by the method of discounted cash flows, using the curve of interest rate on the date of the statement of financial position in accordance with the characteristics of each loan. The disclosure of the fair value is made based on a set of relevant observable data, which fall within level 2 of the fair value hierarchy. The range of market rates used to calculate the fair value ranges between -0.373% and 0.826% (maturities of one week and ten years, respectively).

In May 2017, the Company entered with REN SGPS into a EUR 532,000,000 facility agreement with a Bank syndicate. The facility was used to fund the group acquisition of EDP Gás and part was partly repaid in December 2017.

Initialed
for identification purposes only
Ernst & Young Accountants LLP
VA
EY Building a better
working world

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

24. Accrued interest

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Payable interest on bank loans	134,903	373,225
Payable interest on bonds	24,393,326	19,387,846
Payable fees	70,958	73,792
Total	<u>24,599,187</u>	<u>19,834,863</u>

25. Payables to group companies

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Payable withholding tax to REN SGPS	3,468,161	3,468,161
Payable recharged invoices by REN SGPS	324,380	186,526
Total	<u>3,792,541</u>	<u>3,654,687</u>

26. Other liabilities and accrued expenses

	<u>31/Dec/18</u>	<u>31/Dec/17</u>
	EUR	EUR
Tax advisor fees	81,858	106,982
Audit fees	15,000	29,349
Law firm fees	139,037	252,427
Administration fees	11,214	17,523
Other expenses	6,793	(1,912)
Total	<u>253,902</u>	<u>404,369</u>

27. Contingent liabilities

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

Initialed
for identification purposes only
Ernst & Young Accountants LLP



28. Related-party transactions

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

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

	<u>Note</u>	<u>31/Dec/18</u> EUR	<u>31/Dec/17</u> EUR
Assets			
Long-term loans to group companies	13	1,805,977,480	1,507,326,585
Short-term loans to group companies	15	301,500,000	444,500,000
Receivables from group companies	16	32,610,167	25,601,579
Total		2,140,087,647	1,977,428,164
Liabilities			
Payables to Group Company	25	3,792,541	3,654,687
Total		3,792,541	3,654,687
Income Statement:			
Interest income	6	57,415,492	49,827,007
Other income	8	463,846	190,340
Invoices recharged by REN SGPS	10	(352,572)	(186,526)
Total		57,526,766	49,830,821

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

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

Intertrust (Netherlands) B.V. also provides administrative services to the Company. During the year, Intertrust (Netherlands) B.V. charged EUR 55,676 (2017: ERU 68,049) for administrative services.

The remuneration paid to the Directors was EUR 9,384 (2017: EUR 9,238). The Directors who are not identified for identification purposes only

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

29. Directors

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

- Mr. E. van Ankeren
- Mr. G. J. Huizing
- Mr. N.M. da Silva Alves do Rosário
- Mr. G.J. Figueira Morais Soares

30. Subsequent events

No subsequent events to be disclosed.

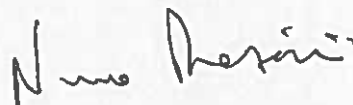
31. Approval of the financial statements

The financial statements were approved by the Board of Managing Directors and authorized for issue on 2 April 2019. No entity's owner has power to amend the financial statements after they have been issued.

Board of Managing Directors:



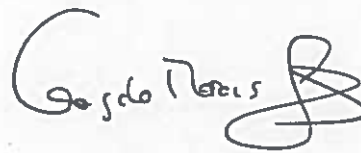
Mr. E. van Ankeren



Mr. N. M. da Silva Alves do Rosário



Mr. G. J. Huizing



Mr. G. J. Figueira Morais Soares

Initialed
for identification purposes only
Ernst & Young Accountants LLP



Building a better
working world

Other information

Independent auditor's report

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

Statutory rules concerning appropriation of the profit

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





Ernst & Young Accountants LLP
Cross Towers, Antonio Vivaldistraat 150
1083 HP Amsterdam, Netherlands
Postbus 7883
1008 AB Amsterdam, Netherlands

Tel: +31 88 407 10 00
Fax: +31 88 407 10 05
ey.com

Independent auditor's report

To: the shareholders of REN Finance B.V.

Report on the audit of the financial statements 2018 included in the annual accounts

Our opinion

We have audited the financial statements 2018 of REN Finance B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of REN Finance B.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2018
- The following statements for 2018: the income statement, the statements of other comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

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

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

We agreed with the board of managing directors that misstatements in excess of €530 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

Valuation of loans issued to the parent company

Risk

The main activity of the Company is to operate as a financing company of its parent company, REN SGPS S.A., raising funds from third party lenders through bonds issuance, loans and other facilities. The Company is exposed to the risk that REN SGPS S.A. defaults on the meeting its obligations.

As loans to the parent company represent the most significant portion of the Company's current and non-current assets, any impairment may have a material impact on the financial statements. IFRS 9, "Financial Instruments" is first time adopted in 2018, including a new expected credit loss impairment models for financial assets. Application of IFRS 9 could be complex and may require significant judgment and assumptions by management. As such we identified valuation of loans to the parent company as key audit matter.

We refer to note "2.1.2. Impairment", of the financial statements, where management has disclosed the policies and procedures in respect of expected credit loss assessment on loans issued to the parent company.

Our audit approach

In our audit, we have applied mainly substantive audit procedures on the balances of loans to the parent company including the expected credit loss calculation.

Amongst other procedures we have:

- ▶ Obtained an understanding of the process of estimation of expected credit loss on the loans to the parent company
- ▶ Reviewed key judgments and estimates made by management to calculate the expected credit loss
- ▶ Assessed the calculation of the expected credit loss
- ▶ Assessed the appropriateness of the relevant disclosures made

Key observations

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

Report on other information included in the annual accounts

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

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Other non-prohibited services provided

Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of the board of managing directors for the financial statements

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

We provide the board of managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of managing directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 2 April 2019

Ernst & Young Accountants LLP



R.A.J.M. Emmerink

