



Audax Renovables, S.A.

(incorporated in Spain in accordance with the Spanish Capital Companies Act)

EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020

INFORMATION MEMORANDUM (*DOCUMENTO BASE INFORMATIVO DE INCORPORACIÓN*) ON THE ADMISSION (*INCORPORACIÓN*) OF MEDIUM AND LONG-TERM SECURITIES ON THE ALTERNATIVE FIXED-INCOME MARKET (“MARF”)

Audax Renovables, S.A. (“**Audax**”, the “**Issuer**” or the “**Company**”), a public listed company with limited liability (*sociedad anónima*) organized under the laws of Spain with registered office at Avinguda Navarra, 14, 08911 Badalona (Barcelona) and registered with the Commercial Registry of Barcelona at volume 33.107, sheet 61, page B-222.861, with tax identification number A-62338827 and legal entity identifier number (“**LEI Code**”) 959800MAFGMXMGJHCH48, will request the admission of the notes (*bonos*) (*incorporación de valores*) (the “**Notes**”) to be issued under this Programme on the Alternative Fixed-Income Market (“*Mercado Alternativo de Renta Fija*” or “**MARF**”) under the provisions of this Information Memorandum (*Documento Base Informativo de Incorporación*) (indistinctively, the “**Programme**” or the “**Information Memorandum**”).

This Information Memorandum is the one required by Circular 2/2018 from the MARF, of 4 December, on the inclusion and exclusion of securities on the Alternative Fixed Income Market (“**Circular 2/2018**”).

The Final Terms, as this term is defined below, of each issue shall include the particular terms and conditions of the relevant issue, which shall determine those terms and conditions not set out in this Information Memorandum and shall include, where applicable, additional obligations to those set out in section VIII of this Information Memorandum.

Admission (*incorporación*) to MARF will be requested for the Notes issued under the Programme. MARF is a multilateral trading facility (“**MTF**”) and is not a regulated market in accordance with the provisions of the Royal Decree Law 21/2017 of December 29, 2017, on urgent measures to adapt Spanish law to the European Union securities market legislation (“**Royal Decree Law 21/2017**”). There is no guarantee that the price of the Notes in MARF will be maintained. There is no assurance that the Notes will be widely distributed and actively traded on the market. Nor is it possible to ensure the development or liquidity of the trading markets for the Notes.

The Notes will be represented by book entries and their accounting records will be kept by Sociedad de Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (“**Iberclear**”), together with its participating entities.

An investment in the Notes involves certain risks. Read section III of the Information Memorandum on Risk Factors.

This Information Memorandum is not a prospectus (*folleto informativo*) and has not been registered with the National Securities Market Commission (“*Comisión Nacional del Mercado de Valores*” or “CNMV”). The offering of the securities does not constitute a public offering in accordance with the provisions of Article 35 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Act (“Royal Legislative Decree 4/2015” or “Securities Market Law”) and therefore there is no obligation to approve, register, and publish a prospectus with the CNMV.

The issue of Notes under this Programme is intended exclusively for professional clients and qualified investors in accordance with the provisions of Article 205 of Royal Legislative Decree 4/2015 and Article 39 of Royal Decree 1310/2005 of 4 November, which partially develops Law 24/1988, of 28 July, on the Securities Market, with regard to the admission of securities to trading on official secondary markets, public offerings or subscription, and the prospectus required for this purpose (“Royal Decree 1310/2005”).

No action has been taken in any jurisdiction to permit a public offering of the Notes or the possession or distribution of the Information Memorandum or any other offering material in any country or jurisdiction where such action is required for said purpose.

MARF has not carried out any kind of verification or testing with regard to this Information Memorandum or with regard to the content of the documentation and information provided by the Issuer.

PLACEMENT ENTITY

PKF Attest Capital Markets AV, S.A

PAYING AGENT

Banco de Sabadell, S.A.

REGISTERED ADVISOR

PKF Attest Servicios Empresariales, S.L.

COMMISSIONER

Bondholders, S.L.

The date of this Information Memorandum is July 3, 2020.

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I. IMPORTANT INFORMATION

The Issuer has not authorized anyone to provide information to potential investors other than the information contained in this Information Memorandum, the information contained in the final terms and conditions of each issue issued pursuant to the template attached as **Annex I** (the “**Final Terms**”), publicly available information and the information available in the corporate website of the Issuer. Potential investors should not base their investment decision on information other than that contained in this Information Memorandum, in the successive Final Terms and alternative sources of public information.

The Placement Entities assume no liability for the content of the Information Memorandum nor on the content of the documentation and information provided by the Issuer pursuant Circular 2/2018.

Admission (*incorporación*) to MARF will be requested for the Notes issued under the Programme. MARF has the legal structure of a MTF (“*sistema multilateral de negociación*”, SMN), under the terms set out Article 26 and Article 44 et seq. of the Royal Decree Law 21/2017 of 29 December, on urgent measures to adapt Spanish law to the European Union securities market legislation constituting an unofficial alternative market for the trading of fixed-income securities.

The Notes will be represented by book entries and their accounting records will be kept by Iberclear, together with its participating entities.

This Information Memorandum follows the applicable proceedings on admission (*incorporación*) to trading and removal of MARF set out in its own regulations and other applicable regulations. Neither MARF, the CNMV nor the Placement Entities have approved or carried out any verification or testing regarding the content of the Information Memorandum. The intervention of MARF does not represent a statement or recognition of the full, comprehensible and consistent nature of the information set out in the documentation provided by the Issuer.

The Registered Advisor has verified that the content of this Information Memorandum is compliant with the information requirements established by MARF, and has reviewed that the information disclosed by the Issuer does not omit any relevant data or may mislead potential investors, as required under Circular 3/2013 of 18 July on Registered Advisors to the Alternative Fixed Income Market (“**Circular 3/2013**”). However, it shall not be assumed that the Registered Advisor has carried out any checks on the accuracy of the information provided by the Issuer.

The Notes to be issued under the Programme should be considered as “green notes” in accordance with the *Green Bond Principles* (the “**GBP**”) as per the "second party opinion" of the Issuer issued on April 2020 by Vigeo Eris, an environmental, social

and corporate governance service provider for investors, organizations and NGOs (“Vigeo Eris”). See section VIII.13 of this Information Memorandum for more details in this regard.

NO ACTION HAS BEEN TAKEN IN ANY JURISDICTION TO PERMIT A PUBLIC OFFERING OF THE NOTES OR THE POSSESSION OR DISTRIBUTION OF THE INFORMATION MEMORANDUM OR ANY OTHER OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE SUCH ACTION IS REQUIRED FOR SAID PURPOSE. THIS INFORMATION MEMORANDUM SHALL NOT BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN ANY JURISDICTION WHERE SUCH DISTRIBUTION CONSTITUTES A PUBLIC OFFERING OF SECURITIES. THIS INFORMATION MEMORANDUM IS NOT AN OFFERING TO SELL SECURITIES AND NO PUBLIC OFFERING OF SECURITIES SHALL BE CARRIED OUT IN ANY JURISDICTION WHERE SUCH OFFER OR SALE IS CONSIDERED CONTRARY TO THE APPLICABLE LEGISLATION. IN PARTICULAR, THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN APPROVED PROSPECTUS REGISTERED WITH THE CNMV AND THE ISSUE OF THE NOTES DOES NOT CONSTITUTE A PUBLIC OFFER IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 35 OF THE SECURITIES MARKET LAW, WHICH EXEMPTS THE OBLIGATION TO APPROVE, REGISTER AND PUBLISH A PROSPECTUS WITH THE CNMV.

The distribution of the Information Memorandum and the offering, sale or placement of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Placement Entities require from those persons who at any time have possession of the Information Memorandum to inform themselves properly of any such potential restrictions. For a description of certain restrictions on the sale of the Notes and on the distribution of the Information Memorandum and other offering materials in connection with the Notes, see the "*Selling Restrictions*" section below.

The Notes have not been (and will not be) registered in the United States of America in accordance with the United States Securities Act of 1933 (the "**U.S. Securities Act**") and may not be offered or sold in the United States of America without registration or the application of an exemption from registration under the U.S. Securities Act.

In particular, the Notes have not been (and will not be) registered in the United States of America as defined by the U.S. Securities Act. Except for certain exemptions under the U.S. Securities Act, the Notes will not be offered, sold or otherwise placed in the United States of America or to investors in the United States of America.

This Information Memorandum does not constitute an offer or solicitation by the Issuer or on behalf of the Issuer to subscribe for or acquire the Notes.

This Information Memorandum is not intended to be, nor should it be considered as, a recommendation by the Issuer nor by the Placement Entities to potential investors subscribe to the Notes. Each potential investor or subscriber to the Notes must determine for itself the relevance of the information contained in this Information Memorandum and in the Final Terms of each issue. In this regard, it is recommended that the investor fully and carefully reads the present Information Memorandum prior to making any investment decision regarding the Notes.

PRODUCT GOVERNANCE STANDARDS RULES UNDER MIFID II

THE TARGET MARKET WILL ONLY BE ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS

Exclusively for the purposes of the product approval process to be carried out by each producer, following the assessment of the target market for the Notes, it has been concluded that: (i) the market to which the Notes are intended to be issued is solely for "eligible counterparties" and "professional clients" as defined for each of these terms in the Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EC ("MIFID II") and their implementing legislation (transposed in Spain, amongst others, by Royal Decree-Law 14/2018 of 28 September and Royal Decree 1464/2018 of 21 December) and (ii) all channels of distribution of the Notes to eligible counterparties and professional clients are appropriate.

Any person who, after the initial placement of the Notes, offers, sells, places, recommends or otherwise makes available the Notes (the "Distributor") shall take into account the assessment of the producer's target market. However, any Distributor subject to MIFID II shall be responsible for carrying out its own assessment of the target market with respect to the Notes (either by applying the evaluation of the target market of the producer or/and to identify appropriate distribution channel).

BAN ON SALES TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Notes are not intended to be offered, sold or otherwise made available to, or for use by, retail investors in the European Economic Area (the "EEA"). For these purposes, "retail investor" means a person who meets either or both of the following definitions: (i) a retail client within the meaning of Article 4(1) point (11) of MiFID II; (ii) a client within the meaning of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016,

provided that he does not qualify as a professional client as defined in Article 4(1) point (10) of MiFID II; or (iii) a retail customer as provided for in the regulations implementing MiFID in any EEA Member State (in particular in Spain as defined in Article 204 of the Securities Market Act). Consequently, none of the key data documents required by Regulation (EU) No 1286/2014 of the European Parliament and Council of 26 November 2014 have been prepared, on key data documents relating to packaged retail investment products and insurance-based investment products (Regulation 1286/2014) for the purposes of offering or selling the Notes to, or making them available to, retail investors in the EEA and therefore any of such activities could be unlawful under Regulation 1286/2014.

SELLING RESTRICTIONS

No action has been taken in any jurisdiction to permit a public offering of the Notes or the possession or distribution of the Information Memorandum or any other offering material in any country or jurisdiction where such action is required for said purpose.

In particular:

European Union

The Notes are only directed to professional clients and qualified investors according to the provisions in Article 2.1.e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC. Therefore, this Information Memorandum has not been registered with any competent authority of any Member State.

Spain

This Information Memorandum has not been registered with the CNMV. The issue of the Notes will not constitute a public offering in accordance with the provisions of Article 35 of the Securities Market Law. The issue of Notes shall be intended exclusively for professional clients and qualified investors in accordance with the provisions of Article 205 of Royal Decree 4/2015 and Article 39 of Royal Decree 1310/2005.

United Kingdom

Financial promotion: it has only been communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of

the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

General compliance: it has been complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United States of America

This document must not be distributed, directly or indirectly, in (or sent to) the United States of America (according to definitions of the U.S. Securities Act. This document is not an offer to sell securities or a solicitation to buy any securities in any jurisdiction in which such offer or sale is considered contrary to law. The Notes to be issued under the Programme will not be registered in the United States for the purposes of the U.S. Securities Act and may not be offered or sold in the United States without registration or an exemption application for registration under the U.S. Securities Act. There will not be a public offering of the notes in the United States or in any other jurisdiction.

Italy

The offering of the Notes has not been registered pursuant the Italian securities legislation and accordingly, no Notes may be offered or sold and no Notes will be offered or sold in the Republic of Italy by means of a public offer and any sale of Notes in the Republic of Italy shall be carried out in accordance with applicable regulations regarding the Italian securities market, control of changes and taxes together with any other applicable regulations.

Any offer, sale or distribution of the Notes or distribution of copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993, Legislative Decree No. 58 of 24th February 1998 and CONSOB resolution No. 16190 of 29th October 2007 (as amended from time to time); and
- (ii) in compliance with any other applicable regulations.

France

No Notes have been offered or sold and will be offered or sold, directly or indirectly in the Republic of France and the Information Memorandum or any other offering material relating to the Notes has not been distributed, will be distributed or will

cause to be distributed in the Republic of France except (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), who do not have the status of natural persons, acting for their own account, as defined in and in accordance with Articles L.411-1, L.411-2 and D.411-1 et seq. of the French Monetary and Financial Code (*Code monétaire et financier*). The Information Memorandum has not been delivered to the *Autorité des marchés financiers* for its approval.

Portugal

This Information Memorandum has not been registered with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) and no action has been undertaken that would be considered a public offer of the Notes in Portugal. According to the above, the Notes to be issued under this Programme may not be offered, sold, or distributed in Portugal except in accordance with the provisions of Articles 109, 110 and 111 of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

Andorra

No action has been undertaken that may require the registration of this Information Memorandum with any authority of the Principality of Andorra.

Switzerland

This document does not constitute an offer to sell or a solicitation to buy the Notes in Switzerland. The Notes to be issued under the Programme shall not be subject to public offering or advertised, directly or indirectly, in Switzerland and will not be listed on SIX, the Swiss Exchange, or any other Swiss market. Neither this document nor the issue or marketing materials of the Notes constitute a prospectus within the meaning of Articles 652a or 1156 of the Swiss Code of Obligations, nor a listing prospectus according to the Admission rules of the SIX Swiss Exchange or any other Swiss market.

II. SUMMARY

1. OVERVIEW OF THE PROGRAMME

This general overview of the Programme contains the basic information about the Programme and does not purport to be complete and may be subject to the limitations and exceptions set out below in this Information Document. This Sections should be read in conjunction with the entire Information Document and the corresponding Final Terms of each issue.

Issuer	Audax Renovables, S.A.
Programme Amount	Up to EUR 400,000,000 aggregate principal amount of Notes outstanding at any one time.
Currency	Euro
Status of the Notes	The Notes constitute, subject to the provisions of Condition 6.3 of Section VIII below (<i>Negative Pledge</i>), senior unsecured obligations of the Issuer which (unless they qualify as subordinated credits under Article 92 of the Insolvency Law, as defined below) in the event of the insolvency (<i>concurso</i>) of the Issuer will, at all times, rank pari passu among themselves and pari passu with all other present and future senior unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated credits under Article 92 of the Insolvency Law as may be amended from time to time and subject to any applicable legal and regulatory exceptions).
Rating of the Issuer	On 1 April 2020, Axesor Rating (as defined below) issued a rating report on the Issuer, based on its own methodology. In its report, Axesor Rating assigns a global risk rating for Audax of BBB- with a stable trend. This rating focuses on the evaluation of solvency and the associated credit risk in the medium and long term of the Issuer.
Issue Price	Notes may be issued at any price, as specified in the relevant Final Terms of each issue. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant

	Placement Entities at the time of each issue in accordance with prevailing market conditions.
Interest	Notes may be interest-bearing. Interest may accrue at a fixed rate or a floating rate. In addition, Notes may accrue a contingent interest rate (if so specified in the relevant Final Terms).
Redemption	The relevant dates, system and price applicable to the redemption of the Notes issued under this Programme shall be set out in the Final Terms of each issue.
Optional Redemption by the Issuer	Notes may be redeemed before their state of maturity at the option of the Issuer (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms of each issue or in this Programme, as further described in Section VIII.9(iii) (<i>Optional early redemption by the Issuer (call option)</i>).
Covenants	<p>Pari passu; Limitation to additional indebtedness; Negative pledge; Change of Control; Limitation on transactions with related parties; Limitation on the sale of assets; Limitation on dividends; Limitation on investments; Limitation on Structural Modifications; Limitation on transactions with Subsidiaries; and Information and reports.</p> <p>See section VIII.6 (<i>Covenants</i>)</p>
Placement Entities	PKF Attest Capital Markets AV, S.A. and/or any other placement entity appointed to these effects from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Paying Agent	Banco de Sabadell, S.A.
Commissioner	Bondholders, S.L.

Governing law	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by Spanish law.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under Section III (<i>Risk Factors</i>) below.
Use of proceeds	Audax has requested admission (<i>incorporación</i>) of this Programme to the MARF to raise funds to be destined, directly or indirectly, to general purposes of the Group and, in particular to the development of its activity in order to consolidate its growth.
Green Bond Principles (GBP)	<p>According to the "Second party opinion" of Audax provided by Vigeo Eris on April 2020, the Notes issued under this Programme should be considered as Green Notes (as defined in VIII.12) as the net proceeds of the Notes will be used to finance and/or refinance in part or in full, renewable energy projects which contribute to the climate change mitigation.</p> <p>The International Capital Markets Association (ICMA) describes the four core components of the green bond principles that shall be observed by any issuer of Green Notes: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting.</p> <p>In this regard, Audax has prepared the "Green Financing Framework" which is available in the corporate website.</p>

2. GENERAL OVERVIEW OF THE BUSINESS OF THE ISSUER

Audax Renovables, S.A. (hereinafter "**Audax**", the "**Issuer**" or the "**Company**", and jointly with the companies of the group of which the Issuer is the parent company, the "**Group**"), develops its activity in the electricity sector, mainly on (i) energy retailing to qualified consumers or other subjects of the electricity system by means of any type of legally permitted contracting; and (ii) generation facilities through renewable sources (wind, solar, etc.). Audax is one of the main electricity energy retailing companies in Spain and, as of the date of this Information

Memorandum, it is placed within the group of the ten (10) largest companies in terms of volume of traded MW (Source: *Red Eléctrica de España*).

2.1 Overview of the Issuer's business in relation to the energy retailing activity

In 2009, the activity of energy retailing in Spain was liberalised. Until then the Spanish energy retailing activity used to be a service provided only by the traditional energy retailing companies: Endesa, Iberdrola, Unión Fenosa and Hidrocantábrico. The liberalization of the electricity sector led to the entry of new competitors in the energy retailing activity.

Following this liberalisation, there has been a slow but progressive increase in the market shares of independent energy retailing companies to the detriment of the traditional ones, reflecting a gradual shift in demand. The share of energy supplied by independent energy retailing companies in Spain increased from 23% in 2017 to 27% in 2018 (source: *Informe de supervisión de Mercado minorista de electricidad – Comisión Nacional de los Mercados y la Competencia*). This market share is based mainly on the small and medium enterprises (“SME”) segment and, to a lesser extent, on the acquisition of final customers (domestic economies).

The Issuer’s revenues from its energy retailing activity has been experiencing significant growth since 2012, reaching a turnover of EUR 1,009 million for the year ended December 31, 2019.

As at December 31, 2019 the Issuer had an approximate market share of 1.40% (in terms of MWh) over the total market.

As at the date of this Information Memorandum, with respect to the energy retailing activity, Audax is offering the following price-based structures:

- (i) Fixed price: allows deciding the final price by modifying the consumption parameters.
- (ii) Index-based price: allows paying the energy at the real market price (cost price), that is, the energy is paid every hour at the price that is being sold in the electricity market.
- (iii) Flat-based price: allows paying every month the same amount avoiding the peaks in the months of greatest consumption and incorrect estimated readings, calculated in a personalized way according to the needs of each customer, mainly customers.

2.2 Overview of the Issuer's business in relation to the power generation activity

Audax is not only one of the main energy retailing companies in Spain, but is also an independent company dedicated to the production of electric energy from 100% renewable energy sources.

Audax is currently carrying out its power generation activity in Spain, Poland, France and Panama. It has a record of accomplishment that enables it to carry out its operations as a reference player in both the national and international renewable energy sector, mainly wind power.

The Issuer's generation facilities activity currently has a portfolio of projects in both national and European operations that reaches 90.5 MW of wind power. The Issuer believes it has a portfolio of operational assets of high technological quality.

3. STRENGTHS

- (i) **Nature of the market with assured demand.** Electricity is considered a basic need for the resident sectors (businesses, households and public administrations). Although its demand is closely linked to the evolution of the economy, it does not suffer determining fluctuations, as may be the case with other types of goods linked to private consumption. Therefore, the strategy of the companies in this sector focuses more on retailing activity (attracting new customers) than on the generation facilities because of a demand that is, to a large extent, certain.
- (ii) **Good positioning in the SME segment.** The Issuer believes the SME segment is a very attractive segment due to its profitability and accessibility. The Issuer believes the strength of the growth of such segment, based on the Issuer's retailing model, will enable the Issuer to gain market share in the coming years.
- (iii) **Retailing model and commercial strength.** The Issuer has a retailing model based on an external commercial network. The retailing model implemented by the Issuer: (a) prioritizes both acquisition and maintenance, which the Issuer believes helps achieve a more stable customer portfolio than its competitors; (b) is focused on the market niche that provides the Issuer with the best return; (c) screens the new agreements to minimize default; and (d) interacts in real time with its commercial agents, providing them with business opportunities and quick responses. The Issuer is of the opinion that this allows it to be quicker than its competitors and avail itself of opportunities more efficiently. The Issuer believes that the volume of its commercial strength allows it to reach a large number of customers, leading to sustained growth.
- (iv) **High diversification of the customer portfolio.** As at December 31, 2019 the Issuer had more than 338,141 customers.

4. STRATEGY

(i) Increase of the market share in Spain to take advantage of economies of scale.

The Issuer aims to gain market share in the SME segment, sustaining this increase both organically and inorganically, due to the effort in agreements with new retailing channels.

(ii) Internationalization as a mechanism for diversification and consolidation of growth.

Retailing Activity:

In line with the consolidation of its market position in Spain, the Issuer has already started its market positioning in international markets. The presence in Portugal, an integrated market in the Iberian electricity system, was the logical first step in this process of international expansion.

The Issuer also increased its market position in Italy through the purchase of a business unit (the domestic division) of the retailing company Audax Energie, S.R.L., which is expected to serve as the basis for its growth in the area. In addition, in Poland the Issuer acquired the majority stake in a Polish company in July 2016, which expects to serve as a starting point for growth in Eastern Europe.

As part of the strategy of creating a group at a European level, the Issuer has also entered the German market and, in March 2017, the Issuer acquired 71.97% of the share capital of a company in the Netherlands through a Dutch newco. The Issuer currently owns the 100% of the share capital of such Dutch company after acquiring the shares owned by the minority shareholders in April 2020.

For the year ended 31 December 2019, the Netherlands, Portugal, Italy and Poland accounted for 37%, 6%, 5% and 2% of the Group's revenues related to its retailing activity (in terms of volume of traded TW).

Generation facilities activity:

With regard to its generation facilities activity, the Issuer is operating in Spain, France, Poland and Panama as at the date of this Information Memorandum.

The Issuer commenced a process of international expansion in 2007 with the aim of diversifying the markets in which it operates as a facilities generator, placing itself in strategic markets in the generation of facilities through

renewable sources with the aim of becoming an internationally recognised and reference operator in those markets.

The Issuer believes that its international presence in its two activities, retailing and generation facilities, and its continued expansion strategy enables it to generate revenue from sufficiently diversified international markets to avoid concentrating them in a single market.

(iii) Enhancement of services to the retail network

For a given demand market, the retailing activity is especially relevant. In order to strengthen its position among independent market participants, the Issuer has been developing a computer system that the Issuer believes represents a competitive advantage. The Issuer has subsequently added new services to such retailing support system, such as (a) geolocation of the retail agent and indication of potential customers in its working area; (b) online scoring of those potential customers; (c) automatic preparation of all contractual documentation, among other things, and (d) a differential retail commissions payment system. These new services have expanded the retailing capacity of the Issuer's network and contributed to increase the loyalty of the agents involved in the retail network.

5. HISTORY

The Issuer's full name is "**Audax Renovables, S.A.**"

Audax is a public limited company (*sociedad anónima*) organized under the laws of Spain with registered office at Avinguda Navarra, 14, 08911 Badalona (Barcelona), Spain, and registered with the Commercial Registry of Barcelona at volume 33.107, sheet 61, page B-222.861, with tax identification number A-62338827 and LEI Code 959800MAFGMXMGJHCH48. The corporate website of the Issuer is www.audaxrenovables.com.

The Issuer's share capital at the date of presentation of this Information Memorandum is represented by 440,291,054 shares, nominal value of EUR 0.10 each. The shares of the Company are admitted to trading in both Madrid's and Barcelona's Stock Exchanges and are traded through the *Sistema de Interconexión Bursátil Español* ("**SIBE**") (continuous market).

On June 29, 2018, the board of directors of Audax approved the merger by absorption project whereby Audax (as the absorbing company), engaged in generation facilities through renewable sources, absorbed the group company Audax Energía, S.A.U. engaged in energy retailing (as the absorbed company), with the extinction of the latter through a capital increase in the former (the "**Merger**").

6. RELEVANT ASPECTS OF RECENT ACTIVITY

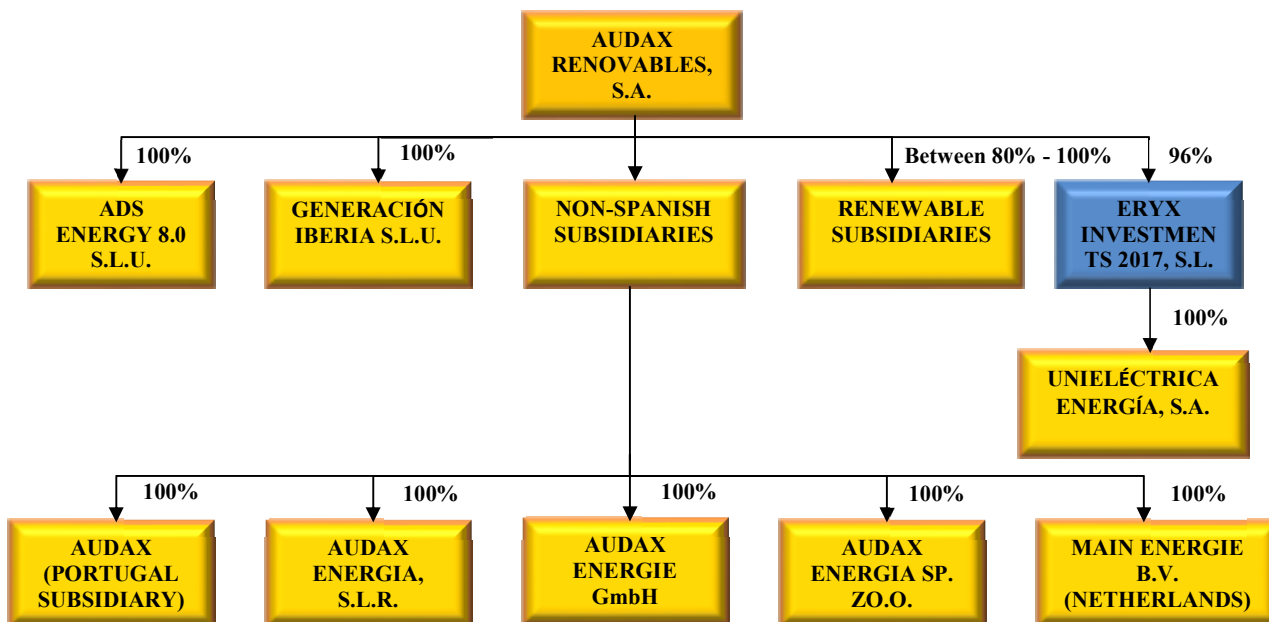
In January 2020 the Company entered into an Engineering, Procurement and Construction agreement through its fully owned subsidiary Da Vinci Energía, S.L.U. with Risen Energy Spain, S.L. (a company belonging to Risen Energy Co. Ltd group) for the construction of the solar power plant Cañamares in the municipality of Fontanar (Guadalajara, Castilla La Mancha) with a capacity of 5 MWp.

The abovementioned solar power plant is one of the photovoltaic projects that the Issuer purchased on May 8, 2019, located in Andalucía, Castilla la Mancha and Murcia, which shall produce up to 320 MW after their development and launching. The 320 MW of installed power incorporated by these photovoltaic projects shall provide, once their commissioning starts, about 600 GWh per year of green energy, which is equivalent to the annual consumption of more than 175,000 homes. The energy produced by these photovoltaic projects in the future shall be commercialized through the incorporation of a power purchase agreement (PPA) in the commercialization division of Audax.

On March 30, 2020, Audax incorporated a programme of promissory notes on the MARF for a maximum amount of EUR 200,000,000 with a one (1) year validity.

On April 2020, Audax acquired a minority stake of MAIN Energie B.V. and currently owns 100% of the share capital of this Dutch company.

7. ORGANIZATIONAL STRUCTURE



8. FINANCIAL INFORMATION

The audited and unqualified consolidated annual accounts of the Issuer (“**Consolidated Annual Accounts**”) and its Subsidiaries for the years ended 31st December 2018 and 31st December 2019, are attached as **Annex II** to this Information Memorandum.

The Consolidated Annual Accounts for 2019 are not comparable to those for the year 2018 because, according to the information in Note 2.1, of the Consolidated Annual Accounts of 2019, the Group has applied the standard IFRS 16 with modified retrospective approach and, therefore, the comparative information has not been restated, while information is provided following IAS 7 and IFRIC 4 on detailed accounting policies under these standards if they differ from those of IFRS 16. For comparative purposes, the effect of the application of IFRS 16 and IFRIC 23 should be taken into consideration.

Below, are presented: (i) Consolidated Balance Sheet (ii) Consolidated Income Statement, and (iii) Consolidated Cash Flow Statement for the years ended December 31st 2018 and December 31st 2019 prepared from the audited Consolidated Annual Accounts of the Company for the year 2019.

Consolidated Balance Sheet

ASSETS (€ thousands)	2018 (*)	2019
Goodwill	138.564	137.945
Other intangible assets	111.510	106.280
Property, plant and equipment	166.597	75.347
Investments as per equity accounting method	6.992	6.905
Financial assets	99.355	76.306
Deferred tax assets	5.461	7.390
Total non-current assets	528.479	410.173
Inventory	4.513	1.812
Trade and other receivables	136.076	148.336
Current tax assets	1.432	666
Financial assets	44.460	36.241
Time period adjustments and other current assets	19.626	26.241
Cash and other cash equivalents	98.313	150.784
Total current assets	304.420	364.080
Total assets	832.899	774.253

NET EQUITY AND LIABILITIES (€ thousands)	2018 (*)	2019
Capital	308.204	44.029
Share premium account	420.316	420.316

Reserves	(637.245)	(364.322)
Profit (loss) for the year attributable to the parent company	8.412	25.417
Translation differences	1.717	1.682
Other comprehensive income	4.904	(4.901)
Equity attributed to the parent company	106.308	122.221
Non-controlling interests	33.258	33.493
Total net equity	139.566	155.714
Provisions	2.670	1.211
Bonds and other negotiable securities issuance liabilities	96.938	143.184
Financial liabilities to credit institutions	129.873	46.554
Lease liabilities	-	8.267
Derivative financial instruments	11.373	4.009
Other financial liabilities	34.409	19.605
Subsidies	5.869	5.675
Other non-current liabilities	26.492	4.636
Deferred tax liabilities	29.755	17.637
Total non-current liabilities	337.379	250.778
Liabilities related to assets held for sale		-
Provisions	949	1.270
Bonds and other negotiable securities issuance liabilities	67.985	67.534
Financial liabilities to credit institutions	103.713	71.121
Lease liabilities	-	1.362
Derivative financial instruments	462	4.060
Other financial liabilities	16.495	28.934
Trade and other payables	93.313	93.820
Current tax liabilities	1.994	2.267
Other current liabilities	71.043	97.393
Total current liabilities	355.954	367.761
Total net equity and liabilities	832.899	774.253

(*) Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019)

Consolidated Income Statement

INCOME STATEMENT (€ thousands)	2018(*)	2019
Ordinary income	984.354	1.040.969
Procurements	(883.246)	(917.218)
Other operating income	2.593	2.820
Wages and salaries	(19.360)	(20.994)
Other operating expenses	(39.521)	(37.274)
Amortisation and depreciation	(25.079)	(26.228)
Impairment and profit (loss) on disposal of fixed assets	8.575	4.947
Operating profit (loss)	28.316	47.022
Financial income	4.124	4.005

Financial expenses	(20.831)	(19.490)
Profit (loss) on disposal and change in value of financial instruments	(291)	1.687
Exchange differences	(94)	(106)
Financial profit (loss)	(17.092)	(13.904)
Profit (loss) of companies consolidated by equity accounting	(48)	(87)
Profit (loss) before tax from continuing activities	11.176	33.031
Income tax expense	(1.772)	(1.693)
Profit (loss) after tax from continuing activities	9.404	31.338
Profit (loss) for the year from discontinued operations	-	-
Consolidated profit (loss) for the year	9.404	31.338
Profit (loss) attributable to the parent company	8.412	25.417
Profit (loss) attributable to non-controlling interests	992	5.921

Profit (loss) per share	2018(*)	2019
Basic	0,049	0,058
Diluted	0,049	0,058

(*) Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019)

Consolidated Cash Flow Statement

CASH FLOW STATEMENT (€ thousands)	2018 (*)	2019
<i>Cash flows from operating activities</i>		
Profit (loss) for the year before tax	11.176	33.031
Adjustments to results	38.520	38.471
Amortisation and depreciation	25.079	26.228
Valuation adjustments due to impairment	6.426	5.304
Changes in provisions	(6.993)	(3.468)
Profit (loss) on derecognition and disposal of fixed assets	-	(4.947)
Profit (loss) on derecognition and disposal of financial instruments	(61)	(27)
Financial income	(4.124)	(4.005)
Financial expenses	20.831	19.490
Exchange differences	932	106
Changes in fair value of financial instruments	(3.058)	(25)
Other income and expenses	(512)	(185)
Changes in working capital	23.371	629
Inventory	(4.457)	2.701
Accounts receivable	11.946	(17.578)
Other current assets	(6.687)	(6.763)
Accounts payable	24.428	2.223
Other current liabilities	-	21.239
Other non-current assets and liabilities	(1.859)	(1.193)
Other cash flows from operating activities	(17.176)	(16.132)
Payments of interest	(20.246)	(19.699)
Collections of interest	4.124	3.567

Income tax payments	(1.054)	-
Cash flows from operating activities	55.891	55.999
<i>Cash flows from investment activities</i>		
Payments of investments	(79.189)	(63.462)
Intangible assets	(2.522)	(25.753)
Property, plant and equipment	(590)	(7.754)
Group and associated companies		
Other financial assets	(10.647)	(22.960)
Other assets	(65.430)	(6.995)
Collection on divestments	35.266	76.445
Intangible assets	297	23
Property, plant and equipment	119	1.378
Collections from sale of subsidiaries, net of cash and equivalents	-	39.249
Other financial assets	34.850	35.795
Business unit	9.973	-
Cash flows from investment activities	(33.950)	12.983
<i>Cash flows from financing activities</i>		
Collections and payments for financial liability instruments	27.254	(14.785)
<i>Issuing</i>		
Bonds and other negotiable securities	60.817	63.146
Amounts owed to credit institutions.	141.534	15.520
Payables to group companies and associates	-	13.000
<i>Repayment</i>		
Bonds and other negotiable securities	-	(16.460)
Amounts owed to credit institutions.	(175.097)	(61.650)
Payables to group companies and associates	-	(28.341)
Dividends	(1.140)	(1.727)
Cash flows from financing activities	26.114	(16.512)
Net increase/decrease in cash or equivalents	48.055	52.471
Cash and equivalents at the beginning of the year	50.258	98.313
Cash and equivalents at the end of the year	98.313	150.784

(* Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019)

III. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay any amounts due on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statement below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the information set out elsewhere in this Information Memorandum and the information incorporated by reference therein and reach their own view prior to making any investment decision.

Investing in Notes involves certain risks. Prospective investors should carefully consider the risks described in this section, together with other information contained in this Information Memorandum and in the Final Terms of each issue, before investing in Notes.

Should any of these risks materialise, the business activity, financial position of the Issuer's and/or its Group result, and/or the ability of the Issuer to repay the Notes at maturity and the corresponding coupons could be adversely affected and, as a result, the market price of the Notes could decline, resulting in the loss of all or part of any investment in the Notes.

The Issuer believes that the risks described below represent the main or material risks inherent in investing in the Notes, but a failure to repay the Notes at the time of repayment and/or to pay the corresponding coupons may be due to other unforeseen or unknown reasons. Most of these factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer does not guarantee the completeness of the risk factors described below. The risks and uncertainties described in this Information Memorandum may not be the only risks that the Issuer may face and there may be additional risks and uncertainties currently unknown or considered not to be material, that alone or in conjunction with others (whether identified in this Information Memorandum or not) could potentially cause a material adverse effect on the business activity, financial position, Issuer's and/or its Group companies' operating results, and/or the ability of the Issuer to repay the Notes at maturity (including accrued interests), or to pay the corresponding coupons at any time, and which consequently could

result in a decrease in the market price of the Notes and/or cause a loss of all or part of any investment in the Notes.

1. Risks related to the Issuer and its business activities

The main risks associated with the Issuer or its business activities are the following:

(A) Financial risks

The Issuer's business activities are exposed to several financial risks. The Issuer's global risk management programme focuses on the uncertainty of financial markets and seeks to minimise the potential adverse effects on the Issuer's financial profitability. Risk management is handled by the Issuer's Financial Department, which has established the necessary mechanisms to control the different risks that may arise.

(i) Credit risk

Credit risk is referred to economic losses arising from the breach of the counterparty's contractual obligations. Accordingly, the Issuer is exposed to the credit risk arising from the default or insolvency of a counterparty, whether customer or supplier, which might affect its results and financial situation. The credit risk affects each of the two main business activities carried out by the Issuer in a different way:

a) Generation facilities activity

The credit risk of Audax in relation to the generation facilities activity is limited because the balances of customers are insignificant in relation to the whole balance sheet.

b) Energy retailing activity

The energy retailing activity involves credit risk with regard to costumers since the costumers consume the energy prior to Audax submitting the corresponding bills.

Even though Audax does not have significant concentrations of credit risk in the energy retailing activity since (i) no customer accounts for more than 1% of the Issuer's revenues; and (ii) the Company has policies to ensure that sales are made to customers with an adequate credit background (by performing a customer scoring prior to the execution of the agreements), the Issuer could have relevant losses if customers fail to pay their receipts.

In April 2018, the Issuer subscribed a risk policy with Coface, Sucursal en España, in order to improve the quality of the admission of new customers, thus enabling to secure its revenues and reduce the default ratio. This risk policy is renewed annually.

The risk rating of the existing credit as a defaulting credit is based considering unpaid debts older than 180 days, those that are in bankruptcy, as well as those customers for whom the corresponding procedural steps have been initiated. Based on historical information, Audax's average default ratio for the last two (2) years was 0.67% of revenues in fiscal year 2019 and 0.59% in fiscal year 2018.

Additionally, in order to mitigate the credit risk resulting from financial positions, Audax bases its policy on contracting derivatives and the placement of cash surpluses in banks and financial institutions of high solvency limiting both the time horizon of open positions and the credit quality of the counterparties involved in financial operations.

(ii) Market risk

The market risk inherent to the electricity sector is based on the complex price formation process that affects both the generation facilities activity and the energy retailing activity.

As explained in subsequent sections of this Information Memorandum, the price of the products offered by the sector is composed of a regulated component and a market component. The government handles the regulated component, so it may change at any time if the government deems it appropriate and necessary and consequently every market agent (including Audax) will have to adapt to such changes. This would affect the cost of products and, therefore, the final price paid by the costumers.

Regarding the market component, there is the risk that Audax's competitors may be able to offer lower prices to costumers that could jeopardize the stability of Audax customer portfolio and, therefore, its profitability.

(iii) Volatility risk of the electricity market price

In certain countries where Audax operates in the generation facilities activity, the remuneration received by the Issuer has both a regulated component and a component linked to the market price. In such countries, there is a risk that the regulated component cannot fully compensate fluctuations in market prices and, therefore, there is a risk that total remuneration may be volatile.

In both generation and retailing of energy, market prices can be volatile and are conditioned by multiple factors, such as the cost of the commodities used as a primary source of energy or the demand of the final consumer, amongst others.

In addition, it cannot be assured that market prices remain at levels that allow the Issuer to obtain the profit margins and desired return on investment levels. A reduction in prices below such levels could have a significant adverse effect on the business, the financial situation and the results of the Issuer's operations.

(iv) Liquidity risk

The management of the liquidity risk arising from the financing needs of the Issuer's activities due to the temporary mismatches between needs and generating funds is based on the maintenance of sufficient cash and securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to execute market positions.

Given the dynamic nature of the underlying businesses, Audax aims to maintain flexibility in financing through the availability of credit. For this purpose, the liquidity reserve forecasts are monitored on the basis of the expected cash flows.

Nevertheless, changes in the Issuer's liquidity needs could arise in the event the market supervisor guarantees' requirements change, either as a result of variations in payment or collection periods or as a result of the variation of energy market prices. The amount of these needs would be based on the size of such potential variations and any substantial variations could lead to relevant liquidity needs.

(v) Interest rate risk

Variations in interest rates modify future flows of assets and liabilities referenced at floating interest rates.

A significant part of Audax's debt accrues interest at fixed rates. However, any rise in interest rates would increase Audax's financial expenses in relation to its indebtedness at a floating rate, which would be mitigated by the interest rate coverage policy.

In the event that there is a significant fluctuation in interest rates contrary to Audax's interests, the impact would be insignificant on the financial situation and the results thereof, since the Issuer's indebtedness at a floating rate is not relevant.

(vi) Risk of guarantee conditions

To develop its activities, Audax must provide the system with the guarantees linked to the purchases of electric energy that it carries out. These guarantees are provided in the form of bank guarantees and/or surety, several of which are guaranteed by the Issuer's liquidity surplus position.

In the event that the financial institutions, which grant Audax such guarantees, decide to cancel them, the energy retailing activity of the Issuer would be restricted, and this could affect its viability. Furthermore, should the financial entities substantially modify the conditions of the guarantees granted (such as related cost, terms or guarantees, among others), such modifications could affect the profitability of the Issuer.

(vii) Financing availability

Regarding the generation of facilities activity, the development of facilities in the promotion phase owned by Audax, the financing conditions and the amount of own resources that the Issuer must contribute to, depends on the availability of financing and the existence of credit in the market for financing renewable energy projects.

Financing renewable energy projects with financial debt may imply the pledging of all or part of the shares of the companies in which Audax has a stake, as a guarantee for the financial institutions.

(B) Risks related to the Issuer's business activities

The risks to which the Issuer is exposed associated to its business activities are set out below.

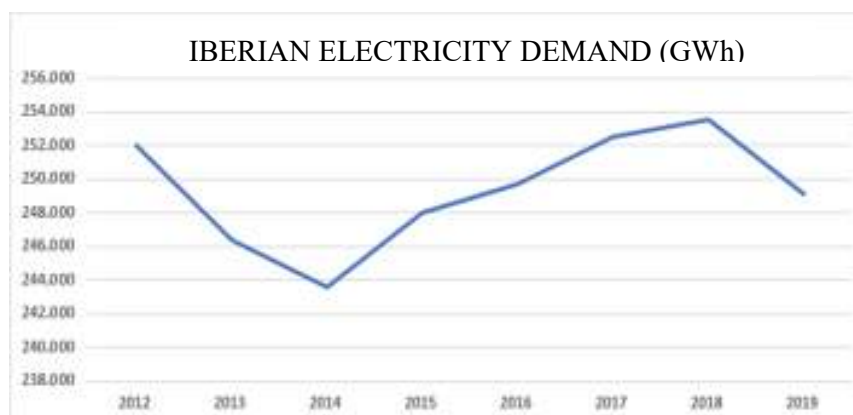
(a) Macroeconomic risks

The Issuer carries out its activities in Europe, with Spain being its main market. Certain European countries, including Spain, have a relatively high volume of sovereign debt or fiscal deficit, or both, which may have a negative impact on their economic growth over the next few years.

The global economic situation and the uncertainty over the markets could negatively affect the volume of demand of current and potential customers of the Issuer. Other factors affecting the energy demand could be: (1) difficulties in accessing financing; (2) fiscal deficits; and (3) other macro-economic factors that would impair customers' ability to demand energy.

Notwithstanding the fact the Issuer is in an internationalization process, it should be noted that most of its business is currently located in Spain, and therefore any change in the Spanish national economic situation could have a direct impact on the evolution of the business.

In addition, there is a strong correlation between economic growth and electric energy consumption. Accordingly, the reduction in GDP growth at the end of the last decade, as well as the slowdown in growth in the current decade, has had a corresponding impact on electric energy demand in Spain. Electricity demand in 2019, with the estimated data at the end of the year, stood at 246.5 TWh, 1.6% when compared to 2018 (source: *Red Eléctrica de España*). Once adjusted for the effects of labour the electricity energy demand has decreased by 2.7% compared to 2018.



Source: *Red Eléctrica de España*

(b) Market concentration

With regard to the energy retailing activity, as of December 31, 2019 the Issuer was ranked 10th among Spanish electric energy retailers, with a market share of 1.49% (source: *Red Eléctrica de España*). The four main retailers (Endesa, Iberdrola, Naturgy and EDP) together accounted for 76.51% of the market as at that date.

It is, therefore, a highly concentrated market and, consequently, the Issuer faces a market concentration risk. In any case, these large companies may not be considered direct competitors of the Issuer because they offer different products and the service they provide is less personalized than the one offered by small retailers such as the Issuer.

In conclusion, while the trend seems to be that the liberalisation of the electric energy market leads to a rebalance the agents involved, the current

concentration of the market share in those large energy groups, as well as their financial capacity, poses a risk for all independent retailers (including the Issuer).

Table 1: Ranking of retailers on a MW/h basis as of December 2019

POSITION	RETAILER	TOTAL (MWh)	MARKET SHARE (%)
1	ENDESA	6,405,453	32.84%
2	IBERDROLA	5,251,917	26.93%
3	NATURGY	2,140,280	10.97%
4	EDP	1,124,021	5.76%
5	REPSOL	458,095	2.35%
7	ACCIONA GREEN ENERGY	431,310	2.21%
6	FORTIA	410,158	2.10%
8	ALDRO ENERGÍA	322,910	1.66%
9	ENERGYA VM	296,791	1.52%
10	AUDAX	290,687	1.49%
11	FENIE ENERGÍA	259,842	1.33%
12	NEXUS	249,637	1.28%
13	ENGIE	245,928	1.26%
14	AXPO	241,702	1.24%
15	TOTAL GAS	171,019	0.88%
16	CHC	136,662	0.70%
17	CEPSA	109,847	0.56%
18	HOLALUZ	112,85	0.58%
19	FACTOR ENERGÍA	100,583	0.52%
20	ENERGÍA DLR	73,631	0.38%

21	GESTERNOVA	76,222	0.39%
22	ALPIO	59,580	0.31%
23	AURA ENERGÍA	55,716	0.29%
24	LIGHT UP	50,276	0.26%
25	FOENER	46,118	0.24%
26	INTEGRA ENERGÍA	41,211	0.21%
27	WATIUM	36,281	0.19%
28	ESTABANELL Y PAHISA	33,757	0.17%
29	SOM ENERGÍA	32,760	0.17%
30	GALP	26,689	0.14%
31	ATLAS ENERGÍA	26,604	0.14%
32	BASSOLS	28,585	0.15%
33	SWAP ENERGÍA	26,581	0.14%
34	ON DEMAND	26,411	0.14%
35	SYDER	25,313	0.13%
36	ALCANZIA ENERGÍA	22,659	0.12%
37	RESPIRA ENERGÍA	21,160	0.11%
39	INCOGAS	19,004	0.10%
38	PETRONIEVES	15,391	0.08%
40	INSERIMOS ENERGÍA	0	0.00%

Source: Red Eléctrica de España (REE). Data as of December 31, 2019

Furthermore, the Issuer develops its generation facilities activity in Spain, France and Poland, although most of its business is currently concentrated in Spain. For the year ended 31 December 2019, Spain accounted for 69% of Audax's revenues, with France and Poland accounting for 9% and 22% respectively.

The business concentration in these countries brings greater exposure to significant variations that may take place in the applicable regulatory framework, as well as other important changes in the economic circumstances

of these markets, such as consumer acceptance, cost increases, or demand decrease, which could significantly affect the Issuer's income.

(c) Product or price risk of the commercialisation activity

As described in sections VII.7 of this Information Memorandum, which details the Issuer's business, Audax mainly offers three (3) products to its customers which differ from each other in the process of forming the price at which the energy is sold.

For the formulation of these prices, the regulated component and the market component are taken into account. These concepts are further developed in section VII.8 of this Information Memorandum.

The government decides the regulated component which applies equally to all market participants. In this regard, there is a generic regulatory risk for the entire sector as developed in the next risk "*Regulatory Risk*". However, the transmission of the market component to the customer involves a greater or lesser risk depending on the product:

- Indexed rate price: The customer assumes the risk since the price is directly related to the evolution of the market price. Audax establishes the commercial margin that applies to the cost of energy.
- Flat rated price: To the extent it allows consumers to pay the same amount every month, in case of a change in market circumstances, this could result in a reduction of the Issuer's profits. This rate is established in a personalized way according to the consumption needs of each customer and includes a retailing margin to cover costs.
- Fixed price: This product incorporates a considerable retailing margin and a premium for the assumption of the market risk.

While, as at the date of this Information Memorandum, high product weight of the indexed rate price product in the Issuer's business mix substantially reduces the Issuer's price risk such price risk may become relevant in the context of the Issuer's overall risk, should this business mix change in the future.

(d) Regulatory risk

Audax's activities are subject to compliance with both sector-specific and general regulations of the different jurisdictions in which it operates (accounting, environmental, labour, data protection or tax regulations, amongst others).

In all regulated sectors, all regulatory changes that may arise could adversely affect the Issuer's business.

The below paragraphs discuss the Spanish regulatory framework as the Issuer's activity is currently mainly based in the Spanish market.

(i) Evolution of the sector's regulations

From 1988 to 1997, the Spanish electric energy sector was regulated by a set of rules and laws known as "*Marco Legal Estable*" ("**MLE**"), whose main goal was to provide a stable regulatory framework for all agents in the sector. The situation of each of the market agents within the MLE depended on their activity.

As from January 1998, the process of liberalization of the Spanish electric energy system began. Through the Law 54/1997, of November 27, 1997 on the Electric Sector (the "**Electric Sector Law**"), a series of measures was introduced which aimed to provide the sector with criteria for competition and liberalization, in order to improve the quality of service and the formation of competitive energy prices. Considering the electric energy generation-consumption process, the Electric Sector Law divided the electric energy sector into five activities: generation, transport, distribution, retailing and consumption.

In 2000, the Royal Decree-Law 6/2000, of June 23, 2000 on Urgent Measures for Intensification of Competition in Markets of Goods and Services, introduced a clarification on consumers, considering all of them as qualified consumers, i.e. they could negotiate the supply conditions.

In 2007, based on the Santiago International Agreement, the Iberian Electric Energy Market (the "**MIBEL**") was created, including the Kingdom of Spain and the Republic of Portugal.

In 2009, the Royal Decree 485/2009, of April 3, 2009 was approved, which regulates the implementation of the supply of last resource in the electric energy sector, extinguishing the integral prices whereby the electric energy supply became entirely controlled by the retailers in free competition, being the electric energy consumers who freely chose the relevant retailer. For those consumers who did not make their choice effective on time, the so-called "*Tarifa de Último Recurso*" (the "**TUR**") was applied, the price of which was based on the auction of the CESUR ("*Contratos de Energía para el Suministro de Último Recurso*").

(ii) Retailing activity

The Electric Sector Law was largely derogated by Law 24/2013, of December 26, 2013 on the Electric Sector. One of the novelties included in this law was the suppression of the CESUR auction, which means that consumers had to go to the free market and negotiate directly with the retailer agents. As a consequence, the Kingdom of Spain ceased to have control over the billing amount, with the exception of the regulated component which made up approximately 55% of the electric energy bill.

The Royal Decree 216/2014, of March 28, 2014, which establishes the methodology for calculating voluntary prices for the small consumer of electricity "*Pequeño Consumidor de Energía Eléctrica*" (the "PVPC"), established an indexed price for customers in regulated markets.

In this sense, regulatory modifications can have a direct effect on the electric energy price and, consequently, on the market agents behaviour, not only of consumers in terms of choosing the least expensive service but also by the remaining agents who may want to offer the most competitive price in order to gain greater market share.

However, with the new legal framework, a large number of domestic consumers stopped having an invoice with a fixed price framework to access a market where the cost of the invoice was established based on the daily spot prices on the market. Likewise, consumers had the option of selecting the kind of rate that best suits their needs, using flat rates or indexed rates, amongst others.

Most of the costumers of the Issuer's retailing energy activity, have indexed prices (81% of the volume of consumption of the costumers as at December 31, 2019), and therefore the risk of the variation of the market price is directly transferred to the final customer. For this reason, a hypothetical regulatory change affecting the price formation of the electric energy invoice should have a low economic impact on the Issuer's revenue structure. However, a relevant impact could be generated should the customers seek accommodation within a fixed price framework, which could cause a significant variation in revenues for the Issuer. Consequently, the most obvious risk that Audax could experience regarding a regulatory change in the formation of the price of electric energy would be the loss of a part of the customers due to the variation in the price.

(iii) Generation facilities activity

The Issuer's electric energy production facilities are subject to strict regulations on the construction and operation of the facilities (including rules related to the acquisition and use of land, obtaining administrative authorizations, environmental protection and energy production). If the facilities do not comply with those regulations, the Issuer's administrative authorizations could be revoked and/or any type of penalties, including both fines and criminal penalties, could be imposed.

Furthermore, the revenues of Audax's production facilities are determined by the Royal Decree 413/2014, of June 6, 2014 regulating the activity of electricity production from renewable energy sources, cogeneration and waste, as well as the regulations applicable by virtue of which the application remuneration parameters are approved.

Electric energy producers are subject to the payment of tolls for access to transport and distribution networks according to the Royal Decree 1544/2011, of October 31, 2011, which establishes the tolls for access to transport and distribution networks to be paid by electric energy producers (as well as other applicable regulations that replace such Royal Decree from time to time).

The Issuer cannot rule out any future changes in the current regulation, both in terms of revenues and costs that, if relevant, could have a significant adverse effect on the business, the financial situation and the results of Audax's operations and, indirectly, on the financial situation and the results of the Issuer's investments.

(e) Risk of increased competition

In the short to medium term, Audax does not expect any significant risk in the generation facilities activity in terms of increase of competition.

However, regarding the retailing energy activity, there is a risk that competition may increase. In this regard, to access the Spanish electric energy market it is necessary to obtain the corresponding authorization by the system operator (*Red Eléctrica de España*, the "REE"), the market operator (*Operador del Mercado Ibérico de la Energía*, the "OMIE") and make a communication to the Spanish Ministry of Industry, Energy and Tourism.

The system operator (REE) requires passing a technical qualification course in which different tests for sending and receiving files are performed, and the REE and OMIE also request, a series of guarantees prior to granting the authorization.

This system is quite similar in the rest of Europe. Accordingly there are no strong barriers to entry for new European Union retailers which in turn should undergo the same formalities as any other Spanish retailer. In addition, Portuguese retailers face weaker barriers to entry since Portugal is already included in the MIBEL.

While there are no strong barriers to entry, knowledge of the sector, financial capacity to make purchase orders in the market (since any purchase of energy made in the market requires a guarantee for the amount of the purchase made), costs associated with the deviations of the demand (if the deviation between demand and real consumption is high, an additional cost to the retailers is generated, see section III.B(g)i.) as well as the type of products offered, can limit the retailing margin.

In any case, there is a risk of competition that could result in a reduction of the price offered and, to a lesser extent, in the characteristics of the customer services, which could have a negative impact in Audax's revenues.

(f) Risk due to low price bargaining power

The price of electric energy in Spain is defined by a regulated system where the main factors are (i) the general supply of electric energy; (ii) consumer demand; and (iii) the production of renewable energy.

The designed system aims to achieve adequate price formation, avoiding situations of market abuse by the participating agents. Therefore, it should be presumed that none of the participating agents are in a position to influence price formation. In this sense, Audax, like the other participants, has no capacity to influence the prices of electricity.

The risk of such inability to negotiate prices with suppliers would increase in the event of a change in the Issuer's mix of agreements (significantly increasing fixed-rate agreements and reducing the indexed ones) along with an increase in the price of electric energy. However, the Issuer has the means to reduce this risk by the generation facilities at its disposal.

(g) Operational risk

i. Deviation cost in energy demand

This risk is particularly important in the retailing energy activity.

The electric energy system encompasses both market agents and management bodies. The electric energy trading companies are in the

first group, buying electric energy from the generating companies and selling it to the final consumers (both companies and individuals).

It is precisely this purchase and sale of electric energy that causes a deviation in the demand for electric energy. Retailers must estimate beforehand what their customers' consumption will be and buy accordingly. Such estimation involves subsequent adjustments.

The difference between actual and estimated consumption is considered short when the forecast is lower than real consumption and long when it is higher. The cost of the diversion is not directly charged to the customer, but is implicit in the margin of the sale price.

When the retailer is short, that is, the forecast has been lower than the actual consumption, the system is asked for more electric energy. The system must produce more electric energy by reactivating the process or by using a possible excess of electric energy produced by another agent with a long position. In the first case (the system must produce more electric energy), there may be an additional cost that shall arise from multiplying the electric energy deficit by the difference between the cost of electric energy in the deviation market and the price of the daily market. In the second case (using the excess electric energy of the system), there won't be an additional cost, when this electric energy deficit is purchased at the daily market price.

Therefore, if Audax has a short position and the electric energy system has a short position; Audax must buy the part of the electric energy not included in the demand for the market price plus the possible additional cost. On the other hand, if Audax has a short position and the electric energy system has a long position; it must buy the part of electric energy not included in the demand for the daily market price at no additional cost.

On the contrary, when the Issuer is in a long position, that is, the forecast has been greater than the actual consumption, the system must produce less electric energy by decreasing the process or by using a possible electric energy deficit suffered by another agent with a short position. In the first case (the system must produce less electric energy) there may be an additional cost that arises from multiplying the excess electric energy by the difference between the cost of electric energy in the diversion market and the price of the daily market. In the second case (using the system power deficit) there is no an additional cost, when this excess electric energy is sold at the daily market price.

As a consequence, the correct estimation of customer demand for

electric energy becomes a key factor in optimizing the financial structure of the trading companies. An accurate estimation substantially reduces the guarantees required by market regulators, leading to a lower need for capital resources and a reduction in financial expenses.

Audax has modelled the demand for electric energy of its customers through a self-developed algorithm that is based on a multitude of parameters with geographical differentiation (such as holidays, weather, seasonality, demand in t-1, etc.), which enables to make an accurate demand forecast with the aim of reducing deviations, that is, minimizing the differences between the amount of electric energy consumed and the one purchased. It also conducts a study of the market situation (long/short) in order to position itself on the right side and avoid a possible penalty.

Within this context, there is a risk that, due to different circumstances (changes in customer behaviour pattern, modelling errors, etc.) the Issuer's consumption estimations may be less accurate, which could lead to an increase in the required guarantees by the market regulator. Such circumstance would increase the financial costs of Auda and, therefore, reduce its profitability.

ii. Risk of breakdowns

Audax's results depend, partly, on the level of wind farms' operability, and therefore a technical or operational breakdown in the machines used for generating electric energy in the wind farms could have a negative effect on the operating results.

In order to mitigate the negative effect that would result from an event that did not allow the wind farms to operate at the expected optimal level, Audax has entered operation and maintenance contracts (the "Q&M") with the manufacturers of wind turbines installed in the wind farms. In the event of a breakdown, the Q&M contracts foresee compensations to the corresponding promoter company for the loss of production and for the amounts (and within the limits) agreed therein. However, O&M contracts may not always cover all break downs or cover all costs, in which case a breakdown may adversely affect the Issuer's revenues or its productive capacity.

(h) Risk of exposure to the Spanish market

Audax's current activities depend mainly on the Spanish market.

If the national financial-economic context were impaired, the population's electric energy demand could be contracted, having a negative effect on the business of Audax and in its results and financial position. In this sense, the geographic diversification strategy allows Audax to compensate for potential income falls in Spain with other geographical areas such as Portugal, France, Italy, Germany, Poland, Holland and Panama.

(i) Risk of litigation and claims

Audax may from time to time be involved in litigation and claims as a result of its activities, the outcome of which may be uncertain. Although as at date of this Programme, there are no material proceedings affecting Audax (nor have there been any such material proceedings in the past), and unfavourable result in any potential future proceedings could have a negative impact on the Issuer's results (see section VII 11.4 related to the Issuer's litigations and claims is detailed).

(j) Dependence and concentration of qualified suppliers

The Issuer's business generation of facilities activity requires the supply and assembly of different technical components, such as wind turbine and solar panels, for both wind and solar power production facilities, which only a limited number of qualified suppliers can provide. The reduced presence of wind turbine manufacturers in the national and international market limits the Issuer's ability to choose suppliers and reduces its bargaining power.

In the generation facilities activity, Audax relies on a small number of suppliers, which generally cover the supply, transport, assembly, commissioning and maintenance of wind turbines. While the Issuer maintains stable relationships with top-level suppliers, the stability of future business relationships cannot be guaranteed. Any significant interruption in the supply of products and services by any of these suppliers and which does not allow them to fulfil their obligations or guarantees, could affect the Issuer and result in the Issuer having to seek other suppliers in the market.

While the Issuer believes that, if necessary, it could resort to other qualified suppliers negotiating and obtaining economic conditions similar to those currently in force there can be assurance that this will be the case or that any future interruption of relations with suppliers will not affect the capacity of the Issuer.

In this sense, a general delay in the fulfilment of the contractual obligations by the Issuer's main suppliers or their inability to fulfil such obligations, the lack of availability of spare parts and equipment, the speed and efficiency in the

response to breakdowns or the inability to meet the Issuer's needs and expectations could adversely affect the achievement of the Issuer's objectives.

(k) Risks related to weather conditions

The purpose of the generation of facilities activity is the production of electric energy through renewable sources, with wind power being the main source of energy generation.

The generation of electric energy through wind power depends on the meteorological conditions of the place where the power generating facilities are located and, particularly, to wind conditions. Since wind energy is the main source of electric energy generation of the Issuer, the profitability of the Issuer is subject primarily to the wind conditions from the places where the power generating facilities are located, which may change from time to time. In addition, to the extent that wind turbines only work if the wind speed reaches certain specific ranges, which vary depending on the type of wind turbine and the manufacturer, if such ranges were not reached, the electric energy production of the Issuer would decrease.

During the promotion and development phase of wind projects and, as a previous step to making an investment in a wind farm, Audax evaluates the meteorological conditions that any location presents through wind measurement instruments, in order to assess the energy capacity and production level that the eventual wind farm can reach. However, there can be no assurance that any such evaluation will turn out to be correct.

On the other hand, exceptional weather conditions or natural disasters can occur, which could cause serious material damage to the wind farm facilities and should a large number of the Issuer's facilities be affected, this would have a significant negative impact on the business, the financial situation and results of operations.

(l) Insurance related risks

The Issuer's generation facilities activity is exposed to the risks inherent in the construction, operation and maintenance of electric power plants such as breakdowns, natural disasters, terrorist attacks and acts of sabotage. The Issuer is also exposed, although to a lesser extent, to environmental risks. Audax, in line with the practice usually followed by companies in the sector in which it operates, has insured the most significant accidents.

Notwithstanding the foregoing, if any uninsured claims occur, the Issuer could face them in addition to the loss related to the investment made and the

expected income, with the consequent impact on the financial situation, results or valuation of the Issuer.

(m) Dismantling of facilities

In the generation facilities activity, at the end of the term for the operation of the wind farms and depending on the country in which the facilities are located, due to applicable regulations or contractual requirements with the corresponding public or private organizations, the holding company of the facilities may be required to dismantle the electric energy facilities and return the site to its initial state.

In order to mitigate the risk the cost of dismantling of the facilities may produce, Audax quantifies this obligation by including it as a provision for dismantling the project. However, any relevant increase in such costs that has not been foreseen by the Issuer could have a significant adverse effect on the business, financial position or results of operations.

(n) Dependence on factors not under the Issuer's control

The net amount of the Issuer's revenue may fluctuate over time depending on various factors, including changes in prices and demand for electric energy, which follows seasonal demand habits and the variability of weather conditions, as set out above.

Given that the Issuer has little or no control over such factors, it cannot be guaranteed that the revenues do not experience fluctuations over time. Therefore, the comparison of the Issuer's revenues between certain periods of time may not reflect the long-term trends of the business and may not be a relevant indicator of the Issuer's future earnings. Furthermore, it cannot be assured that the future earnings of the Issuer will correspond to the historical results of the Issuer.

(o) Risk arising from COVID-19

Considering that the World Health Organization upgraded the public health emergency caused by COVID-19 to an international pandemic on March 11, 2020, and the fast evolution of the events at both national and international level, the Spanish government, by means of Royal Decree 463/2020, of March 14, declared a state of alarm ("*Estado de alarma*") to tackle the health crisis caused by COVID-19.

The scenario triggered by COVID-19 has limited the production of many companies, consumption and tourism in most of the countries affected, including Spain. Likewise, national and international trade relations have been

affected by the measures adopted to mitigate the COVID-19 crisis, with the consequent adverse impact on the evolution of business activity, employment, consumption and the economic situation in general.

In this regard, the Issuer and its Group acted in advance and reacted quickly to this new situation, implementing among others things, the following actions:

- Employees: to ensure the safety, health and family reconciliation of its employees, travels were limited and subsequently prohibited at all levels, online training sessions were held in relation to the pandemic and teleworking was coordinated and implemented for 100% of the employees, providing the necessary resources for remote work in a period of 24/48 hours from the start of the state of alarm and thus guaranteeing the normal operation of the Issuer.
- Customers: The supply of gas and electricity at cost price to hotels and hospitals was established, as well as the postponement of the payment of bills for the self-employed and SMEs for six months following the end of the state of alarm upon request and compliance with certain requirements, in addition to not suspending the supply of electricity and natural gas to vulnerable clients or those at risk of social exclusion.
- Suppliers: With the aim of ensuring total operability, the use of digital signatures was generalised, among other tools, maintaining contact with them at all times. In the case of the construction of generation projects, the works have not been significantly affected and the start-up of the projects will not have significant delays with respect to the dates initially planned.

Notwithstanding the foregoing, should this situation persist, it could lead to material and negative impacts on the Audax's business situation, results, prospects, achievement of objectives and financial, economic or asset situation, which at the date of this Programme cannot be estimated as it will depend to a large extent on the scale and duration of the COVID-19 crisis which cannot currently be predicted.

(p) Other business risks

As the Issuer is engaged in both the generation and retailing of energy mainly in Spain, the activities and results of Audax and/or its Group may be affected by the political environment of Spain.

In this regard, although the recent measures implemented by the Spanish government have helped to reduce the uncertainty in the capital market as of the date of this Information Memorandum, there is some uncertainty about

future decisions in Catalonia and their eventual impact on the markets of capital and financial conditions in Spain, as well as its potential effect on the business, investment and Spanish economy in general.

(C) Issuer specific risks

In the usual course of operations, the Issuer is exposed to certain risks, which are described below:

(i) Concentration in the ownership of Audax

Mr. Francisco José Elías Navarro (indirectly) holds 84.67% of the voting rights of the Company. The concentration of the ownership of the Company's shares in a majority shareholder could entail risks of different kinds, which must be adequately weighed in making an investment decision.

(ii) Customer concentration

Generating of facilities activity

The energy generated is mainly sold to the electricity market, so there is no such risk.

Retailing energy activity

As at December 2019, the Issuer had a portfolio of 338,141 customers, which could be classified into three categories: (a) companies, specifically SMEs, representing the 51% of the Issuer's revenues for the year ended December 31, 2019; (b) individuals, representing approximately 14%; and (c) large companies representing approximately 35%.

The following table indicate the classification of the Issuer's customers in absolute sales figures for the year ended December 31, 2019.

Table 2: sales by customers

Customers	Revenues (thousand €)
Individuals	141,158
SMEs	514,217
Large companies	352,895
Total	1,008,270

Source: Audax's management data

Despite showing a reasonable diversification level at both profile and geographical basis, the high concentration of customers around SMEs could entail a risk to the Issuer's income in environments of falling demand for electric energy from these types of companies.

(iii) Technology risk

Audax uses IT support for the management and control of its customers, for the economic- financial administration of the Issuer, as well as for the management of the external retailing energy activity. It also uses its own system for the operational management of the purchase and sale of energy in the relevant markets.

In the event that circumstances occurred that could affect these technological systems used by the Issuer, this would have a direct impact on the administrative management of the Issuer as well as its results of operations.

(iv) Internationalization policy risk

Audax is currently in a process of international expansion. The Issuer continues with the expansion that began in 2013 in the Portuguese market, in 2014 in the Italian market, entering the German market in 2015, the Polish market in 2016 and the Dutch market in 2017. In the event that this internationalization expansion is executed incorrectly, the potential growth could turn into relevant losses for the Issuer.

(v) Risk arising from the indebtedness of Audax

For the development of its activities, Audax has received external financing from credit institutions, as well as from through the issue of fixed-income securities in the **MARF**; (i) a bond issue in June 2017 (as amended by the syndicate of noteholders held on November 22, 2019); (ii) another bond issue in October 2018, extended in October 2019 (as amended by the syndicate of noteholders held on November 22, 2019); and (iii) a promissory note programme in March 2020. Audax is therefore exposed to the risk of default on its debt obligations.

Particularly, in accordance with the commitments assumed for the issuance of bonds made in 2017 and 2018 (as extended in 2019), respectively, Audax is currently subject to compliance with several financial covenants, which are described in the respective information memorandums duly published on the **MARF** website and which are available on the corporate website of the Company. Audax regularly monitors the compliance with such financial covenants in order to anticipate the risk of non-compliance with them and take corrective measures.

(vi) Risk of dependence on key employees

Audax has certain employees that are essential for the development of its business plan. A hypothetical termination of any such key employees' labour relation with Audax could have negative consequences for the Issuer, and may have an impact on its profitability.

(vii) Fraud risk

While as at the date of this Information Memorandum, there have been no cases of fraud, bribery or corruption involving or affecting Audax despite taking the prevention measures deemed most appropriate to prevent all hypothetical cases of fraud, bribery or corruption that could be attributed to the employees or commercial agents of the Issuer, in the future Audax may be subject to civil and criminal penalties, as well as possible reputational damage should any such fraud, bribery or corruption occur.

(viii) Other risks related to the generation of electric energy

a. Weather and natural disaster risk

Adverse weather conditions, as well as natural disasters, accidents or other unforeseen environmental events may result in delays in repairs or maintenance actions in the generation facilities, significantly affecting their operation, and, consequently, they could have a significant adverse effect on the Issuer's business, financial position and results of operations, affecting the resources it generates and, therefore, could indirectly affect the results of the Issuer's investments.

b. Risks arising from the volatility of the wind resource

The energy production of wind farms is directly linked to the available wind resources. The greater the wind resource, the greater the production of electric energy and the higher the variable income from sale to the market and remuneration to the operation defined by the regulation.

The estimated annual average energy production of the wind farms is based on historical wind data. However, variations in the available wind resource from one year to another may occur, and such variations directly affect the variable income of the wind farms and, therefore, could indirectly affect the results of the Issuer's investments.

c. Wind farms and solar plants technological and / or operating risk

The operation of wind farms and solar plants can be a process of technical and administrative complexity that requires attention, resources and knowledge. Despite good operation, maintenance and management of the wind farms, breakdowns or problems with the technical installations that are difficult to solve can occur, leaving the equipment out of operation totally or partially and/or temporarily or even permanently. While, the Issuer entered into appropriate Q&M contracts to reduce the risk, there can be no assurance that break downs or technical problems don't occur. In addition to the reduction in income due to loss of generation of energy activity, the repair or replacement of these equipment may generate costs that could have a significant adverse effect on the Issuer's business, financial position and results of operations, affecting resources the Issuer generates.

2. Risks in relation to the Notes

(A) Credit risk

The credit risk is referred to economic losses arising from the breach of the counterparty's contractual obligations. In this case, the credit risk of the Notes comes from Audax's potential inability to fulfil with its payment obligations, in whole or in part and and the possible economic loss for the investors that may arise from a such failures. The principal and interest of the Notes are secured by Audax's assets.

(B) Market risk

The Notes are fixed-income securities and their price in the market is subject to possible fluctuations, mainly due to the evolution of interest rates. Therefore, Audax cannot guarantee that the Notes will be traded at a market price equal to or greater than the subscription price of the Notes

(C) Risk of subordination and priority of investors in bankruptcy situations

In accordance with the classification and order of preference of credits established in Law 22/2003 of 9 July, on Insolvency, as amended as amended from time to time and in particular by the Royal Legislative Decree 1/2020 of 5 May, approving the revised text of the Insolvency Law and which will enter into force on 1 Septemeber 2020 (the "**Insolvency Law**"), in the event of bankruptcy of the Issuer, the credits held by investors by virtue of the Notes will generally be classified as ordinary credits (common creditors), ranking behind privileged credits and ahead of subordinated credits (unless they can be classified as such in accordance with the provisions of Article 92 of the

Insolvency Law). As ordinary credits, the holders of the Notes would not enjoy preference among themselves.

Pursuant to Article 92 of the Insolvency Law, the following, among others, will be considered as subordinated claims:

- i. bankruptcy administration in the list of creditors, as well as those that, not having been communicated, or having been communicated late, are included in said list by subsequent communications or by the judge when deciding on the challenge of the same.
- ii. Claims for surcharges and interest of any kind, including late payments, except those corresponding to secured claims to the extent of the respective guarantee.
- iii. Credits held by any of the persons especially related to the debtor referred to in Article 93 of the Insolvency Law.

(D) Issuer credit rating risk

Audax's credit quality may be impaired as a result of increased indebtedness, as well as deteriorating financial ratios, which would represent a deterioration in Audax's ability to meet its debt commitments.

On 1 April 2020, Axesor Conocer Para Decidir, S.A. ("**Axesor Rating**") issued a rating report on the Issuer, based on its own methodology (the "**Rating Report**"). In its report, Axesor Rating assigns a global risk rating for Audax of BBB- with a stable trend. This rating focuses on the evaluation of solvency and the associated credit risk in the medium and long term.

However, there is no guarantee that the previous rating granted by Axesor Rating will be maintained throughout the term of the corresponding issue. This credit rating may be revised upwards or downwards, suspended or even withdrawn by the rating agency. The downgrading, suspension or withdrawal of the credit rating by the rating agency may make it more difficult for Audax to access the debt markets and may have an impact on its financing capacity.

Similarly, credit ratings may not reflect all risks, they are not recommendations to purchase or hold securities.

(E) Liquidity or representation risk of the securities in the trading market

Audax cannot assure Noteholders of the liquidity of any market, their ability to sell the Notes, or the sale price of the Notes. Future trading prices for the

Notes will depend on many factors, including, among other things, prevailing interest rates, Audax's operating results, and the market for similar securities.

Although an application will be submitted to list the Notes issued under the Programme on the MARF, Audax cannot assure that the Notes will be or will remain listed nor that active trading will take place in the market or outside it. Likewise, it is not possible to ensure the development or liquidity of the trading markets for each issue in particular.

In this regard, the Issuer has not entered into any liquidity contract and therefore there is no entity obliged to quote purchase and sale prices. Consequently, investors may not find a counterparty for the Notes.

(F) The issues under the Programme may not be suitable for all types of professional investors or eligible counterparties

Each potential professional investor in the Notes issued under this Programme should determine the appropriateness of such investment in the light of his or her own circumstances, in particular the professional investors should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the benefits and risks of their investments, and the information contained in this Information Memorandum.
- Have access to and knowledge of appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Notes, and the impact that such investment will have on their portfolio.
- Have a thorough understanding of the terms of the Notes, as well as the performance of the financial markets in which they participate.
- Evaluate possible economic scenarios, interest rate variations and other factors that may affect to the investments and the ability to take risks.

(G) Additional debt incurred may take preference over the Notes in the credit priority order

In the event that the Issuer takes on additional debt secured by guarantees such as pledges or mortgages on certain assets, the credit rights of the holders of the Notes as a result of the Issuer's insolvency would be ranked behind the creditors in whose favour such guarantees have been granted.

(H) Insolvency situations, liquidation, etc. of the Issuer's subsidiaries

The Notes will be subordinated to any indebtedness of the Issuer's subsidiaries. In the event of liquidation, dissolution, administration, reorganisation or any other event of insolvency, the subsidiaries would pay the holders of their debt and their creditors before they could distribute any of their assets to the Issuer.

(I) The decisions of the Noteholders Syndicate may be contrary to those of individual Noteholders

The terms and conditions of the Notes issued under the Programme may include certain provisions regarding the Noteholders Syndicate assemblies, which may take place to resolve matters regarding the interests of the Noteholders. Such provisions establish certain majorities which shall bind all Noteholders, including those who have not attended nor voted in the assembly, or who have voted against the majority, being bound by the decisions taken in a meeting of Noteholders validly called and held. Therefore, it is possible that the Noteholders Syndicate takes decisions with which an individual Noteholder does not agree, but to which all Noteholders are bound.

IV. DECLARATION OF LIABILITY

1. Person responsible for the information contained in the Information Memorandum

Mr. Francisco José Elías Navarro, as the Executive President of the board of directors, in the name and on behalf of Audax assumes responsibility for the content of this Information Memorandum, as required by Circular 2/2018.

Mr. Francisco José Elías Navarro acts by virtue of the delegation of authorities granted by the board of directors of Audax on June 26, 2020.

2. Statement of the person responsible for the content of the Information Memorandum

Mr. Francisco José Elías Navarro, as representative of Audax hereby declares that, after acting with reasonable care, the information contained in this Information Memorandum is, to his best knowledge, in full accordance with the facts and contains no relevant omissions likely to affect its content.

V. FUNCTIONS OF THE REGISTERED ADVISOR OF MARF

PKF Attest Servicios Empresariales, S.L. is a limited liability company, of Spanish nationality, with registered office in Bilbao, Alameda de Recalde 36, 48009, with tax identification number. B-95221271 and registered in the Commercial Registry of Bizkaia in volume 4.205, sheet 122, page BI-34713 and in the Register of Registered Advisors by virtue of the resolution of the Board of Directors of the *AIAF Mercado de Renta Fija* published by means of the instruction (*Instrucción Operativa*) 14/2014 of 12 November, on the admission of registered advisors to the Alternative Fixed Income Market in accordance with the provisions of section two of Market Circular 3/2013 (the "**Registered Advisor**" or "**PKF Attest**").

PKF Attest has been designated as Registered Advisor of the Issuer. Accordingly PKF Attest shall enable the Issuer to comply with the obligations and responsibilities to be assumed on incorporating its issues into the MARF acting as specialist liaison between both, MARF and Audax, and as a means to facilitate the insertion and development of the same under the new securities trading regime.

The Registered Advisor must provide MARF with any periodical information it may require and, on the other hand, MARF may require as much information as it may deem necessary regarding the actions to be carried out and its corresponding obligations, being authorized to perform as many actions as necessary, where appropriate, in order to verify the information provided.

The Issuer must have, at any time, a designated Registered Advisor registered in the MARF Registered Advisor registry ("*Registro de Asesores Registrados del MARF*").

PKF Attest has been designated as Registered Advisor of the Issuer in order to provide advisory services (i) on the admission to trading (*incorporación*) of the securities issued, (ii) on compliance with any obligations and responsibilities applicable to the Issuer for taking part on MARF, (iii) on compiling and presenting the financial and business information required, and (iv) in order to ensure that the information complies with these regulatory requirements.

As Registered Advisor, PKF Attest with respect to the request for the admission (*incorporación*) to trading of the securities on MARF:

- (i) has verified that the Issuer complies with the requirements of MARF's regulations for the admission (*incorporación*) of the securities to trading;
- (ii) has assisted the Issuer in the preparation of the Information Memorandum, has reviewed all the information provided by the Issuer to the MARF in connection with the request for the admission (*incorporación*) to trading of the securities on MARF and has checked that the information provided

complies with the requirements of applicable regulations and does not leave out any relevant information that could lead to confusion among potential investors.

Once the Notes are admitted to trading, the Registered Advisor will:

- (i) review the information that the Issuer prepares for MARF periodically or on a one-off basis, and verify that this information meets the requirements concerning content and deadlines set out in the regulations;
- (ii) advise the Issuer on the events that might affect compliance with the obligations assumed when including its securities to trading on MARF, and on the best way of treating such events in order to avoid breach of said obligations;
- (iii) report to MARF any events that could represent a breach by the Issuer of its obligations in case it notices any potential and relevant breach that had not been rectified following notification; and
- (iv) manage, answer and deal with queries and requests for information from MARF regarding the situation of the Issuer, progress of its activity, the level of compliance with its obligations and any other data the market may deem relevant.

Regarding the previous, the Registered Advisor shall perform the following actions:

- (i) maintain regular and necessary contact with the Issuer and analyze any exceptional situations that may arise concerning the evolution of the price, trading volumes and other relevant circumstances regarding trading of the Issuer's Notes issued under this Programme;
- (ii) sign any declarations which, in general, have been set out in the regulations as a consequence of the admission (*incorporación*) to trading of the securities on MARF, as well as with regard to the information required from companies with securities on the Market; and
- (iii) forward to MARF, without undue delay, the communications received in response to queries and requests for information the latter may send.

VI. INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018 have been audited by KPMG Auditores, S.L., with registered office at Paseo de la Castellana, 259C, Madrid (Spain) and registered in the Commercial Registry of Madrid in volume 11.961, sheet 84, page M-188007, with tax identification number B-78510153.

KPMG Auditores, S.L. is registered in the official registry of auditors (*Registro Oficial de Auditores de Cuentas*) under number S0702.

KPMG Auditores, S.L. has not resigned nor been removed from its duties during the period covered by the historical information for which he was appointed auditor of the Company.

VII. INFORMATION ON THE ISSUER

1. Full name of the Issuer including its address and identification data

The Issuer's full name is Audax Renovables, S.A. and is a company incorporated with limited liability under the laws of Spain.

Its registered office is located at Avinguda Navarra, 14, 08911 Badalona (Barcelona), Spain.

The Issuer is a Spanish public limited company ("*sociedad anónima*") initially incorporated under the corporate name of Fibanc Energías Renovables, S.A. by public deed granted before the Notary of Barcelona, Mr. Tomás Giménez Duart, on July 10, 2000, under number 4,003 of his files.

The Issuer adopted its current corporate name by virtue of the decision of the ordinary shareholders' general meeting held on June 29, 2017, notarized in a public deed granted on August 1, 2017 before the Notary of Barcelona, Mr. Raúl González Fuentes, under number 2,658 of his files, causing the 116th inscription within the Commercial Registry of Barcelona.

Audax's currently registered office is established in the above-mentioned location according to the public deed granted on January 10, 2017 before the Notary of Barcelona, Mr. Raúl González Fuentes, under number 37 of his files, causing the 112th inscription in the Commercial Registry of Barcelona.

The Issuer's share capital at the date of presentation of this Information Memorandum is represented by 440,291,054 shares, with nominal value of EUR 0.10 each, amounting to EUR 44,029,105.40. The shares are fully subscribed and paid up.

The shares of the Company are admitted to trading in both Madrid's and Barcelona's Stock Exchanges and are traded through the SIBE (continuous market).

The Issuer's Tax Identification Number is A-62338827 and its LEI Code is 959800MAFGMXMGJHCH48. The corporate website of the Issuer is www.audaxrenovables.com.

2. History and main milestones of the Issuer from 2015 onwards

- **2015** | On January 25, 2015, Audax Energía, S.A. formalized the constitution of a new energy provider company in Germany under the name of Audax Energie GmbH.

On 30 January 2015, the Issuer (the called Fersa Energías Renovables, S.A.) announced the novation of the financing agreement for its corporate financial debt.

On July 27, 2015, Audax Energia S.r.l. acquired the client portfolio of the Italian energy retailing company Compagnia Energetica Italiana S.p.A.

On October 7, 2015, the Company sold its 100% equity interest in its four Indian subsidiaries acquired by virtue of the non-monetary capital increase agreed in January 2008.

On October 13, 2015, the Company acquired 16% of the shares of Parc Eólic Mudéfer, S.L., and as a result the Company became the sole shareholder of Parc Eólic Mudéfer, S.L.

On December 28, 2015, Fersa Energías Renovables, S.A informed the CNMV of the early repayment of the amount corresponding to tranche A of the corporate debt, amounting to EUR 8,800,000 of principal and the accrued interest.

- **2016** | On May 9, 2016, the Company informed, by means of a relevant event (“*hecho relevante*”) published with the CNMV about the reconfiguration process of its shareholders, with potential investors interested in participating in such process, in order to consolidate and enhance the continued growth of both the Company and the Group.

Audax Energía, S.A. on May 19, 2016, submitted to the CNMV the prior announcement of the public offer of voluntary acquisition of the shares representing the entire share capital of the Issuer (then called Fersa Energías Renovables, S.A.) (the “**Offer**”) in accordance with the provisions of Article 16 of the Royal Decree 1066/2007, of July 27, 2007, on the regime of public offers for the acquisition of securities and on June 8, 2016 submitted the request for authorization of the Offer.

On July 15, 2016, Audax Energía, S.A. acquired 51% of the Polish energy retailing company Deltis Sp. Z.O.O. (currently Audax Energia Sp. Z.O.O.).

On August 8, 2016, the CNMV announced the result Offer launched by Audax Energía, S.A. to all the shares of the Issuer (then called Fersa Energías Renovables, S.A.), which was accepted by 99,211,899 shares representing 70.86% of its share capital.

2017 | On January 18, 2017, Audax Energía, S.A. launched a programme for the issue of promissory notes on the MARF for a maximum amount of EUR 50,000,000.

On February 21, 2017, Audax Energía, S.A. acquired the Dutch company Audax Netherlands B.V. (“**Audax Netherlands**”), in which it holds 71.97%. On March 29, 2017, Audax Netherlands acquired 100% of the energy retailing company Main Energie B.V.

In the same year, Audax Energía, S.A. acquired the remaining 49% of the Polish energy retailing company Audax Energia Sp. Z.O.O.

On June 2, 2017 Audax Energía, S.A. made its second senior secured notes issue for an amount of EUR 65,000,000, which was admitted to trading on the MARF on June 5, 2017, and which matures on June 2, 2022.

On June 29, 2017, the shareholder's general meeting approved, among other things, to change the Company's corporate denomination from Fersa Energías Renovables, S.A. to Audax Renovables, S.A., as part of the process of integration into the Group.

- **2018** | On April 6, 2018, Eryx Investments S.L.U. acquired 80% of the energy retailing company Unieléctrica Energía, S.A.

On May 9, 2018 started the first phase of the Toabré Wind Farm in Panamá with an installed capacity of 66 MW and a total investment of over U.S.\$ 150 million.

On June 29, 2018, the board of directors of Audax signed the merger by absorption project whereby Audax Energía, S.A. (or the "**Absorbed Company**") would be absorbed by the Company (or the "**Absorbing Company**") (the "**Merger**").

On October 10, 2018, Audax Energía, S.A. made its third issue of senior unsecured notes for an amount of EUR 35,000,000 which was admitted to trading on the MARF and which matures on October 10, 2023.

On November 23, 2018, Audax's shareholders' general meeting approved the Merger and, consequently, to increase its share capital by EUR 210,201,093.20, by issuing 300,287,276 new shares with a nominal value of EUR 0.70 each, of the same class and serie as those that were already existing, which were fully attributed to the sole shareholder of the Absorbed Company, that is, Eléctrica Nuriel, S.L.U.

On December 27, 2018, the public deed formalizing the shareholder resolutions regarding the Merger approval was granted before a notary and such deed was filed with the Commercial Registry of Barcelona on December 31, 2018, and therefore the effects of the Merger are dated back to that date.

As set out in the resolutions adopted by the Issuer's general shareholders' meeting published on November 23, 2018, by means of a relevant event at the CNMV ("*hecho relevante*"), by application of the 21st valuation rule of the Spanish General Accounting Plan regarding the "Transactions between Group companies" ("*Operaciones entre empresas del grupo*"), the capital increase formalized in the framework of the Merger was carried out by reference to the market value of the integrated assets and liabilities, although the accounting

record of the assets and liabilities of the Absorbed Company that were integrated in the balance sheet of the Absorbing Company was based on their accounting value. As a result, a difference was generated between the increase in the equity of the Absorbing Company and the increase in the corresponding assets and liability items, which was allocated to reserves.

Accordingly, and regardless of the fact that the amount of the capital increase due to the Merger was fully supported by the value of the assets and liabilities that were integrated into the Absorbing Company's assets, the Absorbing Company registered a negative reserve in its balance sheet for an amount of 302,202,000, which is equivalent to the difference between the market value of the integrated net worth, EUR 351,569,000 and its accounting value, EUR 49,367,000.

As a result of the accounting record of the abovementioned negative reserve in the Absorbing Company's net worth, the Absorbing Company's net worth became less than two thirds of the share capital, and therefore, pursuant to Article 327 of the Spanish Capital Companies Act, the Absorbing Company's capital had to be reduced within one year, to offset losses arising from the Merger.

Considering that the Absorbing Company's asset situation resulted from the Merger, within the Merger's agreement it was also resolved to instruct the Absorbing Company's board of directors to carry out the necessary procedures so that the Company's general shareholders' meeting could approve the corresponding capital reduction to offset losses arising from the Merger, according to the Absorbing Company's financial statements as of December 31, 2018.

- **2019** | The Merger's public deed was registered with the Commercial Registry of Barcelona on January 25, 2019.

The Issuer's new shares were admitted to trading on the Madrid and Barcelona Stock Exchanges through the SIBE (continuous market) with effect as of May 20, 2019.

The Issuer's ordinary general shareholders' meeting held on April 29, 2019, approved a capital reduction of EUR 264,174,632.40, by decreasing the nominal value of each of the 440,291,054 shares of the Company by EUR 0.60, which was therefore set at EUR 0.10 per share, in order to compensate the negative reserves resulting from the accounting records of the Absorbed Company's assets and liabilities of the Absorbed Company following the execution of the Merger.

All of the Company's shares were admitted to trading on the Madrid and Barcelona Stock Exchanges through the SIBE (continuous market) with its new nominal value of EUR 0.10 per share as of July 9, 2019.

In January 2019, the Company entered into a letter of intent with BAS FV Italia for the long-term power and purchase agreement (“PPA”) of 100% of the electric power to be produced by two solar photovoltaic plants with a capacity of 10 MW each over a period of ten (10) years.

On February 4, 2019, by virtue of a PPA entered into with Morningchapter S.A., the Issuer began to act as a representative for the sale, within the Portuguese market, of the electric energy generated by the Ourika photovoltaic installation, which is owned by Morningchapter S.A., which, in turn, is controlled by Allianz Insurance Companies.

On February 7, 2019, the Company entered into a representation agreement for the sale of the electric energy generated in the Solara4 photovoltaic plant within the Portuguese market, pursuant to the framework agreement for the sale and purchase of electricity entered into with WELink Investment Holdings (Ireland) Ltd, under which the Company agreed to acquire the energy produced both by Solara4 and other new photovoltaic facilities developed by WELink Group, both in Spain and Portugal, with an option to reach a total of 708 MW. The 218.8 MWp capacity of the Solara4 photovoltaic plant, developed by the WELink Group, together with the 46 MWp of the Ourika photovoltaic plant, also developed by the WELink Group and commercialized as well by the Company, is expected to contribute to consolidating the Company’s leadership position in the Portuguese electric energy market.

On March 19, 2019, the Issuer entered into a framework agreement regulating the long-term sale of electric energy from different photovoltaic installations of the company Trina Solar (Spain) Systems, S.L.U. in the Spanish electric energy market. Audax agreed to acquire for twenty (20) years, through PPAs, all the electricity energy produced by these facilities, with a capacity of up to 300 MWp. Pursuant to this framework agreement, the Company secured the purchase of energy from multiple facilities in different regions of high solar radiation areas of Castilla La Mancha, Levante and Andalucía, and which is expected to generate enough energy to supply more than 200,000 homes.

On May 8, 2019, the Issuer purchased photovoltaic projects located in Andalucía, Castilla la Mancha and Murcia, are expected to produce up to 320 MW, for its development. The 320 MW of installed power incorporated by these photovoltaic projects is expected to provide, once their commissioning starts, about 600 GWh per year of green energy, which is equivalent to the annual consumption of more than 175,000 homes. The energy produced by these photovoltaic projects in the future is expected to be commercialized through the incorporation PPAs in the retaining division activity of Audax.

In July 2019, the Issuer, as part of the Group's debt reduction objective and in line with its asset rotation strategy, transferred to third parties direct participations of two of its Spanish subsidiaries as well as certain loans and credit rights granted by the Company, namely:

- Transfer of the direct participations of 100% of the capital and associated loans of the company Parc Eòlic Mudéfer, S.L., a wind project located in the province of Tarragona, with an installed capacity of 57.6 MW; and
- Transfer of the 76% direct participation and associated credit rights of the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the province of Castellón, with an installed capacity of 1.0 MW.

In addition, in July 2019, the Issuer redeemed the first bond issued in 2014 for EUR 21,000,000.

On October 16, 2019 Audax exercised the option to extend the issue of senior unsecured notes of October 2018 in the amount of EUR 35,000,000 at a fixed annual nominal interest rate of 5.5% and maturing in October 2023. At December 31, 2019, the outstanding principal amount of these notes and the notes issued in October 2018 amounted to EUR 70,000,000.

- **2020** | In January 2020 the Company entered into an Engineering, Procurement and Construction agreement through its subsidiary Da Vinci Energía, S.L.U. with Risen Energy Spain, S.L. (a company belonging to Risen Energy Co. Ltd group) for the construction of the solar power plant Cañamares in the municipality of Fontanar (Guadalajara, Castilla La Mancha) with a capacity of 5 MWp.

On March 30, 2020, Audax established a programme for the issue of promissory notes on the MARF for a maximum amount of EUR 200,000,000 with a one (1) year validity.

On April 2020, Audax acquired a minority stake of MAIN Energie B.V. and currently owns the 100% of the share capital of this Dutch company.

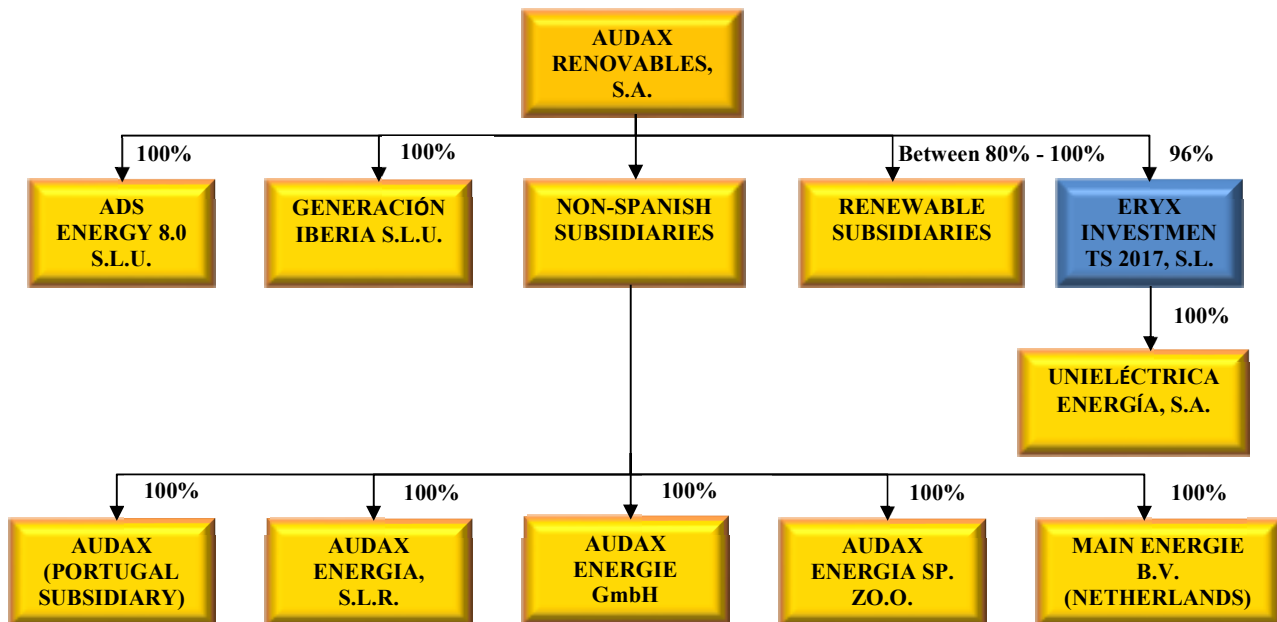
3. Main Shareholders

As at the date of this Information Memorandum, the main shareholders of the Issuers are as set forth in the table below:

Shareholders	Direct Participation	Indirect Participation	Total participation		
	N° Shares	N° Shares	N° Shares	% capital	% voting rights
Mr. Francisco José Elías Navarro (by means of Eléctrica Nuriel, S.L.U., of which Mr. Francisco José Elías Navarro is the sole ultimate shareholder)	0	372,817,861	372,817,861	84.67%	84.67%
<i>Free Float</i>	67,473,193	0	67,473,193	15.33%	15.33%
TOTAL	67,473,193	372,817,861	440,291,054	100.00%	100.00%

4. Organizational structure

As at the date of this Information Memorandum, the organizational structure of the Group is as set forth in the chart below:



5. Corporate purpose

In accordance with the provisions of Article 2 of the bylaws, the corporate purpose of the Issuer is:

“The purpose of the company is: 1. the promotion of all types of activities related to the production of electric energy from renewable energy sources, for which purpose it may constitute, acquire and hold shares, obligations, participations and rights in companies whose corporate purpose is the promotion, construction and operation of facilities for the production of electric energy from renewable sources; 2. the commercialization of energy, sale of electricity, including import and export, for energy production; 3. the commercialization of natural gas, CO2 emission rights; and 4. all other activities ancillary to the foregoing and which are necessary for its development. ”

As of the date of this Information Memorandum, the main activities of the Issuer consist of (i) the retail of electricity energy to qualified consumers or other parties in the electricity system by any type of legally permitted agreement; and (ii) the generation of facilities from renewable energy sources (wind, solar, etc.).

6. Administrative and management bodies

6.1 Board of directors

The members of the Issuer's board of directors', as of the date of this Information Memorandum, is as follows:

Name	Position	End of term of appointment
Mr. Francisco José Elías Navarro	Chairman and Executive Director	29/06/2021
Mr. Eduard Romeu Barceló	Vicepresident and Executive Director	29/06/2021
Mr. Ramiro Martínez-Pardo del Valle	Independent Director and Coordinator (pursuant to Article 529.septies.2 of the Spanish Companies Act)	- 29/06/2021 regarding the Independent Director's position. - 29/04/2023 regarding the Coordinator's position.
Mr. Josep Maria Echarri Torres	Independent Director	29/06/2021

Mr. Rubén Clavijo Lumbreras	Independent Director	29/04/2023
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CV's of the board of directors members of Audax is as follows:

President and Executive Director: Francisco José Elías Navarro is an Industrial Technical Engineer, with Distinction in electricity from Universidad Politécnica de Cataluña. In 1994, he started his professional career working in the City Council of Rubí in the area of urban planning and maintenance. In 1996, he joined Control Energético JGC and in 1997, he founded his first company dedicated to integral installations. In 2009, he founded Orus Energía, S.L. and was its general manager. In 2012, he acquired the electrical commercialisation company Audax, occupying the position of sole director of the company until April 23, 2014, when, the way in which the company's administration was organised was changed to a board of directors, he was appointed its Chairman and CEO.

Vice Chairman and Executive Director: Eduard Romeu Barceló has a Bachelor's degree in Economics. He has developed his professional career in Banco Santander for 20 years, most of the time as head of the Corporate Division. Then, he joined Bankia's new management team as head of Corporate Division until the completion of the Bank's reorganisation in June 2015.

Coordinating Director: Ramiro Martínez-Pardo del Valle has a Bachelor's degree in Economics and Law. He has held several positions at the CNMV. He is currently Chairman of Solventis SGIIC. He has been Director of Gomarq Consulting, Chairman of Nordkapp Gestión and General Secretary and member of the Board of Directors at Fortis Bank and Beta Capital MeesPierson.

Independent Director: Mr. Josep Maria Echarri Torres has a Bachelor's degree in Economics and Actuarial and Financial Sciences, both from the University of Barcelona, and Master's Degree in Financial Management from ESADE. He was Chief Financial Officer at Oryzon from 2003 to 2007, and was previously responsible for the first comprehensive programme for the creation of technology companies developed by a Spanish administration. He is currently Managing Director of Inveready Asset Management, S.G.E.I.C., S.A. and Chairman of the Inveready Financial Group, companies of which he has been a founding partner, and is currently its largest shareholder. He is member of the board of directors in several companies, including Mas Móvil Ibercom, S.A, Agile Contents, S.A., Atrys Health, S.A. and Oryzon Genomics, S.A. He is also a member of the Instituto de Consejeros-Administradores (ICA) and holds a diploma in good corporate governance for professional directors. From his position at Inveready, he has actively participated in dozens of corporate transactions (sale of PasswordBank Technologies, S.L. to Symantec, sale of Indisys, S.L. to Intel or acquisitions and financing by Mas Móvil Ibercom, S.A. of Pepephone or Yoigo, respectively).

Independent Director: Mr. Rubén Clavijo Lumbreras is Senior Industrial Technician by the ICSC Institute of Logroño. He is partner and founder of Enercapital, Enercapital Power, Petricor, Lumbreras e Hijos, Industrias Clavijo and RammingWorks. He has more than three decades of experience in the design, manufacture and assembly of industrial machinery, with special dedication to the renewable energy sector. Currently, he is the Business Development Director of the Clavijo / Nclave Group, having previously been the Operations Director, Production Director and Plant Manager of the Clavijo Group.

6.2 Senior Management

The senior management structure of Audax, as of the date of preparation of this Information Memorandum is as follows:



7. Description of the Issuer's business

Audax develops its activity in the electricity sector, mainly on (i) energy retailing to qualified consumers or other subjects of the electricity system by means of any type of legally permitted contracting; and (ii) generation facilities through renewable sources (wind, solar, etc.), as well as all ancillary activities needed for their development. Audax has wide experience in the electricity sector and is recognized by the Spanish Ministry of Industry as an electric retailer company (*empresa comercializadora de energía eléctrica*).

As far as the geographical scope is concerned, the activities of Audax and its investee are concentrated in Spain, France, Italy, Portugal, Germany, Poland, the Netherlands and Panama.

8. Products offered by Audax

In the electricity energy system, Audax assumes the role of retailer agent and, therefore, when formulating the prices addressed to its customers, it must comply with the market component and the regulated component as well. In addition, the Issuer's business is based on this price formation, offering a different type according to the invoicing of the costs.

Thus, regarding the costs to access the electricity, as far as the regulated component is concerned, there are the "Access Tolls" and the "Payments by Capacity"; and as far as the market component is concerned there are the "Free Market Prices", the "PO 14.6 Balance" and the system adjustments, including the part corresponding to the deviation that depends on each retailer.

The final price assumed by the Final Customers (as defined below) depends on how the costs are invoiced, and can be differentiated into two (2) main types:

- (i) A fixed price is composed of costs associated with the price of energy, a commercial margin and a risk premium.
- (ii) An indexed price has energy price costs and a commercial margin. The latter are divided into two subcategories:
 - Pass-Pool Indexed Price, where the cost of the system (the part of the regulated component) is fixed. It implies that companies charge the Final Customers an extra cost to cover possible losses, which is usually less than the fixed price.
 - Pass-Through Indexed Price, where the volatility of the costs governed by the free market regime is transferred to the Final Customers in full, so that he does not pay any extra cost premium.

With regard to the types of products that Audax offers, three (3) types of prices can be distinguished:

Fixed Price or Fixed Rate. It allows deciding the final price by modifying the consumption parameters, such as:

- (i) Energy costs, including "Access Tolls", "Daily Market Price", "Capacity Payments", "PO 14.6 Balance" and system adjustments.

- (ii) Management costs, that is, the retailer's margin, which depends on the competition of the sector.
- (iii) Risk premium or the extra cost that the customer pays for the risk of error assumed by the retailer in its estimation of the regulated costs in the free market regime.

Indexed Price or Indexed Rate: It allows paying the energy at real market prices, that is, at cost price. When entering the free market, energy is paid every hour at the price that is actually being sold in the electricity market, thus overcoming hourly discrimination. As for the two (2) types of this price mentioned above, Audax uses the Pass-Through Indexed Price and the price assumed by the Final Customers is the combination of the following concepts:

- (i) Fixed cost: the costs regulated by the government, such as "Access Tolls" and "Capacity Payments" price.
- (ii) Variable cost: costs in the free market regime, that is, the "Daily Market Price", "Balance PO 14.6" and system adjustment services.
- (iii) Management costs: the retailer's margin that depends on the competition of the sector.

Flat Price: allows final consumers to pay the same amount every month avoiding the peaks in the months of greatest consumption and the estimated erroneous readings. The amount is calculated in a personalized way according to the consumption needs (annual kWh) of each customer. This product is designed primarily for domestic customers.

Audax is working on introducing new products with the aim of it to differentiate itself from its competitors and better meet the customers' needs.

9. Issuer's business market

a. Wholesale markets of the electricity system

Wholesale markets can be divided into the following:

- Unorganized markets. These are bilateral markets whose prices and quantities are stable and which are agreed by a producer and a consumer for a specific period of time.
- The Iberian Market. Within this area there is, on the one hand, the futures market (organized by *Operador del Mercado Ibérico de Energía – Polo Português* (the "OMIP")) where long-term stable

contracts are auctioned. Many retailers that agree on a fixed price process this market to cover the risk through the future purchase at a fixed rate. On the other hand, the Spot Market is composed of daily and intraday production markets organized by the *Operador del Mercado Ibérico de Energía- Polo Español* (the “OMIE”). These are hourly markets where prices and quantities are decided.

- Other markets. These are markets managed by *Red Eléctrica de España* (REE) aimed at organizing last-minute adjustments to ensure instantaneous balance between generation and consumption referred to above. The complementary services markets, for example, provide solutions to technical constraints, diversion management, etc.

b. Operation of the electricity market

The mechanisms of the electric energy sector consist of a series of procedures for exchanging information between producers and consumers, so that those producers willing to generate at the lowest price supply those consumers willing to pay. This process is carried out through the achievement of different activities that occur within different divisions of the sector, by means of the participating agents.

Find below a descriptive diagram of the division of the electric energy industry, together with the type of regulation to which each segment is subject, followed by a brief description of the agents that carry out the different activities.



The "**Generators**" are responsible for producing energy and are divided into two (2) groups, those linked to an ordinary regime and those linked to a special regime. The activity of the former is addressed to traditional energy sources while the latter are focused on renewable energies, such as Audax.

The "**Conveyors**" are responsible for the network that carries electric power from production plants to distribution areas. Its activity includes the transport of electric power, but also the construction and maintenance of transport facilities.

The "**Distributors**" are responsible for moving energy from the distribution centres to the final consumer. Similar to the Conveyors, they cover the distribution of electric power, as well as the construction, maintenance and operation of distribution facilities.

The "**Retailers**" such as the Issuer, sell electric power to the final customers.

Finally, the "**Final Customers**" are those natural or legal persons that acquire the electric energy for their own consumption and can choose the retailer that offers them the best price.

Together with these agents, other figures act in the electric energy market. They are divided into the following operators:

The "**System Operator**" is responsible for ensuring the correct coordination of the electric energy production and transportation system to ensure continuity and security of the energy supply. For this purpose, it maintains the instantaneous balance between the generation of electric energy and its demand and thus neutralizes the deviation.

The "**Market Operator**" is responsible of the matching between the purchases offers (demand) and the sale offers (generation). Due to the great influence it can have on the proper functioning of the market, the participation of its shareholders is limited to 5% of the share capital, guaranteeing its neutrality and independence in the development of its activity.

The electric energy market starts its activity when generators and traders or direct consumers resort to the electric pool. The former, in their intention to sell the energy produced, make an offer and the latter bid for it. OMIE is responsible for matching these two (2) positions by setting the price in a free market environment, thus forming the market component in the formation of energy prices. The second component in price formation regulated and established by the government with the aim of covering the costs necessary for the operation of the electrical system. Additionally, it is also aimed at supporting the generation of electric energy itself, based on the concepts of transportation and distribution, as well as paying other incentives such as availability, premiums for the special regime, incentives for coal or the costs of transition to competition.

The transport of energy is carried out by REE, whose costs are affected by the regulated component. The same applies to Distributors, whose

margins are established by state regulation and, therefore, those costs also affect the formation of energy prices.

The Retailers and direct consumers have to pay to the government the part corresponding to the regulated component that includes access to the networks.

10. Reasons for the issue and use of proceeds

Audax has requested admission (*incorporación*) of this Programme to the MARF to raise funds to be destined, directly or indirectly, to general purposes of the Group and, in particular to the development of its activity in order to consolidate its growth.

According to the "Second party opinion" of Audax provided by Vigeo Eris on April 2020, the Notes issued under this Programme should be considered as Green Notes (as defined in Section VIII.12), as the net proceeds of the Notes will be used to finance and/or refinance in part or in full, renewable energy projects which contribute to the climate change mitigation, and that have been identified by Audax (the "**Eligible Green Projects**").

The use of the net proceeds of each issue under this Programme will be specified in the corresponding Final Terms, specifying the relevant Eligible Green Projects to be financed and / or refinanced. An annual verification provided by a third party auditor will be released, covering the allocation of funds and the compliance in all material aspects of the Notes, mainly: (i) the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria and (ii) the impact reporting, annually until the Note's maturity and in case of any material change.

11. Financial Information

The Consolidated Annual Accounts as of 31st December 2018 and 2019 have been prepared from the accounting records of the Group and its Subsidiaries and in accordance with International Financial Reporting Standard adopted by the European Union (IFRS-UE).

11.1 Audited historical financial information

The audited and unqualified Consolidated Annual Accounts of the Issuer and its Subsidiaries for the years ended 31st December 2018 and 31st December 2019, are attached as Annex II to this Information Memorandum.

The Consolidated Annual Accounts for 2019 are not comparable to those for the year 2018 because, according to the information in Note 2.1, of the Consolidated Annual Accounts of 2019, the Group has applied the standard IFRS 16 with

modified retrospective approach and, therefore, the comparative information has not been restated, while information is provided following IAS 7 and IFRIC 4 on detailed accounting policies under these standards if they differ from those of IFRS 16. For comparative purposes, the effect of the application of IFRS 16 and IFRIC 23 should be taken into consideration.

Financial information relative to Audax, both annual and periodic, is provided on CNMV's public webpage (www.cnmv.es), the MARF's public webpage (www.bmerf.es), as well as on the Group's webpage (www.audaxrenovables.com).

Below, there are the key figures contained in the consolidated financial statements of the Issuer. The following statements are presented: (i) Analytical Income Statement, (ii) Consolidated Financial Structure, and (iii) Consolidated Cash Flow Statement for the years ended December 31st 2018 and December 31st 2019 prepared from the audited Consolidated Annual Accounts of the Issuer for the year 2019.

(A) Audax Analytical Income Statement as of 31st December 2018 and 2019
(€ thousands)

Table 3. Income statement

INCOME STATEMENT (€ thousands)	2018(*)	2019	Var. 18/19
Net turnover	984.354	1.040.969	5,75%
Other income	2.593	2.820	8,75%
Costs of sales	- 883.246	- 917.218	3,85%
GROSS MARGIN	103.701	126.571	22,05%
<i>Margin (%)</i>	<i>10,53%</i>	<i>12,16%</i>	
Wages and salaries	- 19.360	- 20.994	8,44%
Other operating expenses	- 39.521	- 37.274	-5,69%
Deterioration, reversal and disposal results	8.575	4.947	-42,31%
EBITDA	53.395	73.250	37,19%
<i>Margin (%)</i>	<i>5,42%</i>	<i>7,04%</i>	
Assets amortisation	- 25.079	- 26.228	4,58%
OPERATING PROFIT	28.316	47.022	66,06%
Financial income	4.124	4.005	-2,89%
Financial expenses	- 20.831	- 19.490	-6,44%
Exchange differences	- 94	- 106	12,77%
Results from disposal and change in value of financial instruments	- 291	1.687	-679,73%
FINANCIAL RESULT	- 17.092	- 13.904	-18,65%
Results from companies consolidated by equity accounting	- 48	87	81,25%
INCOME BEFORE INCOME TAXES	11.176	33.031	195,55%
Income tax expense	- 1.772	- 1.693	-4,46%

<i>Income tax expense (%)</i>	-25%	-25%	
NET INCOME	9.404	31.338	233,24%
<i>Margin (%)</i>	0,96%	3,01%	

(*) Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019).

Key figures:

- 1) Net turnover: includes energy sales (electricity and gas) as well as representation, technical assistance and management services

The Operating Income grew by 5.8%, mainly due, among other factors, to the increase in sales both in Spain, and especially in the Netherlands, Poland and Germany in the supply division. Generation division revenues have been affected by the sale of projects in operation, however, revenues from abroad wind farms have been 34% higher than the same period last year.

- 2) Gross margin: the increase in revenues, together with the implementation of improvements in the management of the cost of sales, means that the Gross Margin has stood at 12.2% over the turnover, compared to the 10.5% in the same period of the previous year.
- 3) Operating expenses: the policy of containment of Operating Expenses in this period of global growth, as well as their decrease due to the transmissions of generation projects aforementioned, have decreased by 1% compared to the previous year.
- 4) EBITDA: The Group's EBITDA amounts to EUR 73,250 thousand, compared to EUR 53,395 thousand of the previous year, growing by 37.2% in this period.
- 5) Assets amortization: The Assets amortization have been decreased by 4.6%, mainly due to the transmissions of the generation companies.
- 6) Financial result: The Financial result has improved by 18.7% due, among other factors, to the lower financial burden borne by the sale of generation projects mentioned above, which had their financing associated in project finance mode. In addition, during the year the financial debts with third parties and related parties have been reduced.

Overview of the markets in which Audax operated:

- 7) Spain: sales in 2019 amounts to EUR 711,668 thousand in the domestic market, which has led the Issuer to stand as the 10th company within the

Spanish electric sector by market share of MWh, with a market share in this market of 1.49%

- 8) Portugal (Subsidiary): sales in 2019 amounts to EUR 72,974 thousand, leading the Issuer to stand as the 9th company in the Portuguese electric market by market share of MWh, with a market share in this market of 1.11%
- 9) Italy: as of 2019 year-end revenues amounted to EUR 59,136 thousand.
- 10) The Netherlands: as of 2019 year-end revenues amounted to EUR 150,385 thousand.
- 11) Poland: as of 2019 year-end revenues amounted to EUR 25,689 thousand.
- 12) Germany: as of 2019 year-end revenues amounted to EUR 18,355 thousand.
- 13) France: as of 2019 year-end revenues amounted to EUR 2,762 thousand.

(B) Financial structure as of year ended 31st December 2018 and 2019 (€ thousands)

In order to determine the amount of cash, it has been considered those financial investments included in i) "Cash and other cash equivalents", ii) "Financial assets", iii) "Investments as per equity accounting method", in liquid instruments and investment in listed entities.

Table 4. Financial structure

FINANCIAL STRUCTURE (€ thousands)	2018 (*)	2019	Var 18/19
EBITDA	53.395	73.250	37,19%
Net Equity	139.566	155.714	11,57%
Non-current liabilities	337.379	250.778	-25,67%
Current liabilities	355.954	367.761	3,32%
Financial Debt (1)	434.903	356.179	-13,39%
Net Financial Debt (2)	320.262	139.771	-40,54%
NFD/EBITDA	6,00x	1,91x	4,09x

(*) Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019).

(1) Sum of: Financial Debt (debt of bonds and other negotiable securities¹ and bank debts²) + Other financial liabilities (includes other current liabilities and other non-current liabilities) + Derivatives.(2) Sum of: Financial Debt – Cash³ – Cash equivalents⁴.

During the last years the main financing operations carried out by the Issuer (including those carried out by Audax Energía, S.A., company acquired by the Issuer) were the following:

- 1) During 2016, as a consequence of the acquisition of the 70.86% of Audax Renovables, Audax Energía, S.A.U formalized a EUR 29.6 million loan with Banco de Sabadell, S.A. and Caixabank S.A
- 2) At the beginning of 2017 a EUR 65 million bond due 2022 issuance is carried out in MARF, with an annual fixed interest rate of 4.2%
- 3) On January 18, 2018 the Issuer registered a Commercial Paper programme in MARF with a maximum outstanding up to EUR 50 million, (this programme was registered under the same conditions as the Commercial Paper programme registered on 18th January 2017). As of year-end 2018, the outstanding volume of the programme was EUR 50 million.
- 4) On October 2018 Audax approved a new fixed income issue, by which agrees to issue EUR 35 million simple bonds with an annual fixed interest rate of 5.5%, which had been entirely subscribed. The same bonds were Oadmitted and registered in MARF and are due 2023.
- 5) On February 13, 2019 Audax registered a Commercial Paper programme in MARF with a maximum outstanding volume up to EUR 75 million and maturities up to 24 months. As of 31st December 2019, the outstanding volume was EUR 75,000 thousand.

¹ Bonds and other negotiable securities: the pending debt related to commercial paper and bond programs issued by Audax Renovables, S.A.

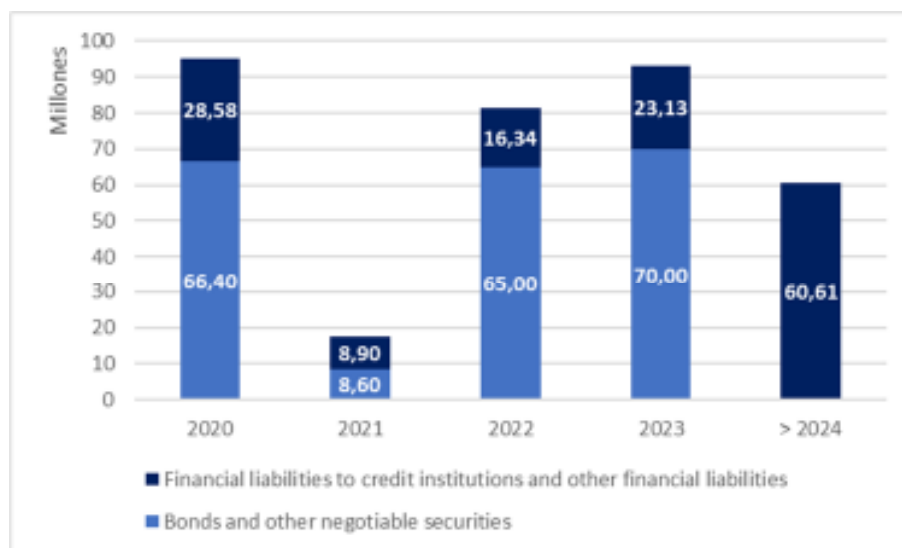
² Financial liabilities to credit institutions: includes the indebtedness of, (i) long term liabilities to credit institutions, y (ii) short term liabilities to credit institutions; including all indebtedness for or in relation to (i) amounts collected through acceptance through credit acceptance mechanisms and (ii) debts from liabilities derivatives.

³ Cash: sum of cash and other cash equivalents, such as cash-convertible financial investments that are considered very liquid.

⁴ Cash equivalents: the investments of i) "Non-current financial assets", and ii) "Current financial assets", in liquid instruments, including those in which its liquidation can begin immediately. Are also considered Cash equivalents, loans and their interests granted to group companies guaranteed by shares with a minimum rating of BBB- net of loans received and their interests from these same companies.

- 6) On October 16, 2019, Audax tapped its existing bond originally issued in October 2018 with a EUR 35 million, 5.5% coupon due October 2023. As of 31st December 2019, the Group's debt related to this October 2019 bond and the bond issued in October 2018 is EUR 70 million.

Table 5. Debt maturity profile



(C) Consolidated Cash Flow Statement as of December 31st, 2018 and 2019 (€ thousands)

Table 6. Cash Flow Statement

CASH FLOW STATEMENT (€ thousands)	2018 (*)	2019	Var. 18/19
EBITDA	53.395	73.250	37,19%
Working capital	-51.534	-3.681	92,86%
Cash flows from operating activities	55.891	55.999	0,19%
Cash flows from investment activities	-33.950	12.983	138,24%
Cash flows from financing activities	26.114	-16.512	-163,23%
Net increase/decrease in cash and equivalents	48.055	52.471	

(*) Non-comparable information (See Note 2.1 of the Consolidated Annual Accounts for the year 2019).

The increment in the cash flow from investment activities is mainly due to a higher collection on the disinvestments made during the accounting year of 2019.

At last, with respect to the cash flow from financing activities, 2019 variation is due to a minor debt issuance with credit entities.

11.2 Audit of historical annual financial information

- **Statement that historical financial information has been audited. If audit reports on the historical financial information have been refused by the auditors or if they contain qualifications or disclaimers, such qualifications or disclaimers must be reproduced in full, explaining the reasons.**

The historical consolidated financial information of Audax and its Group corresponding to the years 2019 and 2018 has been audited by KPMG and the audit reports thereon contained no qualifications.

- **Indication of other information in the Information Memorandum which has been audited by the auditors.**

Non-applicable.

- **Where financial data in the Information Memorandum is not extracted from the audited Financial Statements of the Issuer, you must declare the source of the data and state that the data is unaudited.**

Non-applicable.

11.3 Age of the most recent financial information

The most recent consolidated financial information contained in this Information Memorandum refers to the audited financial information as of and for the year ended December 31, 2019.

11.4 Judicial, administrative and arbitration proceedings

As of the date of this document, Audax is not involved in any material civil or administrative legal proceedings.

According to the information sent by Audax to the auditors, there are no claims or judicial or administrative proceedings for an individual amount in excess of EUR 9,500 nor is there any evidence that an inspection has been initiated by the tax authorities.

11.5 Significant changes in the Issuer's financial or trading position

From December 31, 2019 to the date of this Information Memorandum, there has been no material change in the Issuer's situation. As of the date of this Information Memorandum, Audax states that it is not aware of any trend, uncertainty, demand,

commitment or any adverse event that could reasonably be expected to have a material effect on the Issuer's financial position.

VIII. DESCRIPTION OF THE NOTES

1. Total amount of the securities admitted to trading

The maximum nominal amount of this EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020 will be FOUR HUNDRED MILLION EUROS (EUR 400,000,000). The securities to be issued under this Programme will be senior unsecured simple notes (the “Notes”). Regarding the terms and conditions of the securities, the Notes under the Programme will be issued pursuant to the template attached as Annex I hereto (the “Final Terms”). It is expressly noted that this limit shall not be exceeded at each issue date (on a cumulative basis with the outstanding issues).

The Final Terms of each issue will specify the nominal and total effective amount of the Notes admitted to trading and the nominal and effective amount and number of Notes to be admitted.

2. Date of issue of the Notes

The Final Terms of each issue of Notes will establish the envisaged dates of issue of the Notes, which may not exceed the validity period of this Programme.

The validity of this Programme is twelve (12) months as from its admission (*incorporación*) to MARF.

Notes may be issued, subscribed and disbursed on any business day during the validity of the Programme. In any case, the admission (*incorporation*) of the Notes into the MARF must take place within such term. For each issue of Notes, the Final Terms and the corresponding complementary documentation for its admission shall be sent and deposited in the MARF.

3. Form, denomination, status and price of the Notes

a. Form and denomination: The Notes are issued to be admitted uncertified, dematerialised book-entry form (*anotaciones en cuenta*) with a nominal value of EUR 100,000 (the “**Authorised Denomination**”) each, subject to the provisions of the Royal Legislative Decree 4/2015 and Royal Decree 878/2015 of October 2, on compensation, liquidation and recording of marketable securities represented by book-entries, on the legal regime of central securities depositories and central counterparties and on the transparency requirements of the issuers of securities admitted to trading on an official secondary market, as amended by Royal Decree Law 827/2017 of 1 September (the “**RD 878/2015**”).

b. Status of the Notes: The Notes constitute, subject to the provisions of Condition 6.3 below (Negative Pledge), senior unsecured obligations of the

Issuer which in the event of the insolvency (*concurso*) of the Issuer will, at all times, rank pari passu among themselves and pari passu with all other present and future senior unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated credits under Article 92 of the Insolvency Law as may be amended from time to time and subject to any applicable legal and regulatory exceptions).

In the event of the insolvency (*concurso*) of the Issuer, under the Insolvency Law, and assuming that the Notes remain unsecured, claims relating to the Notes (unless they qualify as subordinated credits under Article 92 of the Insolvency Law) will be ordinary credits (*créditos ordinarios*) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*). Ordinary credits rank above subordinated credits. Accrued and unpaid interest due in respect of the Notes at the commencement of an insolvency proceeding (*concurso*) of the Issuer will qualify as subordinated credits. Under Spanish law, accrual of interest on the Notes shall be suspended from the date of any declaration of insolvency (Article 59 of the Insolvency Law).

- c. **Price of the Notes:** The Notes may be issued at nominal value or for a lower or higher amount, as established in the Final Terms of each issue.
- d. **ISIN Code:** The information relating to the ISIN Code (International Securities Identification Number), or any other codes used internationally, of each of the issues made under this Programme will appear in the Final Terms of the relevant issue.

4. Register, title and transfers

- a. **Registration:** The Notes issued under this Programme will be registered with Iberclear, with its registered address at Plaza de la Lealtad, 1, Madrid as the managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**") that records all aggregate securities balances for each of its participating entities (*entidades participantes*) (the "**Iberclear Members**"). Each Noteholder's (as defined below) title to the corresponding principal amount of the Notes is set out in the registries maintained by the respective Iberclear Member or the Spanish Central Registry itself if the holder is an Iberclear Member. Noteholders who do not have, directly or indirectly through their custodians, an account with Iberclear may participate in the Notes through bridge accounts held by each of the Euroclear Bank S.A./N.V. entities ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"), with Iberclear.

- b. **Title:** Title of the Notes issued under this Programme will be evidenced by book-entry forms (*anotaciones en cuenta*), each person shown in the registries maintained by the respective Iberclear Members, as being a holder of Notes shall be (except otherwise required by the applicable Spanish law) considered the holder of the principal amount of the Notes recorded therein.

The "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the book-entry forms (*anotaciones en cuenta*) at the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book and "**Noteholder**" shall be construed accordingly. One or more certificates (each, a "**Certificate**") attesting to the relevant Holder's holding of the Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

- c. **Transfers:** In accordance with Article 13 of the RD 878/2015, the transfer of securities represented by book entries (as is the case with Notes) will take place by book transfer. The Notes issued under this Programme will be issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or the Iberclear itself, as applicable. Each Holder will be treated (except as otherwise required by Spanish law) as the legitimate owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or annotation of, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

5. Definitions

“**Asset Sale**”: means the sale, lease, transmission, or any other act of disposition of any asset by the Issuer.

“**Audax**” means Audax Renovables, S.A.

“**Auditor**” means KPMG AUDITORES, S.L. or any other entity of recognised prestige who could be appointed by the Issuer as auditor from time to time.

“**Auditor Certificate**”: means the certificate that the Auditor will release including the Debt Ratio of the period and the calculations required for the Group's Net

Financial Debt and EBITDA, which has to be issued on the same date as the consolidated audited financial statements related to each year during the validity of the Notes.

“**Cash Equivalent**” means:

- a. Direct obligations (or certificates representing a right on such obligations) issued by, or unconditionally guaranteed by, the government or a Member State of the European Union (except Greece), the United States of America, Switzerland or Canada (including, in each case, any agency or authority thereof), as appropriate, the payment of which it is supported by the full recognition and credit of the corresponding Member States of the European Union or the United States of America, Switzerland, or Canada, as appropriate, and unenforceable by the Issuer’s decision.
- b. Demand deposits (“*depósitos a la vista*”), time deposits (“*depósitos a plazo*”) certificates of deposit (*certificados de depósito*), bank acceptances (*aceptaciones bancarias*) with 12 month maturity or less starting the date of acquisition, issued by either a bank or a fiduciary company by, the legislation of a Member State of the European Union (except Greece) or the United States of America or any state thereof, Switzerland or Canada; when such bank or fiduciary company has a Capital, excess and aggregated retained earnings of more than EUR 500,000,000 (or the equivalent currency at the time of the investment) and whose long-term debt has a rating of Baa3 or more by Moody’s Investors Service, Inc. (“**Moody’s**”), BBB- or more by Standard & Poos Ratings Group (“**S&P**”), BBB- or more by Fitch Ratings Limited (“**Fitch**”), or BBB- by DBRS Rating Limited (“**DBRS**”), or BBB- or more by Axesor Rating (or the equivalent rating category of any other rating agency internationally recognized);
- c. Commercial notes with with minimum rating of BBB- or equivalent of Moody’s, S&P, Fitch, DRBS or Axesor Rating and, as appropriate, a maturity within a year from the date of the acquisition.
- d. Assets with share guarantee with a minimum rating of BBB- from one of the Moody's, S&P, Fitch, DBRS or Axesor Rating agencies, listed on official European markets and which shall be enforceable at the first request of the Issuer without limitation by the debtor.
- e. Other liquid investments with a maturity time shorter than T+3, including any other asset owned by the Group adjusting, as appropriate, according to the auditors in the proportion declared by the Issuer’s auditor either in its consolidated annual audit report or in the Auditor Certificate.

“Change of Control”: Article 42 of the Spanish Commerce Code applies and, in any event, a change of control will occur in respect of the Issuer upon (i) one or more Persons, acting individually or in concert, acquire the control, either directly or indirectly, of the Issuer; or (ii) the Controlling Shareholder or, where appropriate, jointly with any other Person or Persons who loses the control, either directly or indirectly, of the Issuer; or (iii) the Issuer either consolidates or merges with another person losing the control, so that a change in the Controlling Shareholder occurs.

“CNMV”: means the Spanish National Securities Market Commission (*“Comisión Nacional del Mercado de Valores”*).

“Commissioner” means Bondholders, S.L.

“Controlling Shareholder” means Mr. Francisco José Elías Navarro.

“Covenants”: means the obligations assumed by the Issuer by virtue of each issue.

“Date of Calculation”: means December 31st, of each year.

“Distribution”: means (i) the payment made by the Issuer of any dividend; (ii) the amortization or repurchase of the Issuer’s shares; (iii) the repayment of any indebtedness made by the Issuer to its shareholders, the Controlling Shareholder or any of its subsidiaries or somehow subordinated; or (iv) any other cash distribution to the shareholders, to the Controlling Shareholder or any of its subsidiaries.

“EBITDA”: means, in respect of the Group, the operating results, plus amortization and depreciation, plus exceptional and non-recurrent operating costs, plus the financial commissions charged to the clients, according to the latest consolidated audited financial statements drawn up by the board of directors, as stated within the Auditor Certificate.

“Group”: means Audax and its Subsidiaries.

“Indebtedness”: means any indebtedness of the Group including (but not limited to) every indebtedness by or in regards to (i) quantities collected by the acceptance through the credit acceptance mechanisms; (ii) quantities collected by the issuance of notes; and (iii) the quantity of any liability in relation to leases or installment sale contracts that could, according to the applicable law and the accounting general principles, be treated as financing or a leasing.

“Investments”: means regarding to the Group, every investment directly or indirectly performed in the form of loans agreements (including guarantees or other obligations), prepayments or capital contributions (except commissions, trips and similar prepayments to directives and workers under the ordinary performance of their activity), purchases or acquisitions as a compensation of indebtedness, or

securities, together with those elements that are, or could be, qualified as an investment within a balance sheet according to the Spanish National Chart of Accounts Plan or International Financial Reporting Standards adopted by the European Union (EU-IFRS).

“**MARF**”: means the Spanish Alternative Fixed-Income Market.

“**Merger**”: means the merger through absorption between Audax Renovables, S.A., as the absorbing entity, and Audax Energía, S.A.U. as the absorbed entity, executed on public deed granted on December 27, 2018, in Badalona, before the notary Mrs. Blanca Pardo García, replacing Mr. Ramón José Vázquez García, under number 2.344 of her files and registered in the Commercial Registry of Barcelona on January 25, 2019.

“**Net Financial Debt**”: means, at the moment of the calculations, the difference between the Group’s financial debt ((i) obligations and other short-term marketable securities, (ii) long-term loans, (iii) obligations and other long-term marketable securities and (iv) short-term loans) and the Group’s cash and cash equivalents according to the latest available consolidated audited annual financial statements. For the purposes of calculating the Net Financial Debt, the Auditor shall not consider the debt without recourse that could be accounted by the Issuer nor its Subsidiaries from the date of the Merger.

“**Net Financial Debt /EBITDA Ratio**” (“**Debt Ratio**”): means the ratio between the Net Financial Debt and the EBITDA, calculated in relation to the consolidated audited financial statements of the Issuer and its Subsidiaries of the corresponding year, according to the Auditor Certificate.

“**Permitted Business**”: means (a) any business, service or activity developed by the Issuer on the issue date of the Notes (each a “**Permitted Activity**”); and (b) any business, service or activity engaged by the Issuer related, complementary, derived, auxiliary or similar to any of the Permitted Activities or that are extensions or developments of any of Permitted Activity.

“**Person**”: means any individual, corporation, association, joint venture, alliance, public limited company (*sociedad anónima*), trust, limited liability company (*sociedad de responsabilidad limitada*), company in formation (*sociedad en formación*), irregular company, the government or any of its agencies or political subdivisions or any other entity, with or without an independent legal status.

“**Related Party**”: means (i) any of the shareholders, directors or senior managers of the Issuer, all of them either directly or through companies, and any company over which the Issuer exercises control, according to the definition contained in Article 42 (1) of the Spanish Commerce Code, or holding a participation equal to or more than 25% of the share capital of the corresponding company, either directly or indirectly, and (ii) any of the directors or senior managers of the Subsidiaries, all

of them directly or through companies, and any company over which the relevant subsidiary exercises control, according to the definition contained in Article 42 (1) of the Spanish Commerce Code, or holding either directly or indirectly a participation equal to or more than 25% of the share capital of the company.

“Reference Period”: means, with respect to any Date of Calculation, the last twelve (12) months immediately preceding such Date of Calculation.

“Subsidiaries”: means, in regards to the Issuer, another Person governed by the Issuer where its control is determined by:

- 1) The possession of the majority of the Voting Rights.
- 2) The right to appoint and/or remove to the majority of the members of the board of directors.
- 3) The availability to dispose, by virtue of the agreements celebrated with third parties, of the majority of the Voting Rights.
- 4) Has appointed with his own votes to the majority of the members of the board of directors, who are in office at the time where the consolidated financial statements should be drawn up and during the immediately preceding two exercises.

Furthermore it shall be added those Voting Rights owned through other dependent companies or through persons acting in his own name but on behalf of the dominating entity or of other dependent or those owned together with any other Person.

“Voting Rights”: means the rights to vote in the general shareholders meeting (regardless of whether in this particular moment, the shares have or could have, voting rights due to any externality).

6. Covenants

The Notes to be issued under the Programme will contain the following covenants:

6.1 Pari Passu

The Issuer undertakes to maintain the Notes and the rights deriving therefrom in favour of the Noteholders at least with the same preferences, privileges and rank as those that derive or may derive for other unsecured and unsubordinated creditors by reason of agreements the Issuer has entered into or may enter into in the future, unless otherwise authorised by the Noteholders, save for those preferences, privileges and ranks created by operation of law.

6.2 Limitation to additional indebtedness

The Issuer undertakes to maintain its Net Financial Debt / EBITDA (“**Debt Ratio**”) lower than or equal to 3.5 assuming for these purposes that any additional Indebtedness had been incurred, and the net proceeds thereof applied, on the last day of the applicable Reference Period.

The covenant described in the previous paragraph will only be considered to have been breached if the breach of the Debt Ratio has occurred as a result of an increase in Net Financial Debt. The obligation described in the preceding paragraph will not be considered to have been breached if the Debt Ratio has not been met due to the maintenance or decrease of the Net Financial Debt and a decrease in EBITDA.

6.3 Negative pledge

Neither the Issuer nor any of its Subsidiaries (with the exception of those subsidiaries, whose activity is developed within a framework, directly or indirectly, of concession and those subsidiaries that do not represent more than a 10% of the Group’s assets) will constitute or allow the constitution of real guarantees, embargoes, charges or encumbrances for an amount exceeding 10% of the Group's assets, present or future, except for (i) those guarantees in which the beneficiary is the Issuer and/or its Subsidiaries; (ii) guarantees currently in place; (iii) guarantees provided for operational wind and/or solar power farms to secure the current and future financing of the Group; (iv) guarantees on long-term purchase agreements of energy (PPA's); and (v) guarantees to secure current and/or future financing of any renewable energy project.

6.4 Change of Control

Upon the occurrence of a Change of Control, the Issuer must offer to each Noteholder the early redemption of all of its Notes at its nominal value, including the accrued and unpaid interests up to the redemption date by the Issuer.

Within the next ten (10) days of the effective Change of Control, the Issuer may release a notice in which (i) it will describe the operation or operations that caused the Change of Control to the Commissioner and to the MARF (in the case the Notes were marketable in such market and its internal regulation as well as its circulars required so) (the “**Change of Control Notice**”); and (ii) must offer to each Noteholder the early redemption of all of its Notes.

In the case such option is exercised, each Noteholder may individually notify the Issuer, within the period of thirty (30) and sixty (60) natural days from the date the Change of Control Notice has been received by the Commissioner (the “**Exercise Period**”) its decision to exercise such option over the total amount of its Notes, specifying the bank account details where the payment shall be completed by the Issuer. In such scenario, the Issuer shall fulfill any additional requirement in each

case the applicable law stipulates and pay the price of the nominal value of the Notes owned by each Noteholder, including the accrued and unpaid interests up to the redemption date, within the period of seven (7) business days after the due date of the Exercise Period.

6.5 Limitation on transactions with related parties

The Issuer could underwrite, and may allow the Subsidiaries to underwrite, to the extent that there are any outstanding issuance Notes, (i) any contract or transaction with any related party which is on normal market terms and conditions and (ii) any contract in the ordinary course of business.

In addition, the Issuer will be permitted to:

- a. enter into any offsetting agreement or commitment in the ordinary course of its financing commitments for the purpose of offsetting debts and credit including offset between the Issuer, Subsidiaries and its shareholders; and
- b. participate in sale and lease back operations of real estate assets, provided that (a) the profits obtained from such sale and lease back operations are not distributed as dividends or as any other Distribution, in accordance with section (vii) "*Limitation on the distribution of dividends*" and (b) that section (vi) "*Limitation on the Sale of Assets*" applies.

6.6 Limitation on the sale of assets

The Issuer will not execute an Asset Sale unless the sale is on an arm's length basis and without limitation of the percentage received in cash.

Given that the Notes issued under this Programme should be considered Green Notes (as defined in section VIII.13 below), in case of asset divestment Audax should use these net proceeds to finance and/or refinance other Eligible Green Project.

6.7 Limitation on dividends

During the term of the Notes of any issue under this Programme, the Issuer may agree, distribute or pay any dividend or any type of Distribution (in cash or in kind) which in no case shall exceed 10% of the Ordinary Benefits, but only in respect of such Reference Period and in no case in respect of the previous Reference Periods, while the Debt Ratio for the last audited financial year at 31 December is greater than 3.50 over 1.00.

In the event that the Debt Ratio falls below or is equal to 3.50 to 1.00, the Issuer may agree, pay and distribute dividends or any other Distribution with no other limitation than compliance with the legal and corporate obligations to maintain the

legal and voluntary reserves established by the general shareholders' meeting, provided that as a result of the distribution of the said dividend or distribution the Debt Ratio continues to fall below or is equal to 3.50 to 1.00.

6.8 Limitation on investments

The Issuer will only make, either directly or indirectly, Investments in Permitted Business if at the time of such investment:

- a. No event of default described in section VIII.10(i) has occurred or will occur as a consequence of such investment; and
- b. The Debt Ratio is less than 3.50 over 1.00 assuming for these purposes that said Investment was made on the last day of the corresponding Reference Period.

6.9 Limitation on Structural Modifications

The Issuer may agree its reconstruction, merger, integration, grouping, and reorganisation, segregation into or with another Person (a **Structural Modification**"), unless:

- a. Such Structural Modification does result in a downgrade of, at least two (2) notches of the Issuer's credit rating by the rating agency which is currently rating the Issuer, provided that such rating agency specifies the Structural Modification as the cause of such downgrade and that such downgrade occurs within twelve (12) months at most of its occurrence; and
- b. Such a structural change constitutes a breach of the Debt Ratio.

This covenant will not apply to any Structural Modification between (i) the Issuer and the Subsidiaries; and (ii) the Issuer and companies belonging to the consolidated group of Excelsior Times, S.L.U.

6.10 Limitation on transactions with Subsidiaries

The Issuer may and will permit its Subsidiaries to, make any payment or sell, lease, transfer or dispose of any of its property or assets, or acquire assets, or to celebrate or modify operations, contracts, agreements, memorandums of understanding, loans, advances, personal or security interest with or for the benefit of any Subsidiary, (each one, "**Transaction with Subsidiary**") and provided the Transaction with Subsidiary is (i) in terms no less favorable to the Issuer than those obtained in a comparable transaction between the Issuer and any unrelated Person; and (ii) meets the requirements of Spanish law.

Are out of the foregoing limitation those transactions with Subsidiaries of a commercial nature and related financial collaterals that are carried out within the scope of the Issuer's ordinary business relating to electricity energy and gas.

The following transactions will not be considered as Transactions with Subsidiaries for the purposes of this section and will therefore not be subject to the above restrictions, limitations, obligations and conditions:

- a. any employment contract, collective bargaining agreement, any agreement relating to the benefits of employees or consultants, executives or directors of the Group, including any share option scheme, rights to increase share value, share incentive plan or similar programme, entered into in the ordinary course of business.
- b. payment of reasonable, substantiated and customary fees and expenses (whether under indemnity agreements or otherwise) to directors, officers, employees or consultants of the Group.
- c. Loans or advances to employees for travel or relocation in the ordinary course of business not exceeding in the aggregate and at any time EUR 1,000,000.

6.11 Information and reports

The Issuer shall provide the Commissioner (who shall make them available to the Noteholders at least at the offices specified for that purpose):

- a. As soon as they become available, and in any event within 180 days immediately after the end of each financial year, a copy of the audited consolidated financial statements of the Issuer relating to that financial year, commencing with the financial year ending on December 31, 2020;
- b. immediately upon the occurrence of an acquisition, disposal, or substantial restructuring of the Issuer or its Subsidiaries or upon the occurrence of a change of Auditors or any other material or substantial event relating to the Issuer or its Subsidiaries, a copy of the notice containing the description of the relevant event submitted to MARF in accordance with applicable rules and regulations;
- c. the Auditors' Certificate in any event within 180 days after the end of each financial year, commencing with the financial year ending on 31 December 2020.
- d. Any rating on the Issuer made by any rating agency internationally recognized subsequent to the Axesor Rating.

- e. Annual verification from a third entity, which shall be chosen between Deloitte, KPMG, PricewaterhouseCoopers and EY groups, regarding the compliance of the GBP of the issued Notes.

For clarification purposes, the Commissioner assumes no responsibility for the authenticity, accuracy or correctness of the information, reports or certifications provided by the Issuer.

7. Interest rate and payments

The Notes might be issued with fixed or variable interest rate, as determined in the relevant Final Terms (the “**Interest Rate**”) of each issue. Interest Rate shall accrued from the disbursement date of each issue until its maturity date.

Each Note will cease to bear interests when such Note is redeemed or repaid pursuant to Section VIII.10, from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Notes is improperly withheld or refused, in which event interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the seven (7) days after the Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these conditions.

If interest is to be calculated in respect of a period which is equal to or shorter than an Regular Period, it shall be calculated by applying the Interest Rate to the Authorised Denomination, multiplying the product by the relevant Day Count Fraction (as defined below) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) where:

“**Business Day**” means a day fixed at any time by the European Central Bank for the operation of the TARGET2 system, as defined below.

“**Day Count Fraction**” means in respect of any period the number of days in the relevant period, from and including the date on which interest begins to accrue up to but excluding the date on which it falls due, divided by the number of days in the Regular Period in which the relevant period falls; and

“**Regular Period**” means each period from and including the issue date under each issue of Notes or any interest payment date to (but excluding) the next interest payment date.

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

Therefore, in accordance with the abovementioned, the applicable interest of the Notes will be specify in the Final Terms of each issue. The interest payment dates of each issue shall be monthly, quarterly, semiannually or annually, and if applicable, the existence of any irregular periods will be set forth in the relevant Final Terms.

If variable Interest Rate is specified in the relevant Final Terms, the Interest Rate shall be the sum of the EURIBOR plus the Margin. Notwithstanding the above, the Final Terms may also include floor and/or cap clauses to the Interest Rate.

In case the EURIBOR does not appear on the relevant page or if the relevant screen page is unavailable, the Paying Agent will (i) request each of the Reference Banks to provide a quotation of the EURIBOR on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and (ii) determine the arithmetic mean of such quotations; and if fewer than two such quotations are provided as requested, the Paying Agent will determine the arithmetic mean of the rates (being the nearest to the EURIBOR, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the specified currency, selected by the Paying Agent, at approximately 11.00 a.m. on the first day of the relevant Interest Period for loans in euros to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time.

For the purposes of this section:

“**Calculation Agent**” has the meaning given in the relevant Final Terms of each issue.

“**EURIBOR**” means, in respect of any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (as at the date of the Programme, Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

“**Interest Determination Date**” has the meaning given in the relevant Final Terms of each issue.

“**Margin**” has the meaning given in the relevant Final Terms of each issue.

“**Reference Banks**” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the EURIBOR.

“**Relevant Financial Centre**” has the meaning given in the relevant Final Terms of each issue.

Payments of principal and interest shall be made by transfer to a Euro account (or other account to which Euros may be credited or transferred) of the relevant Noteholder, maintained by or on behalf of the Noteholder with a banking institution that has access to the TARGET2 system, details of which appear on the records of Iberclear or, as the case may be, the Iberclear Member at the close of business on the day immediately preceding the relevant payment date or any other termination date for payment of interest or principal, as the case may be. Noteholders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments in respect of the relevant Notes. Neither the Issuer, nor the Paying Agent, nor the Placement Entity of each issue will have any responsibility or liability for the records relating to payments made in respect of the Notes.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of section VIII.14 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If any of the relevant dates set out in the previous paragraphs is not a Business Day, payment will be made on the next succeeding Business Day, unless that day falls in the following month, in which case payment will be made on the first immediately preceding Business Day, without affecting the calculation of interest.

8. Contingent interest rate

In addition to the Interest Rate (fixed or variable, as applicable), the Notes issued under this Programme may accrue a contingent interest rate (if so specified in the relevant Final Terms), whose implementation will be linked to the evolution of the Group's international activity. The type of contingent interest will be specified in the Final Terms of each issue.

Contingent interest will be complementary to the applicable Interest Rate, and will be due only if the International Net Sales Ratio is equal to or greater than 20%.

For this purpose, at the same time as the publication of the Consolidated Annual Accounts by the Issuer in accordance with Section 6.11 above, the Issuer shall inform of the International Net Sales Ratio of the immediately preceding financial year.

If applicable, the contingent interest rate shall be payable on the dates specified in the corresponding Final Terms.

For the purposes of this section:

“**International Net Sales Ratio**” means the ratio between the International Net Sales and the Total Net Sales

“**International Net Sales**” means the sales figure for the non-Spanish Subsidiaries of the Issuer, after deduction of returns, sales rebates and cash discounts. The net international sales figure does not include the indirect taxes charged on these sales. The International Net Sales will be accredited by means of the delivery of the Consolidated Annual Accounts of the corresponding financial year.

“**Total Net Sales**” means the sales figure of the Group after deduction of returns, sales rebates and cash discounts. The Total Net Sales figure does not include the indirect taxes charged on these sales.

9. Guarantees of the issues

All Notes issued under this Programme will be backed by the total assets of the Issuer, without any additional security interest from the Issuer or personal guarantees from third parties.

For credit priority purposes, in the event of insolvency of the Issuer, Noteholders will be placed behind the Issuer’s privileged creditors, in accordance with the classification and order of priority of credits established by the Insolvency Law.

10. Redemption

The relevant dates, system and price applicable to the redemption of the Notes issued under this Programme shall be set out in the Final Terms of each issue.

If any of the relevant dates set out in the previous paragraphs is not a Business Day, payment will be made on the next succeeding Business Day, unless that day falls in the following month, in which case payment will be made on the first immediately preceding Business Day, with no affection on the calculation of interests.

(i) Events of default

Failure by the Issuer to comply with the following obligations and/or the occurrence of the following circumstances, as well as failure to comply with the obligations and covenants applicable, as the case may be, to any issue of the Programme pursuant to section VIII.6 will be referred to as a "**Default**":

- Non payment: the Issuer fails to pay any amount of principal and the accrued interests in respect of the Notes on dates to be determined.

The Issuer shall be entitled to remedy non payment failures within the ten (10) days from the date in which the corresponding payment should have been paid.

- Non compliance: the Issuer is in default with any of the covenants described in section VIII.6 (*Covenants*).

The Issuer shall be entitled to remedy non compliance failures within thirty (30) days from the date which the corresponding failure has been recorded.

- Cross default:
 - a. any indebtedness of the Issuer in an individual or aggregate amount exceeding EUR 6,000,000 not satisfied when due (*vencida, liquida y exigible*) or declared expired before its corresponding due date, in each case, as a result of an event of Default; or
 - b. any commercial or non-financial debt of the Issuer, for an individual or aggregate amount exceeding EUR 10,000,000; whether declared by a judicial or arbitration body or similar, due before its corresponding maturity date, in each case, as a result of an event of Default.

(ii) Early redemption options

■ Mandatory early redemption

The Issuer must redeem the Notes in advance and on a mandatory basis at its nominal value (and including accrued interests) if an event of Default occurs without being remedied within the corresponding time limit set out in Section VIII.10.(i) above.

(iii) Optional early redemption by the Issuer (call option)

If a call option by the Issuer is specified in the corresponding Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the

relevant Optional Redemption Date (Call) at the Optional Redemption Amount plus accrued and unpaid interest (if any) to such date).

For the purposes of this section:

“Optional Redemption Amount” means, in respect of any Note:

- (i) a percentage of its principal amount (at least 100%) or
- (ii) the Make-whole Amount, as may be specified in the relevant Final Terms, and will be the higher of (a) the principal amount outstanding of the relevant Notes (or as the case may be, the relevant part of it) as at the Optional Redemption Date, together with accrued but unpaid interest to such date; and (b) the sum of the present values at the Optional Redemption Date of the outstanding payments of principal and interest under the Notes to (and including) the relevant maturity date (excluding accrued but unpaid interest to the Optional Redemption Date), computed by a suitably qualified financial institution appointed by the Issuer using a discount rate equal to the Reference Rate as of the Optional Redemption Date and assuming the relevant Notes would otherwise have been redeemed on their scheduled maturity date.

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms.

“Reference Rate” means (a) the bid-side rate for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the semiannual interest that would be payable on the Notes (had the redemption not taken place), with the same payment dates as the Notes and a floating leg of six-month EURIBOR with no spread and where such hypothetical interest rate swap is between fully collateralised market counterparties plus the Applicable Make-Whole Spread. The Reference Rate shall be determined by a suitably qualified financial institution appointed by the Issuer with the prior written approval of the Commissioner using its standard valuation methodology as at the date of calculation; or (b) a fixed rate set out in the relevant Final Terms.

“Applicable Make-Whole Spread” means the make-whole spread determined in the relevant Final Terms.

(iv) Other early redemption options

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in this section VIII.10, except expressly specified in Final Terms of each issue of Notes under this Programme.

(v) Purchase of the Notes

Subject to compliance with applicable laws and regulations, the Issuer or any of its Subsidiaries, may at any time purchase Notes issued under this Programme (i) through a tender offer directed to all Noteholders at any price; or (ii) on the open market at any price.

Such Notes may be held, re-sold, or, at the option of the relevant purchaser, cancelled and while held by or on behalf of the Issuer or any such Subsidiary as treasury shares, shall not entitle the Holder to vote at any meetings of the relevant Syndicate of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Syndicate of Noteholders or for the purposes of section VIII.18 below (*Syndication of Noteholders and representation of the Noteholders*).

11. Fungibility

Provided that it is so stated in the Final Terms, the Notes may be considered fungible with the securities of future issues of the same nature, or of new issues or of expandable or continuous issues (tap) of securities, these being fungible with each other as established in the Final Terms of each issue. For this purpose, the corresponding Final Terms shall state the list of previous issues with which the new issue is fungible. In the event of the Issuer's bankruptcy, where there are issues of Notes or fungibles with others, the holders of the Notes already issued will not have priority in rights over holders of the Notes issued subsequently.

12. Credit Rating

Notes issued under this Programme may or may not be rated by Axesor Rating or other credit rating agencies, as expressly indicated in the Final Terms of each issue. In any case, the rating agencies must (i) be recognized by the European Securities and Markets Authority (ESMA) in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies; and (ii) be appointed by the Issuer.

On 1 April 2020, Axesor Rating issued the Rating Report for Audax. In its report, Axesor Rating assigns a global risk rating for Audax of BBB- with a stable trend. This rating focuses on the evaluation of solvency and the associated credit risk in the medium and long term of the Issuer.

Axesor Rating is a credit rating agency recognized by the European Securities and Markets Authority (ESMA).

13. Green and sustainable Notes

The International Capital Markets Association (ICMA) describes the four core components of the green bond principles (the “GBP”) that shall be observed by any issuer of Green Notes: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting.

“Green Notes” are defined as fixed-income financial instruments that exclusively finance or refinance sustainable projects aligned within the GBP.

The GBP are voluntary process guidelines that recommend transparency and disclosure of the use of the proceeds, and promote integrity in the development of the green financing market by clarifying the approach for issuance of green financing instruments.

Further information regarding GBP and Green Notes could be consulted upon the Q&A document available in the ICMA’s website

[\(https://www.icmagroup.org/green-social-and-sustainability-bonds/questions-andanswers/\)](https://www.icmagroup.org/green-social-and-sustainability-bonds/questions-andanswers/).

The “Green Financing Framework” prepared by Audax describes the governing rules of the debt issuances of Audax. After reviewing such governing rules, Vigeo has confirmed that (i) Audax’s “Green Financing Framework” is aligned with the four core components of the GBP; and (ii) the reasonable assurance (which is the highest level of assurance) on the Issuer’s commitments and on the contribution of the green instruments to sustainability.

The use of the net proceeds of each issue under this Programme will be specified in the corresponding Final Terms, specifying the relevant Eligible Green Projects to be financed and / or refinanced. An annual verification provided by a third party auditor will be released, covering the allocation of funds and the compliance in all material aspects of the Notes, mainly: (i) the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria and (ii) the impact reporting, annually until the Note’s maturity and in case of any material change.

14. Taxation

All payments of principal and interests in respect of the Notes by or on behalf of the Issuer shall be made without any withholding or deduction for or on account of, any present or future taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding

or deduction is required, the corresponding payment of principal or, as the case may be, interests with respect to the Notes, will be subject to such withholding or deduction and the Issuer will not pay any additional amounts with respect to such withholding or deduction.

15. Prescription

Claims for principal and interests shall become void unless made within a period of 5 years (in the case of principal and interest) after the date on which the payment in question first becomes due.

16. Paying Agent

The financial service of the debt in relation to each issue of Notes will be carried out by Banco de Sabadell, S.A. (the “**Paying Agent**”). On each payment date and without the need for Noteholders to take any action in relation to the economic rights derived from their securities, the Paying Agent will pay the corresponding amounts to the own or third party accounts, as appropriate, of the Iberclear’s participating entities.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor agent and additional or successor agents provided that so long as the Notes are listed on a multilateral trading facility, secondary market, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant multilateral trading facility or secondary market.

17. Placement entities

Regarding the Notes to be issued on MARF under this Programme, Audax has initially appointed PKF Attest Capital Markets A.V., S.A. as the Placement Entity.

PKF Attest Capital Markets A.V., S.A. and/or any other entity that should be appointed as Placement Entity by the Issuer at any time during this Programme shall be jointly referred as the “**Placement Entities**”.

During the term of this Programme, the Issuer can freely appoint other placement entities of the respective issues of Notes, all of which will be stated, as the case may be, in the Final Terms of each issue.

18. Syndication of Noteholders and representation of the Noteholders

Each issuance of Notes shall foresee the incorporation of a Syndicate of Noteholders.

Noteholders shall meet in accordance with certain regulations governing the Syndicate of Noteholders (the “**Regulation**”). The Regulations contain the rules governing the Syndicate of Noteholders and the rules governing its relationship with the Issuer.

Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have agreed to: (i) the appointment of the relevant Commissioner; (ii) become a member of the Syndicate of Noteholders and (iii) the Regulation.

The Commissioner appointed by the Syndicate of Noteholders of the first issue will also act as Commissioner for any other future issues under the Programme.

The Issuer may, with the consent of the Commissioner, but without the consent of the Noteholders, amend the Regulation to correct a manifest or proven error or to make amendments of a formal, minor or technical nature or to comply with mandatory provisions of law.

In addition to the above, the Issuer and the Noteholders, the latter by means of a resolution of the Syndicate of Noteholders, may agree to any modification, whether material or not, of the Regulations and any waiver of any breach or proposed breach of the Regulation.

In accordance with the provisions of Article 425 of the Spanish Capital Companies Act, resolutions shall be approved by an absolute majority of the votes issued. By way of exception, amendments to the term or conditions for reimbursement of the nominal value, conversion or exchange, shall require the favourable vote of two thirds of the outstanding Notes. Resolutions adopted by the general meeting of Noteholders shall be binding on all Noteholders, including those not attending and those dissenting.

Any amendment, waiver or authorisation in accordance with this section shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as possible.

The template text of the Regulation of the Syndicate of Noteholders to be incorporated under each relevant issue of Notes is as follows:

**REGULATION OF THE
SYNDICATE OF
NOTEHOLDERS**

**TITLE I
CONSTITUTION,
DENOMINATION, OBJECT,
DOMICILE AND DURATION OF
THE SYNDICATE OF
NOTEHOLDERS**

Article 1. Constitution. A syndicate of the Noteholders (the "**Syndicate of Noteholders**" or the "**Syndicate**") comprising the "Issue Number [✱]⁵ of Senior Unsecured Notes of Audax Renovables, S.A. 2020" is hereby formed, subject to the provisions of Chapter IV of Title XI of the Spanish Capital Companies Act, once the Notes have been fully subscribed and paid-up.

This Syndicate shall be governed by this Regulation, by the Spanish Capital Companies Act and by the applicable provisions of Audax's bylaws.

Article 2. Name. The Syndicate of Noteholders shall be called "Syndicate of Noteholders of the Issue Number [✱] of Senior Unsecured Notes of Audax Renovables, S.A. 2020.

Article 3. Object. This Syndicate is formed for the purpose of representing and protecting the lawful interests of the Noteholders of this issue (the "**Noteholders**").

**REGLAMENTO DEL SINDICATO
DE BONISTAS**

**TITULO I
CONSTITUCIÓN,
DENOMINACIÓN, OBJETO,
DOMICILIO Y DURACIÓN DEL
SINDICATO DE BONISTAS**

Artículo 1.- Constitución. Se constituye un sindicato de los Titulares de Bonos (el "**Sindicato de Bonistas**" o el "**Sindicato**") que integran la "Emisión Número [✱] de Bonos Senior No Garantizados de Audax Renovables, S.A. 2020", con sujeción a lo dispuesto en el Capítulo IV del Título XI de la Ley de Sociedades de Capital, una vez que se suscriban y desembolsen los Bonos.

Este Sindicato de Bonistas se registrará por el presente Reglamento, por la Ley de Sociedades de Capital y por los Estatutos Sociales del Emisor.

Artículo 2.- Denominación. El Sindicato de Bonistas se denominará "Sindicato de Bonistas de la Emisión Número [✱] de Bonos Senior No Garantizados de Audax Renovables, S.A. 2020".

Artículo 3.- Objeto. El Sindicato de Bonistas tendrá por objeto la representación y defensa de los legítimos intereses y derechos de los Titulares de Bonos de esta emisión (los "**Bonistas**").

⁵ Include the corresponding number of the issue under this Programme.

Article 4. Duration. This Syndicate shall subsist as long as there are Notes issued under Issue Number [✱] of Senior Unsecured Notes of Audax Renovables, S.A. 2020 in circulation and, once there are no more, until obligations with the Noteholders are fulfilled.

Article 5. Address. The address of the Syndicate shall be located at Avinguda de Navarra, 14, 08911 Badalona, Barcelona.

TITLE II

SYNDICATE'S REGIME

Article 6. Syndicate management bodies. The Management Bodies of the Syndicate are the "General Meeting of Noteholders" (the "**General Meeting**") and the Commissioner of the General Meeting of Noteholders (the "**Commissioner**").

Article 7. General Meeting. The General Meeting, duly convened and constituted, is the organ of expression of the will of the Noteholders, subject to this Regulation, and its resolutions bind all the Noteholders in the manner established by the Laws.

The General Meeting shall agree upon the appointment of a Secretary for the purpose of certifying the resolutions arising therefrom. The Commissioner shall serve as Chairman of the Syndicate of Noteholders.

Artículo 4.- Duración. El Sindicato subsistirá mientras existan Bonos bajo la Emisión Número [✱] de Bonos Senior No Garantizados de Audax Renovables, S.A. 2020 en circulación y, terminado éste, hasta que queden cumplidas sus obligaciones con los Bonistas.

Artículo 5.- Domicilio. El domicilio del Sindicato se fija en Avinguda de Navarra, 14, 08911 Badalona, Barcelona.

TITULO II

RÉGIMEN DEL SINDICATO

Artículo 6.- Órganos del Sindicato. Son órganos del Sindicato la "Asamblea General de Bonistas" (la "**Asamblea General**") y el Comisario de la Asamblea General de Bonistas ("**Comisario**").

Artículo 7.- Asamblea General. La Asamblea General, debidamente convocada y constituida, es el órgano de expresión de la voluntad de los Bonistas, con sujeción al presente Reglamento, y sus acuerdos vinculan a todos los Bonistas en la forma establecida por las Leyes.

La Asamblea General acordará el nombramiento de un Secretario a efectos de certificar los acuerdos de la misma. El Comisario será el Presidente del Sindicato de Bonistas.

In any case, the Commissioner shall serve as the liaison between the Issuer and the Syndicate, and as such, it may attend with voice and without vote, to the deliberations of the general meeting of the Issuer, inform the latter of the resolutions of the Syndicate and require from it the reports which, in its opinion or that of the general meeting, are of its interest.

The General Meeting, duly convened by the Chairman or by the management body of Audax, is empowered to agree upon the best defence of the lawful interests of the Noteholders; to dismiss and appoint the Commissioner or Chairman and Secretary; to exercise, when appropriate, the corresponding legal actions and to approve the expenses incurred in the defence of the common interests.

Article 8. Announcement of the general meeting. The general meeting shall be convened by the board of directors of Audax or by the Commissioner, whenever they may deem it convenient.

Notwithstanding the foregoing, the Commissioner shall convene it when requested in writing by Noteholders representing at least one-twentieth of the entire outstanding amount of the Issue Number [●] of Senior Unsecured Notes of Audax Renovables, S.A. 2020. In this case, the general meeting shall be held within forty five (45) days following the receipt by the Commissioner of a valid written notice for this purpose.

En todo caso, el Comisario será el órgano de relación entre el Emisor y el Sindicato, y como tal, podrá asistir con voz y sin voto, a las deliberaciones de la Asamblea General de la entidad emisora, informar a ésta de los acuerdos del Sindicato y requerir de la misma los informes que, a su juicio o al de la Asamblea General, interesen a éstos.

La Asamblea General, debidamente convocada por el Presidente o por el Órgano de Administración de la entidad emisora, está facultada para acordar lo necesario a la mejor defensa de los legítimos intereses de los bonistas; destituir y nombrar Comisario o Presidente y Secretario; ejercer, cuando proceda, las acciones judiciales correspondientes y aprobar los gastos ocasionados por la defensa de los intereses comunes.

Artículo 8.- Convocatoria de la Asamblea General. La Asamblea General será convocada por el Consejo de Administración de Audax o por el Comisario, siempre que cualquiera de ellos lo estime conveniente.

Sin perjuicio de lo anterior, el Comisario deberá convocarla cuando lo soliciten por escrito, Bonistas que representen, al menos, la vigésima parte del importe total de la Emisión Número [●] de Bonos Senior No Garantizados de Audax Renovables, S.A. 2020 que no esté amortizado. En este caso, la Asamblea General deberá convocarse para ser celebrada dentro de los cuarenta y cinco (45) días siguientes a aquél en que el Comisario hubiere recibido solicitud válida al efecto.

The general meeting shall be announced at least fifteen (15) days before the date set for the meeting, by (i) a notice published in the Official Gazette of the Commercial Registry (BORME) or (ii) a notice to the Noteholders in accordance with the terms and conditions of the Notes or (iii) a notice published in the webpage of the Issuer.

Article 9. Right to attend meetings.

Noteholders who have been so at least five (5) days prior to the date on which the meeting is scheduled, shall have the right to attend the meeting.

The Directors of the Issuer and the Paying Agent of the Issue shall have the right to attend even if they have not been requested to attend. The Commissioner must attend the general meeting even if it has not been requested to attend

Article 10. Right to be represented.

All Noteholders of the Issue Number [✳] Senior Unsecured Notes of Audax Renovables, S.A. 2020 having the right to attend the general meeting also have the right to be represented by another Noteholder. Furthermore, every Noteholder may, in case it cannot delegate its representation in another Noteholder, be represented by the Commissioner, in accordance with the provisions of Article 424.bis of the Spanish Capital Companies Act. Appointment of a proxy must be issued in writing for each individual meeting.

La Convocatoria de la Asamblea General se hará con una antelación de, al menos, quince (15) días a la fecha fijada para su celebración, mediante (i) anuncio que se publicará en el Boletín Oficial del Registro Mercantil (BORME) o (ii) notificación a los Bonistas de conformidad con las condiciones de los Bonos o (iii) anuncio publicado en la página web del Emisor.

Artículo 9.- Derecho de Asistencia.

Tendrán derecho de asistencia a la Asamblea General los Bonistas que lo sean con cinco (5) días de antelación, al menos, a la fecha de celebración de la reunión.

Los Consejeros del Emisor y el Agente de la Emisión tendrán derecho de asistencia, aunque no hubieran sido convocados. El Comisario deberá asistir a la Asamblea General aunque no hubiera sido convocado.

Artículo 10.- Derecho de representación.

Todo Bonista de la Emisión Número [✳] de Bonos Senior No Garantizados de Audax Renovables, S.A. 2020 que tenga derecho de asistencia a la Asamblea General podrá hacerse representar por medio de otro bonista. Además, todo bonista con derecho de asistencia podrá, en caso de no poder delegar su representación en otro bonista, hacerse representar por el Comisario, de acuerdo con lo previsto en el artículo 424.bis de la Ley de Sociedades de Capital. La representación deberá conferirse por escrito y con carácter especial para cada Asamblea General.

Article 11. Quorum for attendance and adoption of resolutions. Each Note shall confer to the Noteholder a voting right proportional to the outstanding nominal value of the Note it holds.

Resolutions shall be approved by an absolute majority of the votes issued. As an exception, the amendment of the term or the reimbursement conditions of the nominal value of the Notes, conversion or exchange shall be approved by two-thirds of the outstanding Notes.

The General Meeting shall be deemed to have been convened and shall be validly constituted to deal with any matter within the competence of the Syndicate, provided that all Noteholders attend or are duly represented in the meeting and those attending unanimously accept the general meeting to take place.

The resolutions adopted by the General Meeting of Noteholders shall be binding on all bondholders, including those not attending and those dissenting.

Article 12. Attendance list. Before addressing the agenda items, the Commissioner shall prepare the attendance list, stating the nature and representation of each of the Noteholders present and the outstanding amount under the Notes both directly owned and/or represented at the meeting.

Article 13. Power of the general meeting. The General Meeting may

Artículo 11.- Quórum de Asistencia y de Adopción de Acuerdos. Cada Bono conferirá al Bonista un derecho de voto proporcional al valor nominal no amortizado de los Bonos de los que sea titular.

Los acuerdos se adoptarán por mayoría absoluta de los votos emitidos. Por excepción, las modificaciones del plazo o de las condiciones del reembolso del valor nominal, de la conversión o del canje requerirán el voto favorable de las dos terceras partes de los Bonos no amortizados.

La Asamblea General se entenderá convocada y quedará válidamente constituida para tratar cualquier asunto de la competencia del Sindicato, siempre que estén presentes o debidamente representados la totalidad de los Bonistas y los asistentes acepten por unanimidad la celebración de la reunión.

Los acuerdos adoptados por la asamblea general de bonistas vincularán a todos los bonistas, incluso a los no asistentes y a los disidentes.

Artículo 12.- Lista de Asistencia. El Comisario formará, antes de entrar a discutir el orden del día, la lista de asistentes, expresando el carácter y representación de cada uno y el número de Bonos propios o ajenos con que concurren.

Artículo 13.- Facultades de la Asamblea General. La Asamblea

pass resolutions necessary to i) defend the lawful interests of Noteholders before the Issuer; ii) modify, in accordance with the Issuer, the terms and conditions of the Notes; iii) dismiss or appoint the Commissioner; iv) exercise, when appropriate, the corresponding legal claims and to approve the expenses incurred in the defence of the Noteholders' interests.

Article 14. Challenge of resolutions.

The resolutions of the General Meeting may be challenged by the Noteholders in accordance with the provisions of Article 427 of the Spanish Capital Companies Act.

Article 15. Minutes and certificates of the general meeting.

The minutes of the meeting shall be approved by the General Meeting, after the meeting has been held or, alternatively, within a period of fifteen (15) days by the Commissioner and at least one Noteholder appointed for such purpose by the General Meeting.

The certificates of the minutes of the resolutions of the General Meeting shall be issued by the Secretary appointed by the General Meeting or, in his absence, by the Commissioner.

Article 16. Individual exercise of claims.

The Noteholders will only be entitled to individually exercise judicial or extra judicial claims if such claims do not contradict the resolutions previously adopted by the Syndicate, within its powers, and if compatible with the faculties conferred upon the Syndicate.

General podrá acordar lo necesario para i) la mejor defensa de los legítimos intereses de los Bonistas frente a la Sociedad Emisora; ii) modificar, de acuerdo con la misma, los términos y condiciones de los Bonos; iii) destituir o nombrar al Comisario; iv) ejercer, cuando proceda, las acciones judiciales correspondientes y aprobar los gastos ocasionados por la defensa de los intereses de los Bonistas.

Artículo 14.- Impugnación de los Acuerdos.

Los acuerdos de la Asamblea General podrán ser impugnados por los Bonistas conforme a lo dispuesto en el artículo 427 de la Ley de Sociedades de Capital.

Artículo 15.- Actas y Certificaciones de la Asamblea General.

El acta de cada sesión podrá ser aprobada por la propia Asamblea General al finalizar la misma o, en su defecto, dentro de un plazo de quince (15) días a su finalización, por el Comisario y, al menos, un Bonista designado por la Asamblea General.

Las Certificaciones de las Actas serán expedidas por el Secretario nombrado por la Asamblea General o, en su defecto, por el Comisario.

Artículo 16.- Ejercicio Individual de Acciones.

Los Bonistas sólo podrán ejercitar individualmente las acciones judiciales o extrajudiciales que corresponda cuando no contradigan los acuerdos adoptados previamente por el Sindicato, dentro de su competencia, y sean compatibles con las facultades que al mismo se hubiesen conferido.

Article 17. Syndicate expenses. The normal expenses incurred to support the Syndicate shall be borne by the Issuer, and shall in no case exceed two percent (2%) of the annual interest accrued by the Notes.

Artículo 17.- Gastos del Sindicato. Los gastos normales que ocasione el sostenimiento del Sindicato correrán a cargo del Emisor, no pudiendo exceder en ningún caso del dos por ciento (2%) de los intereses anuales devengados por los Bonos.

TITLE III

TÍTULO III

THE COMMISSIONER

DEL COMISARIO

Article 18. The Commissioner. The Issuer appoints Bondholders, S.L. as Commissioner. Notwithstanding the foregoing, the General Meeting shall remove the appointed Commissioner and appoint other person if it deems necessary. The remuneration of the Commissioner shall be fixed by the Issuer.

Artículo 18.- El Comisario. El Emisor designa a Bondholders, S.L. como Comisario, sin perjuicio de que la Asamblea pueda designar otra persona si lo estima oportuno. La retribución del Comisario será fijada por el Emisor.

The Commissioner, in addition to the powers conferred on him by the General Meeting, shall have the legal representation of the Syndicate and may exercise the actions incumbent on it and those it deems appropriate for the general and particular defence of the Noteholders.

El Comisario, además de las competencias que le atribuya la Asamblea General, tendrá la representación legal del Sindicato y podrá ejercitar las acciones que a éste correspondan y las que considere oportunas para la defensa general y particular de los Bonistas.

Article 19. Faculties. The Commissioner shall have the following faculties:

Artículo 19.- Facultades del Comisario. Serán facultades del Comisario:

1° To protect the common interest of the Noteholders.

1° Tutelar los intereses comunes de los Bonistas.

2° To convene and act as chairman of the General Meeting.

2° Convocar y presidir las Asambleas Generales.

3° To inform the Issuer of the resolutions passed by the Syndicate.

3° Informar a la Sociedad Emisora de los acuerdos del Sindicato.

4° To control the payment of principal and the interest.

5° To carry out all those actions provided for under the terms and conditions of the Notes or which may be carried out by the Commissioner.

6° To implement the resolutions of the general meeting.

7° To exercise the claims that correspond to the Syndicate.

8° To accept, on behalf of the Noteholders, any guarantees, including any security, granted in their favour and sign any other documents, public or private, related to such guarantees that may be necessary.

9° In general, the powers granted to the position by Law and the present Regulation.

TITLE IV

SPECIAL PROVISIONS

Article 20. Fungibility with other Issues of Notes. This Issue may be fungible with any other notes issued or new issues or issues of expandable or continuous (tap) notes of the Issuer that provide for the fungibility with this or other issues. Noteholders of the notes issued in the issues that are fungible with this Issue will become members of this Syndicate of Noteholders.

4° Vigilar el pago de los intereses y del principal.

5° Llevar a cabo todas las actuaciones que estén previstas realice o pueda llevar a cabo el Comisario de acuerdo con los términos y condiciones de los Bonos.

6° Ejecutar los acuerdos de la Asamblea General.

7° Ejercitar las acciones que correspondan al Sindicato.

8° Aceptar, en representación de los Bonistas, cualesquiera garantías, incluyendo garantías reales, otorgada a favor de los mismos y firmar cualesquiera otros documentos públicos o privados relacionados con dichas garantías que sean necesarios para su buen fin.

9° En general, las que le confiere

TÍTULO IV

DISPOSICIONES ESPECIALES

Artículo 20.- Fungibilidad con otras Emisiones de Bonos. La presente Emisión de Bonos podrá ser fungible con cualesquiera otras emisiones de bonos de igual naturaleza o de nuevas emisiones o de emisiones ampliables o continuas (tap) de bonos del Emisor que prevean su fungibilidad con esta u otras emisiones. Los titulares de los bonos que se emitan en las emisiones que fuesen fungibles con la presente Emisión se integrarán en el presente Sindicato de Bonistas de la presente Emisión.

Article 21. Forum. For any matter arising from this Regulation, the Noteholders, by the mere fact of being Noteholders, submit themselves exclusively, with express waiver of any other jurisdiction that may correspond to them, to the jurisdiction of the Courts and Tribunals of the city of Barcelona.

Article 22. Referral. In all matters not provided for in this Regulation, the provisions of the Spanish Capital Companies Act shall apply.

Artículo 21.- Jurisdicción. Para cuantas cuestiones se deriven de este Reglamento, los Bonistas, por el mero hecho de serlo, se someten, de forma exclusiva, con renuncia expresa a cualquier otro fuero que pudiera corresponderles, a la jurisdicción de los Juzgados y Tribunales de la ciudad de Barcelona.

Artículo 22.- Remisión. En todo lo no previsto en el presente Reglamento resultará de aplicación lo estipulado en la Ley de Sociedades de Capital.

Pursuant to the subscription of a Note, the Noteholder shall automatically become a member of the Syndicate. The provisions relating to the meetings of the Syndicate are contained in the Regulation in accordance with the above. Bonholders, S.L., Spanish entity, with registered address at Avenida de Francia, 17, A, 1 (46023) Valencia (Spain) and holding tax identification number B-98604986, has been appointed as the Commissioner of the Syndicate of Noteholders by Audax

19. Further issues

The Issuer may, from time to time, without the consent of the Noteholders, create and issue of further notes having the same terms and conditions as the Notes issued under the previous Final Terms in all respects (or in all respects except the first payment of interest) and which will be fungible with any relevant issue of Notes made under this Programme, for the purposes of consolidation.

20. Notices

- Notice to Noteholders: So long as the Notes are admitted (*incorporadas*) on the MARF, relevant notices to Noteholders required by MARF in accordance to the provisions of articles 227 and 228 of the Securities Market Law, will be published in the MARF Listing Gazette. Any such notice will be deemed to have been given on the date of the first publication.
- Notice of a general meeting of the Syndicate of Noteholders: Notice of a general meeting of the Syndicate of Noteholders must be given in accordance with the Regulations.
- Notice to the Commissioner: Copies of any notice given to any Noteholder will be also given to the Commissioner of the Syndicate of Noteholders.

21. Governing law and Taxation

20.1 Governing law

The Notes will be issued according to the Spanish law and are subject to it.

The Courts of the city of Barcelona have exclusive jurisdiction to solve any dispute that may arise in relation to the Notes (including any dispute related to a non-contractual obligation that may arise in relation to the Notes).

The Notes are issued according to the Spanish Capital Companies Act (*Ley de Sociedades de Capital*), the Market Securities Act (*Ley del Mercado de Valores*), as well as any other development regulation (*Normativa de desarrollo*).

20.2 Taxation

The Notes are subject to the Spanish tax legislation in force in each moment.

A general summary on the principal tax duties for the Noteholders is provided below.

By way of illustration but not limited to, the applicable law will be:

- for individuals resident for tax purposes in Spain who are Personal Income Tax (“**PIT**”) tax payers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the "**PIT Law**") and Royal Decree 439/2007, of 30 March approving the PIT Regulations which develop the PIT Law;
- for legal entities resident for tax purposes in Spain which are Corporate Income Tax (“**CIT**”) taxpayers, Law 27/2014 of 27 November on Corporate Income Tax, as amended (the “**CIT Law**”) and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations;
- for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax (“**NRIT**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended along with the Wealth Tax Law and the Inheritance and Gift Tax Law;

- of general application, First Additional Provision of Law 10/2014 of 26 June, on organization, supervision and solvency of credit institutions (“**Law 10/2014**”) and Royal Decree 1065/2007 (“**Law 1065/2007**”); and
- Law 19/1991, of 6 June on Wealth Tax (the “**Wealth Tax Law**”), as amended most recently by Royal Decree Law 18/2019, of 27 December, and Law 29/1987, of 18 December on Inheritance and Gift Tax, as amended (the “**Inheritance and Gift Tax Law**”).

All of them shall apply without prejudice of the special tax regimes (*regimens tributaries forales de Concierto y Convenio económico*) currently in force, respectively, in the historical territories of the Basque Country and the Autonomous Community of Navarra.

The Notes will be represented in book-entry form and their admission to MARF will be requested, regarding that such circumstances are transcendent for Tax purposes. Furthermore, the Notes, at the Issuance Date, will be considered as financial assets *con rendimiento explícito*.

In any event, taking into account that this memorandum does not try to make an exhaustive explanation of taxation duties, investors interested on the acquisition of these Notes, should ask for tax or legal advice for an appropriate guidance on tax duties. Moreover, investors should take into consideration future changes in legal legislation or interpretation that may occur.

Spanish Tax resident individuals

Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of article 25.2 of the PIT Law, and must be included in the PIT savings taxable base of each investor and taxed currently at 19 per cent for taxable income up to €6,000; 21 per cent for taxable income between €6,000.01 and €50,000, and 23 per cent for taxable income exceeding €50,000.

Pursuant to article 44.5 of Royal Decree 1065/2007 any income derived from the Notes will be paid by the Issuer free of Spanish withholding tax provided that the relevant information about the Notes is submitted in the manner detailed in “*Disclosure Obligations in connection with Payments on the Notes*”. In addition, article 75.3.e) states that income obtained upon transfer,

exchange or redemption of the Notes may also be paid free of Spanish withholding tax where:

- Notes are represented in book-entry form.
- Are marketable in a secondary official securities Market (not applicable to MARF).

Nevertheless, the appropriate withholding shall apply to the price equivalent to *el cupón corrido* in the Notes transmissions within the 30 days previous to its maturity, where (i) the acquirer is a non-resident person or company or is subject to CIT, and (ii) the paid interest for the Notes is free of withholding in respect to the acquirer.

In such cases, the withholding value (*base de retención*) is constituted by the price equivalent to the *cupón corrido* of the transferred value, given that revenues derived from commission of such assets are free of withholding tax.

For transferring or exchanging the assets, the previous acquisition shall be proved, with the contribution of Notaries *fedatarios* or financial institutions forced to pay the withholding tax. The Issuer will not proceed to exchange until the holder proves its condition through the appropriate certificate of acquisition.

In the event of revenues obtained through transfers, the financial institution acting on behalf of the transferor will be forced to pay the withholding tax.

In the event of revenues obtained through transfers, the institution forced to pay the withholding tax will be the institution in charge of the operation.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain will be subject to Wealth Tax, to the extent that their net worth exceeds €700,000, at the applicable rates ranging between 0.2% and 2.5%, without prejudice to any relevant exemption which may apply and the relevant laws and regulations in force in each autonomous region of Spain. Therefore, they should take into account the value of the Notes which they hold as of December 31.

In accordance with Article 3 of Royal Decree Law 18/2019, of 27 December, the full exemption from this tax has been revoked for year 2020.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the

Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules (subject to any regional tax exemptions being available to them). The applicable effective tax rates can be up to 81.6 per cent subject to any specific regional rules, depending on relevant factors.

Spanish Tax resident entities

Corporate Income Tax

Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes must be included as taxable income of Spanish tax resident legal entities for CIT purposes in accordance with the rules for this tax, being typically subject to the standard rate of 25 per cent, with lower or higher rates applicable to certain categories of taxpayers.

Pursuant to article 44.5 of Royal Decree 1065/2007 any income derived from the Notes will be paid by the Issuer to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) free of Spanish withholding tax provided that the relevant information about the Notes is submitted in the manner detailed in “*Disclosure Obligations in connection with Payments on the Notes*”.

Without prejudice of the precedent paragraphs, in matters relating to withholding tax payment, in general terms, the Notes will also be free of such withholding tax where, according to article 61.q) of the development regulations of the CIT, (i) they are represented in entry-book form and (ii) they are marketable either in a secondary official securities Market or in the MARF.

These tax benefits will apply according to the procedure expressly contained for such purposes within the *Orden* December 22, 1999.

In the event these tax benefits do not apply, the withholding tax at rate of 19 per cent will apply which will be deductible from CIT final value (*Cuota de IS*).

Wealth Tax

Legal entities in Spain are not subject to Wealth Tax

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

Individuals and legal entities tax resident outside Spain

Non-Resident Income Tax (*Impuesto sobre la Renta de No residentes*)

(A) Acting through a permanent establishment in Spain

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes shall be, generally, the same as those previously set out for Spanish CIT taxpayers. All of that without the prejudice of the application of double tax treaties signed by Spain that determine the taxation outside Spain or, the application of reduced rates of taxation.

(B) Not acting through a permanent establishment in Spain

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes, and who are NRIT taxpayers with no permanent establishment in Spain, are exempt from NRIT, on the same terms laid down for income from public debt.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under "*Disclosure obligations in connection with payments on the Notes*" as laid down in article 44 of Royal Decree 1065/2007. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19 per cent and the Issuer will not pay additional amounts.

Without prejudice of that, another exemption or, a reduced rate of taxation could apply, if the investor has its habitual residence in a country with whom Spain has signed treaties to avoid double taxation that establishes such exemption or reduction, whenever the investor can prove the applicability of the treaty by incorporating the certification of fiscal residence for the year when these interests are obtained.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax will not be generally subject to such tax on the Notes. Otherwise, under current Wealth Tax Law, non-Spanish resident individuals whose Spanish properties and rights are located in Spain (or that can be exercised within the Spanish territory) and exceed €700,000 could be subject to Wealth Tax during year 2020, the applicable rates ranging

between 0.2 per cent. and 2.5 per cent, without prejudice to any exemption which may apply and the laws and regulations in force in each Autonomous Region.

As a consequence of the European Court of Justice Judgment of 3 September 2014 (Case C-127/12), the Wealth Tax Law was amended by Law 26/2014, of 27 November. As a result, non-Spanish tax resident individuals who are residents in the European Union (“EU”) or in the European Economic Area (“EEA”) can apply the legislation of the region in which the highest value of the assets and rights of the individuals are located, can be exercised or must be fulfilled.

In any event, as the income derived from the Notes is exempted from NRIT, any non-resident individuals holding the Notes as of 31 December 2020 will be exempted from Wealth Tax in respect of such holding. Legal entities tax resident outside Spain are not subject to Spanish Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals not tax resident in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who are tax resident in a country with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable Spanish regional or State legislation.

The Judgment from the European Court of Justice of 3 September 2014 declared that Spanish Inheritance and Gift Tax Law was against the principle of free movement of capital within the EU as the Spanish residents were granted tax benefits that, in practice, allowed them to pay much lower taxes than non-residents. According to Law 26/2014, of 27 November, it is possible to opt for the application of tax benefits approved in some Spanish regions to residents either in the EU or in the EEA following specific rules.

Also, as a consequence of the Judgements of 19 February 2018 and 21 and 22 March 2018, the Supreme Court has declared that the application of state regulations when the deceased, heir or donee is resident outside of a Member State of the EU or the EEA also violates the free movement of capital principle established by EU Law, so even in that case it would be appropriate to defend the option for the application of regional regulations in the same cases as if the deceased, heir or donee was resident in a Member State of the EU. The General Directorate for Taxation has also ruled in accordance with those judgements (V3151-18 and V3193-18).

Disclosure obligations in connection with payments on the Notes

Law 10/2014 establishes certain disclosure obligations with respect to the Notes that shall be comply at the time of each payment of revenues derived from them. The regulation developing such disclosure obligations is contained within article 44 of Royal Decree 1065/2007.

In the case of Notes originally registered in the securities clearing and settlement institution (*entidad de compensación y liquidación de valores*) domiciled in Spain, the companies that have the Notes registered in third parties accounts, as well as those that manage the securities clearing and settlement institution domiciled in a foreign country that have an agreement with such securities clearing and settlement institution domiciled in Spain, shall provide the issuer with a unilateral statement, for each payment, that according to its own registers includes the following information with respect to the Notes:

- (a) Identification of the Notes;
- (b) Total amount of income from the Notes;
- (c) Total amount of income corresponding to PIT taxpayers; and
- (d) total amount of income to be paid to all investors who are not PIT taxpayers.

The format of the previously mentioned declaration shall comply with the format established for these purposes on the annex of Royal Decree 1065/2007. This declaration will be presented the previous business day of each revenues' maturity, showing the situation at the market closing time of that same day. The default in presenting the mentioned declaration by any of the required entities on the previous date will determine, for either the Issuer or its authorized Paying Agent, the obligation to pay the corresponding revenues to that entity in an amount equal to the application of the general withholding rate (currently 19%) to their total quantity.

If, before the tenth (10) day of the month following the month in which interest is paid, the Paying Agent provides such information, the Issuer will reimburse the amounts withheld.

Indirect Taxation in the acquisition and transmission of the issued Notes

The issuance, subscription, transmission, redemption and exchange of the Notes is subject and exempted to, or not even subject to, the Spanish Indirect Tax (*Impuesto sobre el Valor Añadido*) according to article 20. One. 18 letter l) of the Law 37/1992, of 28 December. In addition, such activities are not

subject to the Onerous Patrimonial Transmissions Tax (*Impuesto de Transmisiones Patrimoniales Onerosas del Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) according to article 7.5 of Royal Legislative Decree 1/1993, of 24 September, regulating such tax and also exempt of the *Actos Jurídicos Documentados* form of the tax according to article 45.I.B.15 of such consolidated Text.

IX. ADMISSION OF THE NOTES

1. Request for admission of the Notes to the Spanish Alternative Fixed Income Market. Deadline for admission to trading

Admission (*incorporación*) will be requested for the securities to be issued under the Programme described in this Information Memorandum on the Multilateral Trading Facility known as the Alternative Fixed Income Market (*Mercado Alternativo de Renta Fija* or “**MARF**”).

The MARF adopts the legal structure of a multilateral trading facility (MTF), under the terms provided for in Articles 26 et seq. of Royal Decree Law 21/2017 of December, 29 of urgent measures for the adaptation of Spanish law to European Union regulations on the securities market constituting an alternative, unofficial, market for the trading of fixed-income securities.

Audax has requested admission (*incorporación*) of this Programme to the MARF to raise funds to be destined, directly or indirectly, for general purposes of the Group and, in particular, towards the development of the Group’s activity in order to consolidate its growth.

According to the "second party opinion" of the Issuer issued on April 2020 by Vigeo Eris, the Notes issued under this Programme could be considered as “green notes”. If so, Audax will expressly confirm the use of funds of each issue in the Final Terms of the corresponding issue and will provide specific information about the corresponding annual verification for each issue.

The net proceeds of the green notes will be used exclusively to finance and/or refinance, in part or in full Eligible Green Projects. In this regard, Audax will communicate the estimated share of refinancing before each issue.

Neither MARF, the CNMV nor the Placement Entities have approved, verified, or tested the contents of the Information Memorandum, the financial statements of the Issuer, or the risk of any issuance. The intervention of the MARF does not imply a statement, acknowledgement or confirmation about the completeness, understanding and consistency of the information included in the documentation contributed by the Issuer.

The Registered Advisor has verified that the content of this Information Memorandum is compliant with the information requirements established by MARF, and has reviewed that the information disclosed by the Issuer does not omit any relevant data or may mislead potential investors, as required under Circular 3/2013. However, it shall not be assumed that the Registered Advisor has carried out any checks on the accuracy of the information provided by the Issuer.

It is recommended that the investor fully and carefully reads the Information Memorandum presented prior to making any investment decision.

The Issuer expressly states that it knows and is aware of the requirements and conditions necessary for the admission and exclusion of securities on the MARF under current legislation, and the requirements of its governing bodies, and it expressly agrees to comply therewith.

The Issuer expressly states that it has met the requirements for the registration and settlement of transactions in Iberclear. Operation settlements will be made through Iberclear.

2. Cost of all legal, financial, and audit services and other costs to the Issuer regarding the registration of the Programme

Registration of the Programme on the MARF costs amount to an approximate total of SIXTY-THREE THOUSAND EUROS (EUR 63.000).

X. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

Except for the financial statements attached herein as Annex II, no statement or report attributed to a person as an expert is included in the Information Memorandum.

XI. REFERENCES

Audax declares that the following documents (or copies thereof) can be inspected, if necessary, during the valid term of the Information Memorandum:

- a) The bylaws of the Issuer are available at the Commercial Registry of Barcelona (Spain).
- b) All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request, which are included or referred to in the Information Memorandum.
- c) The historical consolidated financial information of the Issuer for each of the two financial years preceding the publication of the Information Memorandum are available at both CNMV website (www.cnmv.es) and the Issuer's corporate website (www.audaxrenovables.com).

XII. ANNEXES

- **Annex I: Final Terms**
- **Annex II: Financial Information**

Signed as representative of Audax Renovables, S.A.:

Mr. Francisco José Elías Navarro

Annex I
Final Terms

AUDAX RENOVABLES, S.A.
FINAL TERMS OF [DENOMINATION OF THE ISSUE]
[TOTAL VOLUME OF THE ISSUE]

Issued under the Information Memorandum (*Documento Base Informativo de Incorporación*) registered with MARF on [✳]

The [*denomination of the issue*] issued by Audax Renovables, S.A. (“Audax” or the “Issuer”) by virtue of the delegation of authorities granted by the board of directors of Audax on [✳] (the “**Board Resolution**”).

These final terms (the “**Final Terms**”) supplement and should be read jointly with the Information Memorandum (*Documento Base Informativo de Incorporación*) (the “**Programme**”) registered with the MARF on [✳] and available on the MARF’s webpage (www.bmerf.es).

In these Final Terms, defined terms appearing with their first initial capital letter shall have the meaning attributed to them in the Programme, unless expressly stated otherwise.

I. DECLARATION OF LIABILITY

[Mr./Mrs.] [✳] by virtue of the delegation of authorities granted the board of directors on [✳], in the name and on behalf of Audax assumes responsibility for the content of this Final Terms which complement the Programme.

[Mr./Mrs.] [✳], as representative of Audax hereby declares that, after acting with reasonable care (i) the information contained in these Final Terms is, to [his/her] best knowledge, in full accordance with the facts and contains no relevant omissions likely to affect its content; and (ii) the Notes issued under this Final Terms [*together with the total amount of Notes issued under the Programme*] are within the maximum nominal amount (EUR 400,000,000) of the Programme.

II. DESCRIPTION, CLASS AND CHARACTERISTICS OF THE ISSUED NOTES

“[DENOMINATION OF THE ISSUE]”

1. MAIN CHARACTERISTICS

Issuer:	Audax Renovables, S.A.
Denomination of the issue:	“[✱]”
	ISIN Code: [✱]
	Fungible: [✱]
Currency:	[Euro (€)]
Nominal and effective amount of the issue	Nominal Amount: [✱] Effective Amount: [✱]
	Unitary total amount: EUR 100,000
Nominal and effective amount of the Notes	Unitary effective amount: EUR [✱]
	Issue Price: [✱]%
	Number of Notes: [✱]
Issue date:	[✱]
Interest rate:	[fixed/variable]. See specific information about the interest rate of the issue in section 2 of this Final Terms.
Maturity Date:	[✱]
Final redemption system:	[✱]
	Price: [✱]
	Main conditions: [✱]
Early redemption options:	For the Issuer: [Yes/No]

Admission (*incorporación*) to listing of the MARF
Notes

Representation of the Notes Account entries managed by
[Iberclear/Others]

2. INTEREST RATE

[*]% Fixed Rate / EURIBOR +/- [*]% Floating Rate:

[Floor / Cap] if applicable

Date of commencement of accrual of interest: [*]

Interest payment dates: [*]

Irregular period / amount: [*]

Base Calculation: [*]

Fixed/ Variable interest rate: Day Count Fraction: [Actual/Actual ICMA basis unadjusted standard / Actual/360 ICMA]

Interest Determination Date: [*] (only in case of Variable Interest Rate)

Margin: [*]

Calculation Agent: [*]

Reference Banks: [*]

Relevant Financial Centre: [*] (only in case of Variable Interest Rate)

[Yes / No]

Contingent interest rate [*]%

Payment dates: [*]

3. REDEMPTION OF THE NOTES

Maturity date: [✳]

Redemption amount: [✳]%

Optional early [Yes / No]
redemption by the Issuer:

(i) Optional Redemption Date: [✳]

(ii) Optional Redemption amount: [✳]% of
principal amount / Make-whole amount

(iii) Make-whole amount: [Applicable/Not
Applicable]

a) Reference rate: [✳]

b) Make-whole spread: if
applicable, [✳]

3. RATING

Issuer rating: [✳]

Rating agency: [✳]

Revision date: [✳]

4. GREEN NOTES

[Yes/No]
Green Notes:

Elegible Green Project: [✳]

5. OPERATIONAL INFORMATION

Placement entity / entities: [✳]

Paying Agent [✳]

Co-Lead/s: [✳]

Relevant calendar and procedure [✳]

6. ADDITIONAL INFORMATION

Representation of the Noteholders: [✳]

Placement method: [✳]

Annex II
Financial Information

AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2018



Audax Renovables, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2018

Consolidated Directors' Report
2018

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Audax Renovables, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Audax Renovables, S.A. (the "Parent") and subsidiaries (the "Group") which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's *Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill from business combinations carried out prior to 2018

See note 5 to the consolidated annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>At 31 December 2018 the Group has goodwill of Euros 138,564 thousand, of which Euros 98,468 thousand is from business combinations that took place prior to 2018.</p> <p>At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment.</p> <p>As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2018.</p> <p>This recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors in the use of estimates.</p> <p>The valuation process for goodwill from business combinations that took place prior to 2018 has been considered as a relevant aspect of the audit insofar as the valuation techniques used often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill,- evaluating the criteria used by the Directors and management of the Group in identifying indications of impairment,- assessing the methodology and assumptions used to estimate the recoverable amount, through value in use or fair value less costs to sell based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists.- comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained,- contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by management,- evaluating the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the expected future growth rate and future cash flows. <p>We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.</p>

Recognition of non-monetary contributions

See note 2.5 b) to the consolidated annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>During 2018, the Group was integrated into the Unieléctrica Group, through a non-monetary contribution.</p> <p>As a result of this transaction goodwill and intangible assets (customer relationships and trademarks) for a total amount of Euros 82,321 thousand have been recognised.</p> <p>The accounting of this transaction was complex and required the application of value judgements in identifying and determining the fair value of the assets and liabilities received. The independent expert engaged by Group management used the discounted cash flow method for this purpose.</p> <p>We consider that this transaction is a key audit matter due to its significance, the inherent judgement involved in making fair value estimates and its impact on the consolidated annual accounts.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - assessment of and discussion with Group management regarding the process followed for identifying and recognising the assets and liabilities integrated, - procurement of the valuation report prepared by the independent expert engaged by the Group, - assessment of the methodology and key assumptions used in the report to determine the fair values of the assets and liabilities acquired and their identification, involving our valuation specialists for this purpose and comparing the Group's explanations with market data and our prior experience in similar transactions, - evaluation of the independence and professional competence of the independent expert employed by Group management. <p>We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.</p>

Recognition of revenue from unbilled energy supplied

See note 10 to the consolidated annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>Recognition of revenues of the energy trading segment is a significant area due to its amount and because it is subject to material misstatement, particularly at the reporting date as regards the appropriate timing of recognition based on the commercial terms agreed with customers.</p> <p>At 31 December 2018 trade and other receivables include Euros 53,305 thousand in unbilled energy supplied, corresponding to the period from the last meter reading to year end.</p> <p>Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a relevant aspect of our audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - analysis of the design and implementation and operating effectiveness of the key controls related to the estimation of revenue from unbilled energy supplied, - retrospective analysis of the estimates made at the previous years' closes and actual consumption, - verification of the reasonableness of the volume of unbilled energy through an analysis of historical consumption, - verification of the tariffs applied by comparing them with the data contained in the contracts, - analysis of the control and monitoring systems established by the Group in relation to future legislation and regulations that could have an impact on recognised revenue. <p>We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.</p>

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:



- a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the consolidated directors' report, and if not, to report on this matter.
- b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in paragraph a) above has been provided in the consolidated directors' report and the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.



Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' 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 Group'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 consolidated annual accounts 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent _____

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 28 February 2019.

Contract Period _____

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 29 June 2017 for a period of three years, from the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

Alejandro Núñez Pérez
On the Spanish Official Register of Auditors ("ROAC") with No. 15732

15 March 2019

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Audax Renovables, S.A. and subsidiaries
Consolidated Balance Sheet
(EUR thousands)

<u>Assets</u>	<u>Note</u>	<u>31/12/2018</u>	<u>31/12/2017*</u>	<u>01/01/2017*</u>
Goodwill	5	138,564	98,468	4,077
Other intangible assets	5	111,510	81,784	36,980
Property, plant and equipment	6	166,597	167,907	174,573
Investments as per equity accounting	7	6,992	6,931	7,463
Financial assets	8	99,355	33,022	22,114
Deferred tax assets	18	5,461	1,103	5,817
Total non-current assets		528,479	389,215	251,024
Inventory		4,513	56	5
Trade and other receivables	10	136,076	127,213	77,549
Current tax assets		1,432	378	260
Financial assets	8	44,460	64,918	20,296
Time period adjustments and other current assets	10	19,626	12,899	11,991
Cash and other cash equivalents	11	98,313	50,258	31,030
Total current assets		304,420	255,722	141,131
Total assets		832,899	644,937	392,155
 <u>Net Equity and Liabilities</u>				
	<u>Note</u>	<u>31/12/2018</u>	<u>31/12/2017</u>	<u>01/01/2017</u>
Capital		308,204	98,003	98,003
Share premium account		420,316	278,948	278,948
Reserves		(623,212)	(320,128)	(325,032)
Profit (loss) for the year attributable to the parent company		8,997	8,250	11,391
Translation differences		1,717	(151)	(5)
Other comprehensive income		4,904	7,009	-
Equity attributed to the parent company		120,926	71,931	63,305
Non-controlling interests		33,258	13,132	6
Total net equity	12	154,184	85,063	63,311
Provisions	13	2,670	1,762	1,732
Bonds and other negotiable securities	14	96,938	85,128	21,000
Bank loans and borrowings	14	129,873	162,009	158,974
Derivative financial instruments	9	11,373	10,633	14,270
Other financial liabilities	14	46,283	22,333	4,794
Subsidies	15	5,869	6,381	6,192
Deferred tax liabilities	18	29,755	18,391	9,499
Total non-current liabilities		322,761	306,637	216,461
Provisions		949	324	26
Bonds and other negotiable securities	14	67,985	28,941	513
Bank loans and borrowings	14	103,713	69,126	43,169
Derivative financial instruments	9	462	-	334
Other financial liabilities	14	16,495	38,333	3,792
Trade and other payables	16	93,313	68,885	53,954
Current tax liabilities		1,994	157	-
Other current liabilities	16	71,043	47,471	10,595
Total current liabilities		355,954	253,237	112,383
Total net equity and liabilities		832,899	644,937	392,155

The attached notes are an integral part of the consolidated annual accounts.

*Re-expressed figures (Note 2.3) that have not been audited

Audax Renovables, S.A. and subsidiaries
Consolidated Income Statement
(EUR thousands)

	Note	31/12/2018	31/12/2017*
Ordinary income	19	984,354	670,645
Procurement	19	(883,246)	(594,185)
Other operating income		2,593	4,949
Wages and salaries	19	(19,360)	(14,340)
Other operating expenses	19	(39,521)	(29,943)
Amortisation and depreciation	5 y 6	(25,079)	(18,527)
Impairment and profit (loss) on disposal of fixed assets	5	8,575	(50)
Operating profit (loss)		28,316	18,549
Financial income		4,124	2,716
Financial expenses		(20,246)	(19,154)
Profit (loss) on disposal and change in value of financial instruments		(291)	3,522
Exchange differences		(94)	286
Financial income (expenses)	20	(16,507)	(12,630)
Profit (loss) of companies consolidated by equity accounting	7	(48)	(133)
Profit (loss) before tax from continuing operations		11,761	5,786
Income tax expenses	18	(1,772)	494
Profit (loss) after tax from continuing operations		9,989	6,280
Consolidated profit (loss) for the year		9,989	6,280
Profit (loss) attributable to the parent company		8,997	8,250
Profit (loss) attributable to non-controlling interests	12	992	(1,970)
The attached notes are an integral part of the consolidated annual accounts.			
* Re-expressed figures (Note 2.3) that have not been audited			
		2,018	2,017
Profit (loss) per share			
Basic		0.1165	0.0545
Diluted		0.1165	0.0545

Audax Renovables, S.A. and subsidiaries
Consolidated Statement of Comprehensive Income
(EUR thousands)

	31/12/2018	31/12/2017*
Consolidated profit (loss) for the year	9,989	6,280
Other comprehensive income		
Items to be reclassified to profit and loss statement		
Cash flow hedges	(2,105)	7,009
Translation differences of financial statements of businesses abroad	1,868	(146)
Other comprehensive income for the year, after tax	(237)	6,863
Total comprehensive income for the year	9,752	13,143
Total comprehensive income attributable to the parent company	8,760	15,113
Total comprehensive income attributable to non-controlling interests	992	(1,970)

The attached notes are an integral part of the consolidated annual accounts.

* Re-expressed figures (Note 2.3) that have not been audited

Audax Renovables, S.A. and subsidiaries
Consolidated statement of changes in net equity
(EUR thousands)

<i>In EUR</i>	Capital	Share premium	Reserves	Profit (loss) attributable to Parent Company	Translation differences	Other Comprehensive Income	Equity attributed to Parent Company	Non-controlling interests	Net equity
Balance at 31 December 2016	98,003	278,948	(258,472)	(31,608)	(10,115)	(6,099)	70,657	502	71,159
Reverse merger effect (Note 2)	-	-	(69,324)	42,999	10,110	6,099	(10,116)	(496)	(10,612)
ADS, ORUS and A-DOS effect (Note 2)	-	-	2,764	-	-	-	2,764	-	2,764
Balance at 1 January 2017	98,003	278,948	(325,032)	11,391	(5)	-	63,305	6	63,311
Profit (loss) for the year	-	-	-	8,250	(146)	7,009	15,113	(1,970)	13,143
Dividends	-	-	-	(1,187)	-	-	(1,187)	-	(1,187)
Business combinations (note 2)	-	-	-	-	-	-	-	15,096	15,096
Reserves	-	-	10,204	(10,204)	-	-	-	-	-
Other movements	-	-	(5,300)	-	-	-	(5,300)	-	(5,300)
Balance at 31 December 2017	98,003	278,948	(320,128)	8,250	(151)	7,009	71,931	13,132	85,063
First application of IFRS (Note 2.1)	-	-	(2,543)	-	-	-	(2,543)	-	(2,543)
Profit (loss) for the year	-	-	-	8,997	1,868	(2,105)	8,760	992	9,752
Dividends	-	-	(973)	-	-	-	(973)	(167)	(1,140)
Capital increase due to merger (Note 12)	210,201	141,368	(354,529)	-	-	-	(2,960)	(49)	(3,009)
Business combinations (note 2)	-	-	46,711	-	-	-	46,711	19,350	66,061
Reserves	-	-	8,250	(8,250)	-	-	-	-	-
Balance at 31 December 2018	308,204	420,316	(623,212)	8,997	1,717	4,904	120,926	33,258	154,184

The attached notes are an integral part of the consolidated annual accounts.

Audax Renovables, S.A. and subsidiaries
Consolidated cash flow statement
(EUR thousands)

		2018	2017*
<i>Cash flows from operating activities</i>			
Profit (loss) before tax	Note	11,761	5,786
Adjustments to results		37,935	33,091
Amortisation and depreciation	5.6	25,079	18,527
Value adjustments due to impairment	5.6	6,426	(125)
Changes in provisions		(6,993)	1,876
Profit (loss) on derecognition and disposal of fixed assets		-	50
Profit (loss) on derecognition and disposal of financial instruments		(61)	133
Financial income	20	(4,124)	(2,716)
Financial expenses	20	20,246	19,154
Exchange differences		932	(286)
Variations of fair value of financial instruments		(3,058)	(3,522)
Other income and expenses		(512)	-
Changes in working capital		23,371	(108,867)
Inventory		(4,457)	(51)
Accounts receivable		11,946	(25,712)
Other current assets		(6,687)	(39,995)
Accounts payable		24,428	(43,109)
Other non-current assets and liabilities		(1,859)	-
Other cash flows from operating activities		(17,176)	(14,853)
Interests paid		(20,246)	(17,569)
Interests collected		4,124	2,716
Income tax payments		(1,054)	-
Cash flows from operating activities		55,891	(84,843)
<i>Cash flows from investment activities</i>			
Payments of investments		(79,189)	(14,402)
Intangible assets		(2,522)	(2,088)
Property, plant and equipment	6	(590)	(2,224)
Group and associated companies			
Other financial assets		(10,647)	-
Other assets		(65,430)	(10,090)
Collection on divestments		35,266	84
Intangible assets	5	297	59
Property, plant and equipment	6	119	25
Other financial assets		34,850	-
Business unit	2.5	9,973	6,900
Cash flows from investment activities		(33,950)	(7,418)
<i>Cash flows from financing activities</i>			
Collections and payments for financial liability instruments		27,254	112,676
Issuing			
Bonds and other tradable securities	14	60,817	-
Bank loans and borrowings	14	141,534	137,918
Repayment			
Bank loans and borrowings	14	(175,097)	(25,242)
Payments of dividends and remuneration of other financial liabilities		(1,140)	(1,187)
Dividends			
Cash flows from financing activities		26,114	111,489
Net increase/decrease in cash or equivalents		48,055	19,228
Cash and equivalents at the beginning of the year	11	50,258	31,030
Cash and equivalents at the end of the year	11	98,313	50,258

The attached notes are an integral part of the consolidated annual accounts.

*Re-expressed figures (Not 2.3) that have not been audited

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2018
(EUR thousands)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP FOR THE YEAR 2018

NOTE 1 – GENERAL INFORMATION

Audax Renovables, S.A., (hereinafter: the Parent Company, the Company or Audax Renovables) was incorporated in Barcelona on 10 July 2000 as a joint stock company for an unlimited duration.

Its registered address is Avenida Navarra, nº 14, Badalona.

It is mainly engaged in all types of activities related to the development of electricity generation from renewable sources, for which purpose it can set up, acquire and hold shares, bonds, participations and rights in companies whose corporate objects are the development, construction and exploitation of facilities for the generation of electricity from renewable energy sources.

Additionally, it may acquire, hold, administer and dispose of all types of titles, securities, financial assets, rights, interests or shares in individual or social enterprises, on its own behalf, excluding intermediaries, and under the applicable legislation on Stock Exchange and Collective Investment Institutions.

On 23 November 2018 the General Meeting of Shareholders agreed unanimously to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. As a result of the merger, Audax Renovables, S.A. became the new parent company of the Group. Audax Energía, S.A.U. had been incorporated in Spain on 30 October 2007 as a limited liability company (formerly under the business name of Audax Aplicaciones, S.L.) for an unlimited duration. The merger was entered into the Commercial Register in Barcelona on 25 January 2019.

In order to carry out the merger, the General Meeting of Shareholders of the acquiring company, Audax Renovables, S.A., adopted the resolution to increase its share capital by EUR 210,201,093.20 by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, with a nominal value of EUR 0.70 each share, which were attributed entirely to Eléctrica Nuriel, S.L.U., the Sole Shareholder of the acquired company. The shares were issued with a share premium of EUR 0.4770775549 per share, i.e. EUR 141,367,906.98.

The new shares, resulting from said capital increase, were subject to exchange at a ratio of 300,287,276 new shares of Audax Renovables, S.A. (acquiring company) for 1,800,000 shares of Audax Energía, S.A.U. (acquired company) without any additional compensation in cash. The share exchange was established on the basis of the real value of the merged equity. The main valuation method used to determine the exchange ratio was based primarily on discounted cash flow on future business plans, and this valuation was verified by an independent expert.

Ahead of the reverse merger transaction, the following preparatory transactions were carried out:

- On 28 June 2018 the merger by absorption between Banana Phone, S.L.U as the acquiring company and Eléctrica Nuriel, S.L.U, as the acquired company was approved. As a result of this merger, Banana Phone S.L.U became the holder of 100% of shares of Audax Energía, S.A.U. Subsequently Banana Phone, S.L.U. changed its business name for Eléctrica Nuriel S.L.U.
- On 28 June 2018 the merger by absorption between Audax Energía S.A.U. as the acquiring company and A-DOS Energía S.L. and Orus Energía S.L. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L.U. (Note 2).
- Moreover, on 19 October 2018, a non-cash increase of share capital of Audax Energía, S.A.U. was carried out, in which the sole shareholder of that company contributed 100% of shares of

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the ADS Energy 8.0, S.L.U. company and 80% of shares of the Eryx Investments 2017, S.L. company (Note 2).

All these transactions were duly entered in the Commercial Register in Barcelona during the year 2018.

As a consequence of the merger between Audax Energía S.A.U. and Audax Renovables, S.A. the company's objects were extended so as to include the activities of energy retailing, electricity sale and purchase including import and export, retailing of fuels for energy generation, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as any kind of accessory activities, necessary to carry out the company's objects.

As a consequence of the merger between Audax Renovables and Audax Energía, Audax Renovables, S.A. became the parent company of a group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources and in energy and gas retailing, hereinafter: the Audax Renovables Group or the Group.

The Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 2017, formulated on 29 March 2018, have been submitted to the Commercial Register in Barcelona.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The annual accounts of Audax Renovables S.A. and the consolidated annual accounts of the Audax Renovables Group as at 31 December 2017 were approved by the General Meeting of Shareholders on 27 June 2018 and were submitted to the Commercial Register in Barcelona.

The consolidated annual accounts of the Group for the year 2018 were formulated by the Directors of the Parent Company on 15 March 2019 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

The figures presented in these consolidated annual accounts are stated in thousand euros, except for the figures of profit per share, unless specifically noted otherwise.

NOTE 2 - BASIS PR PRESENTATION, ACCOUNTING POLICIES AND VALUATION STANDARDS

2.1 Application of International Financial Reporting Standards adopted by the European Union (IFRS-EU)

The consolidated annual accounts of the Audax Renovables Group for the year 2018 have been drawn up by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as per the Regulations (CE) nº 1606/2002 of the European Parliament and the Council. All the accounting principles and standards and the mandatory valuation criteria, along with the Commercial Code, the Spanish Companies Act, the Stock Exchange Market Law and any other applicable commercial legislation have also been taken into consideration. The Group adopted the IFRS-EU on 31 December 2016 and applied on that date the IFRS 1 "First-time Adoption of International Financial Reporting Standards".

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New IFRS-EU accounting standards and IFRIC interpretations

a) New IFRS-EU accounting standards and IFRIC interpretations

New standards, amendments and interpretations	Mandatory application for annual periods beginning on
IFRS 15 Revenues from contracts with customers	1 January 2018
IFRS 9 Financial instruments	1 January 2018
IFRS 16 Leases	1 January 2019
Amendment to IFRS 2 Classification and measurement of share-based payment transactions	1 January 2018
Amendment to IAS 40 Reclassification of property investments	1 January 2018
IAS 28 Investments in associates and joint ventures	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	1 January 2018

The Group applies the standards and interpretations enumerated above from the date of their entry into force, with no significant impact on the accounting policies implemented by the Group.

IFRS 9 Financial instruments

IFRS 9, issued in July 2014, establishes the requirements for recognition, classification and measurement of financial assets, financial liabilities and certain contracts for purchase or sale of non-financial items. This standard replaces IAS 39.

The Group has adopted the requirements of the new standard retroactively on the date of its first application on 1 January 2018, having chosen the option to not re-express the figures corresponding to comparative periods.

i) Classification and measurement

IFRS 9 introduces a new way of classification depending on the characteristics of contractual cash flow of financial assets and the business model of managing said assets, determining three categories of financial asset measurement:

- Measurement at amortised cost
- Measurement at fair value through other comprehensive income
- Measurement at fair value through profit or loss

There are also two options for irrevocable designation at initial recognition:

- The entity may choose the option to present later changes of fair value of certain investments in equity instruments in other global gains and losses, and to present only dividend income in profit and loss.
- Financial assets may be measured at fair value and changes recognised in the profit and loss account, if it serves to limit or eliminate accounting asymmetry.

Concurrently, the standard states that changes in contracts in financial liabilities, which do not result in their amortisation, are recognised as changes in measurement with the retention of the initial effective interest rate.

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The Group has classified its financial assets to the following categories allowed by the standard:

- Financial assets measured at amortised cost,
- Financial assets measured at fair value with changes recognised in profit or loss, which include those assets that cannot be measured at amortised cost.
- Financial assets measured at fair value with changes in equity.

From this new classification no significant adjustments have been recognised as most of the assets are still measured at amortised cost, because contractual cash flows are only principal and interest payments and the assets are held to maturity.

It should be added that regarding equity instruments which are measured by default at fair value with changes in profit or loss, there is an option at the moment of initial recognition to present the changes of their fair value in other comprehensive income. This decision is irrevocable and is made individually in relation to every asset.

Thus the amounts classified under IAS 39 to the following categories correspond to the following new categories under IFRS 9:

Under NIC 39	Under NIIF 9
Loans and accounts receivable	Financial assets measured at amortised cost
Assets available for sale	Financial assets measured at fair value with changes in equity
Assets held for trading	Financial assets measured at fair value with changes in profit and loss

Regarding financial liabilities, the IFRS 9 does not introduce any changes in comparison to the IAS 39, except for the change of treatment in the renegotiation of financial liabilities without bringing about their derecognition. There is no transition adjustment for this reason.

ii) Impairment

IFRS 9 substitutes the model of incurred loss of IAS 39 by introducing a new model of expected loss. Under the new standard the provision for losses is calculated based on expected losses for the next 12 months or for the whole life of the instrument, depending on significant increase in risk.

The Group has applied the simplified approach (provision for expected loss during the lifetime of the asset). In this regard the Group has established a procedure by which receivables are not only impaired when they are no longer recoverable (incurred loss), but possible expected loss is considered based on the evolution of specific credit risk related to the client, sector and country. The Group has applied the simplified approach to the receivables and the general approach to the rest of the financial assets.

The impact of applying the new model of expected loss for the calculation of financial assets impairment recorded by the Group on 1 January 2018 is as follows:

EUR thousands	
Non-current financial investments	804
Trade and other receivables	1,607
Current financial investments	47
Other assets	85
Total impacts on assets	2,543

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iii) Hedge accounting

IFRS 9 requires the Group to ensure the compatibility of hedging relationships with the Group's risk management strategies and objectives as well as to implement a more qualitative and perspective approach to measure effectiveness. Concurrently, IFRS 9 also introduces new requirements regarding hedging rebalancing and prohibits discontinuing hedge accounting.

On first implementing IFRS 9 the Group has the option of continued implementation of requirements of hedge accounting as determined in IAS 39 instead of the requirements determined in IFRS 9. The Group has elected to implement the new requirements determined in IFRS 9. The new standard has not had any significant impact in this respect on the consolidated financial statements as at 31 December 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 – Revenue from contracts with customers establishes a new model for recognition of revenues from contracts with clients. The new standard for recognition of revenue replaces the IAS 18 Revenue and the IAS 11 Construction contracts,

The new standard defines a new model for procedure in five steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determining the transaction price
- Allocating the transaction price to the obligations in the contract
- Recognising the revenue when the entity satisfies a performance obligation

According to this new model, revenue must be recognised when (or as) the entity transfers the control over the goods or services to a client and for the amount that the entity expects to have the right to receive. Depending on whether certain criteria are fulfilled, revenue is recognised either over time, so as to reflect the performance, or at a point in time, when the customer obtains control over the goods or services.

The Group has revised different types of contracts with customers identifying performance obligations, determining the schedule for the satisfaction of these obligations, the transaction price and its allocation, in order to identify potential differences with the model of recognition of revenue set by the new standard, and did not find significant differences nor performance obligations that could lead to recognition of liabilities from contracts with customers.

On the other hand, IFRS 15 requires an asset to be recognised at the incremental cost incurred to obtain contracts with customers, and which is expected to be recovered, with systematic amortisation in the consolidated profit and loss account in proportion to the allocation of the revenue related to that asset; that is to say, the expected average lifetime of the contracts with customers which varies between 1 and 2 years. On the grounds of the valuations carried out on the date of the entry in force of the new standard, and taking into account that the Group had already been registering as anticipated expenses the cost incurred in obtaining contracts with customers (see note 2.24), there is no significant impact of implementing the new standard.

According to the analysis and the implementation carried out as at 1 January 2018, adopting the IFRS 15 "Revenue from contracts with customers" has had no significant impact.

Issued standards which are not in force

At the date of preparation of these consolidated annual accounts, the following standards, amendments and interpretations had been published by the IASB but had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not been yet adopted by the European Union:

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Standard	Mandatory application	
	IASB	European Union
IFRS 16 Leases	1 January 2019	1 January 2019
IFRS 17 Insurance contracts	1 January 2021	(*)
IFRIC 23 Uncertainty over income tax treatments	1 January 2019	(*)
Amendment to IFRS 9 Prepayment features with negative compensation	1 January 2019	1 January 2019
Amendment to IAS 28 Investments in associates and joint ventures	1 January 2019	(*)
Amendment to IAS 19 Plan amendment, curtailment or settlement	1 January 2019	(*)
Improvements to the IFRS in 2015 – 2017 period	1 January 2019	(*)

(*) Not yet approved by the European Union.

IFRS 16 Leases

IFRS 16 entered into force on 1 January 2019 and replaced IAS 17 and the related interpretations (IFRIC 4, SIC-15 and SIC-27).

IFRS 16 introduces a new single accounting model for the lessees to include in the balance sheet the majority of leases (as there are recognition exemptions) in a similar way to the current recognition of financial leases established in the IAS 17 (a lessee is required to recognise a right-of-use asset and a lease liability representing in the income statement the expense for the right-of-use asset amortisation and financial expense for the lease liability measured at amortised cost). This is to say that from the lessee point of view there will be no difference between operating lease and finance lease, but that all of them shall be accounted for in the same way.

The standard, which increases its stress on asset control, allows two recognition exemptions with the aim of facilitating the application of the new standard: leases with a lease term of twelve months or less, as well as leases where the underlying asset has a low value may be recognised not in the indicated way, but as an expense for the lease just as an operative lease is currently accounted for.

To summarise, under IFRS 16, except for those cases where the above mentioned recognition exemption have been applied, the lessee is required to:

- Recognise the financial liability at the present value of the lease payments payable over the lease term;
- Recognise in the balance sheet the right-of-use asset measured at the amount of lease liability plus any initial direct costs incurred to enter into the contract, advance payments, as well as future dismantling costs.
- Reflect in the income statement the depreciation of the recognised asset and the annual financial burden related to the financial liability (together those two components reflect in the income statement the expense of the lease related to fixed payments).
- Reflect in the balance sheet as well as in the income statement the tax effect related to the existing difference between the criteria of IFRS 16 and the criteria applicable to tax effect.

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The Group decided to implement IFRS 16 from 1 January 2019 applying the simplified retrospective approach.

The Group has implemented the following policies, estimates and criteria:

- The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000) and short term (lease term of 12 months or less).
- The practical expedient indicated in point C3 of appendix C to IFRS 16 which stipulates that there is no need of a new measure if the contract is, or contains, a lease on the date of initial application.
- The Group has elected not to separate the non-lease components from lease components, in relation to the classes of assets where relative importance of those components is small regarding the total value of the lease.

An incremental effective interest rate has been applied per homogeneous lease portfolio, country and lease term.

In order to determine the lease term the initial term of every contract has been considered as a non-cancellable period, except for the cases where the Group has a unilateral option to extend or terminate the contract and is reasonably certain, on the grounds of the lifetime of the installed assets, that this option will be exercised, in which case a relevant term of extension or early termination will be considered.

On the basis of the preliminary analysis of the leases that are in force at the date of initial application, the Group has estimated an approximate increase of between EUR 9,500 thousand and EUR 13,500 thousand of the right-of-use assets and lease liabilities, as well as an increased expense in the income before tax statement of EUR 300 thousand approximately. These estimates were carried out based on the portfolio of contracts and market conditions existing on 31 December 2018, according to the best current estimates of term and discount rate. The Management of the Parent Company is in the process of finishing the analysis, however the results are not expected to differ significantly from the indicated range. Most of the leases affected by this standard are leases of the land where power plants, mainly wind farms, are installed.

IFRIC 23 Uncertainty over income tax treatments:

The IFRS Interpretations Committee (IFRIC) issued the IFRIC 23, which establishes the methods of recognition and measurement of deferred and current income tax assets and liabilities if there is uncertainty over tax treatment. An uncertain tax treatment is every tax treatment applied by an entity where there is uncertainty whether such approach will be accepted by the taxation authority. The interpretation analyses:

- how to determine the appropriate account unit and whether each uncertain tax treatment should be considered individually or collectively, depending on which method provides better predictions of the resolution of the uncertainty.
- that the entity is to assume that a taxation authority will examine uncertain tax treatments and will have full knowledge of all relevant information, i.e. the detection risk should be ignored.
- that the entity is to reflect the effect of the uncertainty in its accounting for the income tax when it is not likely that taxation authorities will accept the treatment.
- that the impact of the uncertainty is to be measured using the most likely amount or the expected value method, depending on which method provides better predictions of the resolution of the uncertainty, and that all judgements and estimates should be reassessed if there is a change of circumstances or new information that affects the judgements.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier

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application is permitted. The Group will apply the standard for the first time on 1 January 2019 and estimates that the implementation of the interpretation will not have impact on its consolidated annual accounts.

2.2 Fair view, accounting principles and going concern

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2018, and the consolidated results of its operations, the changes in the statement of comprehensive income, changes in consolidated net equity and consolidated cash flows that have taken place in the Audax Renovables Group in the year then ended. The consolidated annual accounts have been prepared under the historical cost method, modified albeit by the revaluation of the financial instruments which under the standards for financial instruments are recorded at fair value, taking into account the criteria for recording business combinations.

The consolidated annual accounts for the year 2018 of the Audax Renovables Group have been prepared on the basis of the accounting records of Audax Renovables, S.A. and the other companies in the Group. Each company prepares its annual accounts under the accounting principles and standards in force in the country in which it carries out its operations, and, accordingly, the adjustments and reclassifications necessary have been introduced during the consolidation process in order to harmonise these principles and criteria and bring them into line with IFRS-EU. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure their consistency with the accounting policies adopted by the Audax Renovables Group.

The information set out in these consolidated annual accounts is the responsibility of the Directors of the Parent Company, Audax Renovables, S.A.

As a consequence of the merger process mentioned in Note 1 and of the recognition and measurement criteria applicable to this kind of transactions, the negative impact made on the reserves by the reverse merger, of EUR 354,529 thousand, have situated the shareholders' equity of the Parent Company below one half of the share capital, which involves equity imbalance according to article 363 of the Spanish Companies Act. The Directors of the Parent Company plan to include in the agenda of the General Meeting of Shareholders of Audax Renovables, S.A. an item on the reduction of the nominal value of shares in order to re-establish the capital balance.

As at 31 December 2018, the Group presents negative working capital of EUR 51,534 thousand. This situation is primarily a consequence of the normal business evolution, as well as of financing the investments made in recent years (Note 2). Despite this working capital, the Group has sufficient capability to fulfil its obligations through its own cash generation as well as, among other factors, its financial resources. In this regard it is important to underline that the operating cash flow for the year 2018 has been positive, amounting to EUR 55,891 thousand, and that on 13 February 2019 the Parent Company renewed its current promissory note programme of EUR 50,000 thousand with maturity in 2019 (Note 14), and expanded it with a new programme of up to EUR 75,000 thousand with maturity of up to 24 months.

On the grounds of the above information, the Directors consider that there is no doubt about the application of the going concern principle.

2.3 Basis of preparation and comparison of the information

The consolidated annual accounts have been prepared according to the principle of historical cost, with the following exception:

- Derivatives, financial assets at fair value with changes in profit (loss) and financial assets at fair value with changes in comprehensive income;

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The consolidated annual accounts contain for comparative purposes, for every account of the consolidated financial statement, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement and notes to the accounts, the figures for the year ended on 31 December 2018 along with the figures corresponding to the year 2017.

As a consequence of the merger (Note 1) between Audax Energía, S.A.U. (acquired company) and Audax Renovables, S.A. (acquiring company), and because of the implementation of the recognition and measurement criteria applicable to this kind of transactions under IFRS, the consolidated annual accounts for the year 2018 are compared to the information relating to the year ended on 31 December 2017. To this purpose, due to the fact that the acquired company (Audax Energía, S.A.U.) was qualified as an enterprise under joint control before 1 January 2017, the incorporation of the net assets of Audax Energía, S.A.U. into these consolidated annual accounts of Audax Renovables, S.A. has been carried out with retroactive application of the criterion of pooling-the-interests at 1 January 2017 in order to enable the comparability of the information and its consistency in comparison to the information reported in previous years. For the same reason that criterion has been applied also to the companies A-DOS Energía S.L., Orus Energía S.L. and ADS Energía 8.0, S.L.U. (see Note 1). The effects of said incorporations on the balance sheet as at 1 January 2017 and on the income statement for the year 2017 is presented in section b) Changes to the consolidation scope and business combinations of the following Note 2.5.

Moreover, in the comparison of information the impact of the new standards IFRS-EU (IFRS 15, 9) applicable from 1 January 2018 should be also considered (Note 2).

2.4 Relative importance

So as to determine the information that needs to be broken down in the consolidated notes for each of the different accounting items, the Group has considered its relative importance in relation to the current consolidated annual accounts for the year 2018 and 2017.

2.5 Consolidation principles and standards

a) Consolidation methods

The consolidated companies are listed in the Appendix I to these consolidated annual accounts. In its consolidation the Group has applied the full consolidation method to the subsidiary companies and the equity accounting method to its associates and joint ventures.

Full consolidation method – Subsidiary Companies

The subsidiary companies have been fully consolidated, and all their assets, liabilities, income, expenses and cash flows have been integrated in the consolidated annual accounts after making the respective adjustments and de-recognitions for intra-group operations. The Appendix I sets the list of companies consolidated by this method.

The consolidation process eliminates the transactions, balances and unrealised gains between Group companies. The unrealised losses are eliminated, unless the transactions provide proof of an impairment loss of the asset transferred.

The acquisition method is used to book the acquisition of subsidiaries. The cost of acquisition is the fair value of the assets handed over, the net equity instruments issued and the liabilities incurred or assumed on the swap date. Any contingent consideration to be transferred by the Group is recognised at its fair value at the acquisition date. Subsequent variations to the fair value of contingent consideration which are considered to be an asset or liability are recognised in accordance with IFRS 9 in net income or as a change in other global net income. Any contingent consideration which is classified as net equity is not revalued and its subsequent payment is booked in net equity. The costs directly attributable to the acquisition are booked directly in the income statement.

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The results of subsidiary companies acquired or sold during the year are integrated into consolidated profit or loss, respectively, from and to the effective date of the transaction.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. For each business combination, the Group may opt to recognise any non-controlling interest in the acquired company at its fair value or at the proportional part of the recognised amounts of the subsidiary's identifiable net assets corresponding to the non-controlling interest.

The participation of third parties in net equity and the net income of the group companies is presented under "Non-controlling interest" on the consolidated balance sheet and under "Net income attributable to non-controlling interest" in the consolidated income statement. In the case of acquisition of minority interests, the overprice paid in relation to the net book value is recognised directly in net equity.

Transactions with non-controlling interests which do not result in a loss of control are recognised as net equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between the fair value of the amount paid and the corresponding acquired proportion of the book value of the subsidiary's net assets is recorded in net equity. Gains or losses from disposals of non-controlling interests are also recorded in net equity.

Equity accounting method – Associated companies

The equity accounting method has been used to consolidate the associates. These are companies in which the Company usually has a direct or indirect stake of between 20% and 50% of share capital, or where, if these percentages are not held, the Company has a significant influence on their management. The Appendix I also sets a list of the companies consolidated by equity accounting.

A significant influence is understood to exist when the Group has a stake in the associate and can intervene in the decisions regarding the associate's financial and operating policies but does not control the associate.

Investments in associates are recorded using equity accounting. The share in the gains or losses after the acquisition of an associate is recognised in the consolidated income statement and the share in the net equity movements after acquisition is recognised in reserves.

If the stake in an associate is reduced but the Company continues to have a significant influence on its management, only the stake in proportion to the amounts previously recognised in other global net income are reclassified to net income when this is appropriate.

Dilution gains and losses generated in investments in associates are recognised in the consolidated income statement.

An investor will stop applying the equity accounting method from the date on which it stops having a significant influence on an associate's management. If a significant influence on the associate's management is lost, the investor will value the investment which it holds in the former associate at fair value.

b) Changes in the consolidation scope and business combinations

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which have been included in the consolidation scope as at 31 December 2018.

Below there is a specification of the main transactions carried out which involved significant changes in the consolidation scope:

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Year 2018:

As has been mentioned in Note 1, during the year 2018 the mergers by absorption between Audax Energía, S.A.U. as the acquiring entity and Orus Energía, S.L. and A-DOS Energía S.L. as the acquired entities were carried out as well as the non-cash contributions of ADS Energía 8.0, S.L.U. and Eryx Investments, S.L.

These transactions qualify as transactions between companies under joint control (all the involved companies before and after the transactions were part of the Excelsior Group) and are not subject to IFRS 3 Business Combinations. It is necessary therefore to analyse the applicable treatment from among the reasonably possible ones and make a policy choice. In this regard, there would be two options: to apply the acquisition method of IFRS 3 or to apply the pooling of interests method.

The management of Audax Renovables, S.A., due to the fact that the merger with Audax Energía, S.A. (Note 1) is actually a business combination to which the pooling of interests method was applied retroactively, decided to apply that criterion to said transactions under joint control, incorporating the net assets at their predecessor value.

Thus the accounting effects of these transactions were recorded from the date on which the companies involved in the transactions became subject to the joint control of the Excelsior Group, with the limit at the beginning of the year for which the comparative information is presented, which in this case is 6 April 2018 for Unieléctrica, and 1 January 2017 for the rest.

The breakdown of the assets and liabilities incorporated at the date of their incorporation to the Audax Energía group and subsidiaries is as follows:

	Audax Energía, S.A. and subsidiaries*
Goodwill	2,582
Intangible assets	3,980
Tangible assets	1,850
Other non-current assets	12,974
Current assets	110,122
Total assets	124,946
Non-current debts	64,323
Current liabilities	71,235
Total liabilities	135,558
Total acquired net assets	(10,612)

*does not include the net value of the Audax Renovables Group's assets

Merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L.

On 28 June 2018 the General Meeting of Shareholders of the Audax Energía, S.A. company approved the merger by absorption of the companies Orus Energía, S.L. and A-Dos Energía S.L. on the terms established in the **joint** project of merger of 28 June 2018. The merger implied a transfer en bloc of the equity of the acquired companies (Orus Energía, S.L. and A-Dos Energía, S.L.) to the acquiring company (Audax Energía, S.A.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were directly participated by the same sole shareholder.

According to what has been stated before in this note, it is considered that both companies were incorporated into the group on 1 January 2017. The breakdown of the assets and liabilities incorporated on that date is as follows:

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	Orus Energía, S.L.	A-DOS Energía S.L.
Intangible assets	19	302
Tangible assets	240	-
Other non-current assets	4,284	52
Current assets	3,344	3,904
Total assets	7,887	4,258
Non-current debts	49	775
Current liabilities	5,353	3,262
Total liabilities	5,402	4,037
Total acquired net assets	2,485	221

Non-cash contribution of ADS Energy 8.0 S.L.U. and Eryx Investments, S.L.

On 19 October 2018 Audax Energía, S.A.U. carried out a non-cash increase of capital of Audax Energía, S.A. for the amount of UER 352 thousand, with a share premium account of EUR 68,574 thousand. The increase was wholly subscribed and paid by the sole shareholder of Audax Energía, S.A.U. through the contribution of 258,240 shares in the company ADS Energy 8.0, S.L.U. representing 100% of share capital of that company and of 3,000 shares in the company Eryx Investments 2017, S.L. representing 80% of share capital of that company. Eryx Investments 2017, S.L., which from April 2018 holds in turn 100% of shares of the company Unielectrica Energía S.A, which is the parent company of a group of companies (Unielectrica Group). Both companies are engaged in energy retailing in Spain.

Eryx Investments S.L., was established in 2017 and corresponds exclusively to a special purpose vehicle for a future purchase of Unielectrica Energía S.A.

The breakdown of assets and liabilities incorporated at the date of their incorporation into the group of ADS Energy 8.0, S.L.U and Eryx Investments 2017, S.L, is as follows:

	ADS Energia 8.0 SLU*	Eryx Investments 2017, S.L.**
Goodwill	-	40,002
Intangible assets	-	42,319
Tangible assets	6	973
Other non-current assets	356	846
Current assets	2,407	37,108
Total assets	2,769	121,248
Non-controlling interest		19,350
Non-current debt	1,160	29,756
Current liabilities	1,551	25,431
Total liabilities	2,711	74,537
Total acquired net assets	58	46,711

* incorporated at 1 January 2017

** includes Unielectrica, incorporated at the moment of acquisition (April 2018)

Both businesses have generated income and expenses for the group during the period comprised between the date of acquisition to the end of the financial year.

In 2018 the contribution of ADS Energy 8.0, S.L.U generated for the Group an increase in ordinary income and the result attributed to the Parent Company of EUR 9,701 thousand and EUR 193 thousand of loss, respectively.

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In 2018 the contribution of Eryx Investments 2017, S.L and Unielectrica Energía S.A. generated for the Group an increase in ordinary income and the result attributed to the Parent Company during the period comprised between the date of acquisition (6 April 2018) and the end of the financial year amounting to EUR 232,809 thousand and EUR 1,946 thousand, respectively. If the incorporation of those companies had been carried out on 1 January 2018, the generation of ordinary income and the result attributed to the Parent Company would have amounted to EUR 296,761 thousand and EUR 2,659 thousand, respectively.

Cash and cash equivalents at the date of the acquisition of the companies in 2018 amounted to EUR 9,973 thousand.

If the acquisition of the companies had been carried out on 1 January 2018, the income statement of the Group would have been as follows:

	<u>31/12/2018</u>
Ordinary income	1,048,317
Procurements	(944,171)
Other operating income	2,593
Wages and salaries	(19,820)
Other operating expenses	(41,035)
Amortisation and depreciation	(25,079)
Impairment and profit (loss) on disposal of fixed assets	<u>8,575</u>
Operating profit (loss)	<u>29,380</u>
Financial income	4,124
Financial expenses	(20,313)
Impairment and profit (loss) on disposal of financial instruments	(291)
Exchange differences	<u>(94)</u>
Financial income (expenses)	<u>(16,574)</u>
Profit (loss) of companies consolidated by equity accounting	<u>(48)</u>
Profit (loss) before tax from continuing activities	<u>12,758</u>
Income tax expense	<u>(1,969)</u>
Profit (loss) after tax from continuing activities	<u>10,789</u>
Consolidated profit (loss) for the year	<u>10,789</u>
Profit (loss) attributable to the parent company	9,726
Profit (loss) attributable to non-controlling interests	1,063

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Year 2017:

Acquisition of Main Energie B.V (the Netherlands)

On 27 March 2017 the Parent Company, Audax Energía, S.A., established a company in the Netherlands, named Audax Netherlands BV (the Netherlands) with a group of local shareholders, the Group's stake in the company is of 71.97%. The amount paid out for the establishment of the company by Audax Energía was of EUR 38,500 thousand. Later, on 29 March 2017, this investee company acquired 100% of the company Main Energie B.V (the Netherlands) and other Dutch companies for the total amount of EUR 85,853 thousand. All the Dutch companies have their registered address at Stammerkamp 1. 1112 Ve Diemen (the Netherlands), and their main objects involve energy retailing.

The breakdown of the cost of business combination for the purpose of Audax Netherlands, of the fair value of the acquired net assets and the goodwill is as follows:

	EUR thousand
Cost of business combination	85,853
Fair value of acquired net assets	(8,537)
Goodwill	94,391

The acquired business generated for the Group ordinary income and consolidated loss during the period comprised between the date of acquisition and the end of the financial year amounting to EUR 80,000 thousand and EUR 7,029 thousand, respectively.

Cash and cash equivalents at the date of the acquisition of the companies in 2017 amounted to EUR 6,900 thousand.

c) Homogenisation of the accounts of the companies in the consolidation scope.

The criteria applied in the homogenisation have been as follows:

- Temporary homogenisation: the accounts of the companies in the consolidation scope are referred to 31 December 31 December 2018 and 2017.
- Measurement homogenisation: the measurement criteria applied by the subsidiary companies to the assets, liabilities, income and expenses coincide basically with the criteria applied by the Parent Company.
- Homogenisation for internal transactions.
- Aggregation homogenisation: for consolidation purposes, the necessary reclassifications have been made to adapt the structures of the subsidiary companies accounts to that of the Parent Company and to IFRS-EU.

2.6 Transactions in foreign currency

The items included in the consolidated annual accounts of each entity in the Audax Renovables Group are stated using the currency of the main economic environment in which the entity operates (functional currency). The consolidated annual accounts are presented in thousand euros, which is the presentation currency of the Audax Renovables Group.

The transactions in foreign currency are translated into the functional currency using the exchange rates in force on the transaction dates. The gains and losses in foreign currency from the settlement of these

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transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the consolidated income statement.

The net income and financial position of all the companies in the Audax Renovables Group (none of which are trading in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The assets and liabilities of each balance sheet presented are translated at the exchange rate in force at the balance sheet date.
- The income and expenses of each income statement are translated at monthly average exchange rates, unless this measure does not reasonably reflect the accumulated impact of the exchange rates on the transaction dates, in which case the income and expenses are translated at the date of the transactions.
- All the exchange differences are recognised as separate components in net equity (translation differences).

The adjustments to goodwill and fair value arising from the acquisition of a foreign entity are treated as the assets and liabilities of the foreign entity and translated at the year-end exchange rate.

The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2018 and 2017 were as follows:

	31 December 2018		31 December 2017	
	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.1450	1.1809	1.1993	1.1307
Polish zloty	4.3014	4.2614	4.1770	4.2556

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal information reported to Group Management in compliance with the IFRS 8 (see Note 4). The operating segments are the components of the Group that involve business activities from which revenue is obtained and expenses are incurred, including ordinary income and expenses from transactions with other components of the same Group. With regards to these segments, the financial information is separated and operating results are reviewed regularly by Management in order to decide what resources must be assigned to the segment and to evaluate its performance.

2.8 Intangible assets

a) Goodwill

Goodwill represents the surplus, on the acquisition date, of the costs of the business combination over the fair value of the net identifiable assets of the subsidiary, joint venture or associate acquired in the operation. The goodwill related to the acquisitions of subsidiaries or joint ventures are included under intangible assets and that related to acquisitions of associated is included under investments consolidated by equity accounting.

Prior to the entry into force of the International Financial Reporting Standards, and as per IFRS 1, goodwill arising from the acquisitions before 1 January 2004 was recorded in the amount recognised as such in the consolidated annual accounts at 31 December 2003 prepared under Spanish accounting principles.

The cost of the combination is determined by the aggregation of:

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- The fair value of the transferred assets on the acquisition date, the liabilities incurred or assumed and the equity instruments emitted.
- The fair value of any of the contingent considerations depends on the future events or the compliance with the predetermined conditions.

Costs related with the emission of equity instruments or financial liabilities exchanged for the acquired assets are not part of the combination costs.

Additionally, fees paid to legal advisors or other professionals that have intervened in the combination, and of course those costs generated internally with the same nature, are not considered part of the combination costs. Instead, these costs are directly attributed to the income statement.

If the business combination is done in different stages, in such a way that before the acquisition date (obtaining the effective control) it already existed an investment, goodwill or the negative difference will be obtained by computing the difference between:

- The cost of the business combination, plus the fair value on the acquisition date of any previous share of the acquiring company in the acquired company, and
- The value of the identifiable acquired assets minus the liabilities assumed, determined according to what was indicated previously.

Any profit or loss incurred as a consequence of the valuation at fair value on the date in which effective control is obtained over the shares of the acquired company, will be recognized in the consolidated income statement. If the investment has been valued previously according to its fair value, the valuation adjustments pending to be included in the year's result will be transferred into the income statement. On the other hand, it is presumed that the cost of the business combination is the best reference point to estimate the fair value on the acquisition date of any previously issued share.

Any goodwill coming from the acquisition of a company whose functional currency is not the Euro, will be valued in that distinct currency. The Euro conversion will take place on the balance sheet date.

Goodwill is not amortized and needs to be revised annually so as to check if any impairment needs to be done. The ending value of goodwill will be its cost value minus the accumulated impairment value. Any impairment loss is considered an immediate expense and cannot be reversed in the future.

If the combination difference happened to be negative, it would be registered in the income statement as an income.

If at the closing date of the year in which the combination takes place the valuation processes needed to apply the acquisition method described above had not been concluded, this accounting entry would be considered provisional, thus future adjustments on the provisional values would be allowed during the period it took to acquire the required information, which under no circumstances can be more than a year. The effects of the adjustments done during this period will be accounted for retroactively, modifying the comparative information if needed.

The subsequent changes in the fair value of the contingent consideration will be adjusted against results, unless such consideration has been classified as net equity in which case its further changes on fair value will not be recognized.

If after taking the efficient control sales transactions take place or subsidiary shares are bought without losing it, the impact of these transactions without changes in control will be accounted as net equity and will not modify the value of the consolidated goodwill.

b) Computer software

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Computer software purchased and developed by the company itself, including the cost of the development of websites, is recognised correspondingly to the fulfilment of the conditions established for the development expenses. The maintenance cost of computer software is expensed as incurred. These costs are amortised by straight-line amortisation during its estimated useful life (between 3 and 4 years).

The expenses related to the maintenance of computer software are recognised as cost when incurred. Cost related directly to the production of unique and identifiable software controlled by the Company, and when it is probable that it will generate economic profit exceeding the cost during more than one year, is recognised as intangible asset. Direct costs include staff costs of software developers and a suitable percentage of general costs

c) Trademarks and Client portfolio

Client portfolio corresponds primarily to the ones acquired through business combination in the year 2017 of the company Audax Netherlands B.V. and the company Eryx Investments 2017, S.L. (Unieléctrica Group) during the year 2018. The client portfolios are amortised by the straight-line amortisation method during their useful life which is estimated to be between 2 and 8 years and is determined according to the drop ratio based on historical data.

Trademarks are the ones acquired through business combinations referred to in the previous paragraph. Usually, trademarks' useful life is of indefinite duration.

d) Other intangible assets and Licences

Intangible assets are recorded at acquisition cost, or at fair value when they are acquired through business combinations, less accumulated amortisation initiated when the asset is available to be used and less any impairment when it occurs.

These assets arise mainly from measuring at fair value, in business combinations, certain milestones in the development and implementation of, for example, a wind farm, such as the finding of ideal sites for the farm, wind measurements, obtaining licenses and authorisation from official bodies for the construction of a wind farm, etc. They include own work capitalised (basically staff costs) under intangible assets when the requirements of IAS 38 are met. These intangible assets are amortised on a straight-line basis over the farm's useful life, which begins when the assets are put into operation.

The net book value of the intangible assets is tested for possible impairment before their amortisation begins and if changes or events indicate that their net book value cannot be recovered.

2.9 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or cost of production minus their accumulated depreciation and accumulated recognised impairment losses. This account also includes own work capitalised (basically staff costs) for property, plant and equipment when the requirements of IAS 16 are met. The provisions for dismantling, under contract, which are recorded upon start up at their current value as property, plant and equipment (with a counter-entry under provisions), form part of the cost and are depreciated over the useful life of the wind farm.

The net financial expenses, and other expenses directly attributable to property, plant and equipment, are included in the acquisition cost until they are brought into use.

The costs of extension, modernisation or improvement of property, plant and equipment are capitalised only when they represent an increase in their capacity, productivity or a lengthening of their useful life, and as long as it is possible to know or estimate the carrying value of the assets that are written off inventories when replaced.

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The costs of major repairs are capitalised and depreciated over their estimated useful lives while recurrent maintenance expenses are taken to income statement during the year in which they are incurred.

The depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated on a straight-line basis according to their estimated useful lives, taking into account ordinary wear and tear. The estimated useful lives are as follows:

	Depreciation method	Years of estimated useful life
Structures	Straight-line	33-50
Plant and machinery	Straight-line	8 – 25
Other plants, facilities and equipment	Straight-line	5 – 20
Other property, plant and equipment	Straight-line	4 – 14

The residual value and useful life of assets are reviewed, and adjusted if needed, at each balance sheet date.

When the book value of an asset is greater than its estimated recoverable value, it is immediately written down to the recoverable value.

The profit and loss on the sale of property, plant and equipment is calculated by comparing the income obtained from the sale against book value and then taken to the income statement.

2.10 Impairment of non-financial assets

The Group applies the method of assessing the existence of indications which might imply possible impairment of non-financial assets subject to amortisation or depreciation, in order to verify if the carrying amount of said assets exceeds the recoverable amount.

Moreover, regardless of whether there are any indications of impairment, the Group examines at least once a year the possible impairment that could affect the goodwill and the intangible assets of indefinite useful life, as well as intangible assets that are not yet available for use.

The recoverable amount of an asset is whichever is higher between its fair value less costs of disposal or its value in use. The value in use of an asset is determined according to the future cash flows expected to be derived from the use of the asset, the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows related to the asset.

Negative differences resulting from the comparison between the carrying amount and the recoverable amount of the assets are recognised in profit and loss.

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit to which it belongs.

Impairment loss of a CGU initially reduces the goodwill allocated to that CGU and, later on, to the other assets of the CGU pro rata the carrying amount of each one of the assets, with the limit for each one of them of whichever is the higher between its fair value less cost of sale or other disposal, its value in use, and zero.

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The Group assesses at each balance sheet date whether there is an indication that an impairment loss recognised in previous years does not exist anymore or may have decreased. Reversal of impairment loss for goodwill is not possible. Impairment loss for the rest of assets may be only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

Reversal of the impairment loss is recognised in the profit or loss. However, the increased carrying amount due to reversal should not be more than what its depreciated historical cost would have been if the impairment had not been recognised.

2.11 Financial instruments

1) Recognition and classification of financial instruments

Financial instruments are classified at the moment of their initial recognition as a financial asset, a financial liability or an equity instrument, according to the substance of the contract and to the definitions of financial asset, financial liability or equity instrument developed in IAS 32 "Financial Instruments: Presentation".

The Group classifies a financial asset or financial liability as held for trading if:

- It is acquired or incurred mainly for the purpose of selling or buying in the short term;
- In the initial recognition it is part of a portfolio of identified financial instruments that are managed as a set and for which there is an evidence of a recent pattern of short-term profit taking;
- It is a derivative, except for a derivative designated as hedging instrument and meets the requirements to be efficient and a derivative which is a financial guarantee contract
- It is a commitment to provide financial assets obtained by borrowing and that are not owned.

The Group classifies a financial asset at amortised cost if it is held within the framework of business model whose objective is 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 (SPPI)

The Group classifies a financial asset at fair value through other comprehensive income if it is held within the framework of business model whose objective is reached by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The business model is determined by the key personnel of the Group and on a level which reflects the way in which the groups of financial assets are collectively managed in order to attain specific business objective. The Group's business model represents the way in which the Group manages its financial assets for the purpose of generating cash flows.

The financial assets within the business model whose objective is to hold assets in order to collect contractual cash flows are managed for the purpose of generating cash flows in the form of contractual amounts collected over the life of the instrument. The Group manages the assets held in the portfolio for collection of those specific contractual cash flows. In order to determine whether the cash flows are collected through the reception of contractual cash flows from financial assets, the Group evaluates the frequency, the value and schedule of sales in previous years, the reasons for those sales and the expectations concerning future sale activities. However, the sales as such do not determine the business model and, therefore, should not be considered separately. It is the data on previous sales and on the expectations concerning future sales that provides the information indicative of the method

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of attaining the Group's declared objective regarding the management of financial assets and, more specifically, the method of collecting cash flows. The Group evaluates the data on previous sales in the context of the reasons for those sales and of the conditions existing at that moment and compared to the current ones. For this purpose the Group considers that trade receivables and accounts receivable which will be the subject of transfer to third parties and which will not involve their derecognition, are held within this business model.

Although the objective of the Group's business model is to hold financial assets in order to collect contractual cash flows, the Group holds all the instruments until maturity. Therefore, the Group's business model is to hold financial assets in order to collect contractual cash flows even in the event of a sale or an expected future sale of these assets. The Group considers this requirement as fulfilled, provided that the sale occurred due to an increased credit risk of the financial assets. In other circumstances, on an individual and collective level, the sales must be of little significance, even if they are frequent or infrequent, even if they are significant.

The financial assets which are belong to the business model whose objective is to hold assets in order to collect contractual cash flows and sell them are managed for the purpose of generating cash flows in the form of contractual amounts collected and selling them according to various needs of the Group. In this kind of business model the Group's key management personnel has decided that in order to fulfil this objective the collection of contractual cash flows is as essential as the sale of the financial assets. In order to attain this objective the Group collects contractual cash flows as well as sells financial assets. In comparison to the previous business model, in this one the Group usually carries out the sale of the assets that are more frequent and of a higher value.

The contractual cash flows that are SPPI, are consistent with the basic lending arrangement. In a basic lending arrangement the most significant element of the interest is generally the compensation for the time value of money as well as the credit risk. However, in an arrangement of this kind the interest also includes the compensation for other risks, such as liquidity, and costs, such as the administrative costs of a basic loan linked to holding the financial asset during a specific period. Furthermore, the interest may include a profit margin consistent with a basic lending arrangement.

As indicated in note 9, the Group has designed certain equity instruments as measured at fair value through other comprehensive income.

The Group designates a financial asset initially at fair value through profit and loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The rest of financial assets are classified at fair value through profit and loss.

The Group designates a financial liability at the moment of its initial recognition as at fair value through profit and loss if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value bases, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies the rest of financial liabilities, except for the financial guarantee contracts, loan commitments at an interest rate below the market rate and the financial liabilities resulting from a transfer of financial assets that do not meet the requirements for their derecognition or are accounted for using the continued involvement approach as financial liabilities at amortised cost.

i) Principles of compensation

A financial asset and a financial liability are subject to compensation only when the Group has the legal right actually enforceable to compensate the recognised amounts and has the intention to settle for

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differences or realise the asset and cancel the liability simultaneously. In order for the Group to have the legal right actually enforceable, it should not be contingent to a future event and should be legally enforceable in the ordinary course of business, in case of insolvency or legally declared liquidation and in case of default.

ii) Financial assets and liabilities at fair value through profit and loss

Financial assets and financial liabilities at fair value through profit and loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issuance are recognised as expenses in the amount they are incurred.

The fair value of a financial instrument at the initial recognition moment is usually the price of the transaction, except for when that price contains elements that are different from the instrument, in which case the Group determines its fair value. If the Group establishes that the fair value of an instrument differs from the price of the transaction, it records the difference in profit or loss, in proportion to the value obtained by reference to a price quoted on an active market or of an identical asset or liability or obtained by a measurement method using only observable data. In other cases the Group recognises the difference in profit or loss when there is a change in a factor that the market participants would consider in determining the price of the asset or liability. (IFRS 7.28 a)

Subsequently to the initial recognition, they are recognised at fair value recording the differences in profit or loss. The changes of the fair value include the component of interest and dividends. The fair value is not reduced by the transaction costs which may be incurred by the sale or other disposal.

The Group determines the change in the fair value attributable to the credit risk calculating initially the internal return rate at the beginning of the period using the fair value and the contractual cash flows and discounts from said rate the reference interest rate in order to determine the specific kind of component of the credit risk, provided that the change in the reference interest rate is not significant and there are no other factors which might involve important changes in the fair value. On every balance sheet date the Group discounts the contractual cash flows at a rate established as the sum of the reference rate of the date plus a specific rate of the credit risk component. The difference between the fair value at the balance sheet date and the previous amount represents the change linked to the credit risk.

iii) Financial assets and liabilities at amortised cost

The financial assets and financial liabilities at amortised cost are initially recognised at their fair value, plus or minus incurred transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

iv) Financial assets at fair value with changes in other comprehensive income

The financial assets at fair value with changes in other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the purchase.

Subsequently to the initial recognition the financial assets classified into this category are measured at fair value with recognition of loss or gain in other comprehensive income, except for the loss or gain due to exchange rate, as explained in section 2.6 (foreign currency transactions) and expected credit loss. The amounts recognised in other comprehensive income are recognised in profit or loss at the moment of derecognition of the financial assets. However, the interests calculated using the effective interest rate method are recognised in profit or loss.

As indicated above, the Group has designed certain equity instruments as measured at fair value with changes in other comprehensive income. Subsequently to the initial recognition, the equity instruments are measured at fair value with recognition of loss or profit in other comprehensive income. The amounts recognised in other comprehensive income are not subject to reclassification to profit or loss, without prejudice of being reclassified to reserves at the moment of derecognition of the instruments.

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v) Financial assets measured at cost

The investments in equity instruments for which there is no sufficient information to measure their fair value or when there is a wide range of measurements and derivative instruments that are linked to them which should be settled for providing those investments, are measured at cost. However, if the Group may obtain at any moment a credible measurement of the asset or of the contract, it will recognise them at that moment at fair value recording the gain or loss in profit or loss or in other comprehensive income if the instrument is designated at fair value with changes in other comprehensive income.

vi) Reclassifications of financial instruments

The Group reclassifies financial assets when it modifies the business model for the management of that assets. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with changes in profit or loss, it recognised the difference between the fair value and the carrying amount in the profit or loss. From that moment on, the Group does not record financial asset interests separately.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at amortised cost, the fair value at the date of the reclassification is considered to be the new gross carrying amount for the purpose of applying the effective interest rate approach and of recording credit losses.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with changes in other comprehensive income, it recognises the difference between the fair value and the carrying amount in other comprehensive income. The effective interest rate and the expected credit loss record are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is registered against other comprehensive income and is itemised in the notes.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at amortised cost, it is reclassified at its fair value. The amount of the difference in equity is adjusted to the carrying amount of the asset. The effective interest rate and the expected credit loss record are not adjusted by the reclassification.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at fair value with changes in other comprehensive income, the effective interest rate and expected credit loss are determined at the date of the reclassification at the fair value of that moment.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at fair value with changes in profit or loss, the amount of the difference in equity is reclassified to profit or loss. From that moment on, the Group does not record financial asset interests separately.

vii) Financial guarantee contracts

The Group recognises financial guarantee contracts initially at the premium received. If the Group collects the premium in instalments in arm's length terms, the financial guarantee is recognised at zero net amount. Subsequently to the initial recognition, the financial guarantee contracts are measured at the amount of the expected credit loss or the amount initially recognised, depending on which of them is higher, less the accumulated amount of recognised income according to the indicated in the income from contracts with clients section.

If the financial guarantee is issued without compensation, its counterparty is recognised as cost in the profit and loss account.

However, if the financial guarantee arises from a transfer of financial assets which does not fulfil the requirements for derecognition from the balance sheet, it is recognised pursuant to section 2.11 (derecognition of financial assets).

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viii) Impairment

The Group recognises in profit or loss a loss allowance due to expected credit loss of the financial assets measured at amortised cost, fair value with changes in other comprehensive income, finance lease accounts receivable, contract assets, lending commitments and financial guarantees.

For financial assets measured at fair value with changes in other comprehensive income the expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

The Group measures on every balance sheet date the loss allowance by an amount equal to the expected credit loss in the following twelve months, for the financial assets for which the credit risk has not increased significantly since the date of the initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

The Group determines on every balance sheet date whether the credit risk of an instrument considered individually or of a group of instruments considered collectively has increased significantly since the initial recognition. For the purpose of collective evaluation the Group has grouped the instruments according to shared risk features.

In order to determine whether for an instrument or a group of instruments the credit risk has increased significantly the Group uses the change in the risk of a default during the expected lifetime of the instrument instead of changes in the amount of the expected credit losses. Therefore the Group evaluates the change in the risk of a default at every balance sheet date comparing it to the initial recognition. For this purpose the Group considers that a default occurs when there are justified doubts concerning recovery.

For the purpose of determining whether there is a significant increase in the credit risk the Group evaluates all the reasonable and justifiable prospective information, in particular:

- Internal and external credit risk ratings;
- Current or expected adverse changes in the business, financial or economic situation which may give rise to a significant change in the borrower's ability to fulfil their obligations;
- Current or expected significant changes in the borrower's operating income;
- Significant increase in the credit risk of other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Macroeconomic information such as interest rates, growth, unemployment rates, GDP of the region, real property market prices or rents.
- The Group considers that the credit risk has increased significantly since the initial recognition when its maturity period is extended.

If there has been a significant increase in the credit risk of an instrument or a group of instruments since the initial recognition, the expected credit loss covers the entire expected life of the instrument. For the financial assets acquired or originated with incurred losses the Group recognises at every balance sheet date only the positive or negative changes in the expectations of loss since the initial recognition as a loss or profit from impairment, regardless of whether the profit exceeds the initially estimated amount of the incurred credit loss.

For the financial assets renegotiated or modified and which have not implied derecognition of the original financial asset the Group evaluates the significant increase in credit risk comparing the risk of a default at the date of the balance sheet according to the new conditions with the risk of a default at

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the date of the initial recognition according to the original conditions. The Group considers that the credit loss of modified financial assets should not be estimated during the lifetime for the instrument only when there is evidence of the borrower's fulfilment of the modified obligations.

If the modified financial asset has implied derecognition of the previous financial asset and the recognition of a new one, the Group determines the expected credit loss at that moment. For this purpose the Group determines the expected credit loss in the subsequent twelve months, except for when the financial asset originated with incurred loss.

Notwithstanding the above, the Group recognises the expected credit loss during the life of the instruments for trade receivables or contract assets and finance lease receivables.

The Group determines the expected credit loss considering the unbiased and probability-weighted amount, effective interest rate or effective interest rate adjusted by the original credit risk and reasonable and justifiable information about past events, current conditions and forecasts of future economic conditions.

The maximum term considered by the Group to measure the expected credit loss is the contractual period, including novation options, during which the Group is exposed to credit risk. However, the Group determines credit losses during the period in which the Group is exposed to credit risk and the credit losses would not be mitigated by credit risk management actions, even if this period exceeds the maximum contractual period for the instruments that include a loan and an undrawn commitment and the ability to demand repayment and cancel the commitment would not limit the Group's credit risk to the contractual notice period.

Separate expected credit losses represent the difference between the contractual and the expected cash flows, in the amount as well as in the term.

Regarding financial guarantees, the Group considers the changes in the risk that the debtor will default on the contract. The Group determines credit losses as expected payments to be made to reimburse the holder for the loss it incurs less any amount that the Group expects to receive from the holder, the debtor or any third party. For this purpose the Group does not consider the amount of the premiums to collect when they are collected in instalments. If the asset is entirely guaranteed, the estimate of the credit loss would be consistent with the estimates of credit losses of the asset subject to the guarantee.

To the financial guarantees and loan commitments for which it is not possible to determine the interest rate in a reliable manner, the Group applies a market interest rate, adjusted by the risks not considered in discounted cash flows.

For loan commitments and financial guarantees the expected credit loss is recognised as a provision. If a financial instrument includes a loan and an undrawn commitment and the Group cannot identify separately the credit loss attributable to each component, the credit loss of the commitment is recognised together with the credit loss of the financial asset. If the credit loss exceeds the carrying amount of the financial asset, the surplus is recognised as a provision.

For finance lease receivables the Group determines the credit loss in a way that is consistent with the cash flows used to measure accounts receivable. For this purpose it uses the implicit interest rate of the contract.

The Group has determined the impairment of cash and cash equivalents due to expected credit losses during the next twelve months. The Group considers that cash and cash equivalents have a low credit risk according to the credit ratings of the financial entities where the deposits or cash are deposited.

For trade receivables the Group determines the expected credit loss during the life of the financial assets collectively, grouped by different collectives according to their maturity dates, allocating a percentage of default to each of them.

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The percentage of default is calculated according to the probability of an account receivable to be moving through the subsequent stages of default until its definitive derecognition. The percentages are calculated separately for each collective. The percentages are based on the current experience of default in recent years and are adjusted by the differences between current and historical economic conditions and considering the forecast information that is reasonably available.

ix) Extinguishment of financial assets

The Group applies the financial assets derecognition criteria to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or to a group of similar financial assets.

Derecognition of financial assets is carried out when the rights to collect cash flows connected with those assets have expired or have been transferred and the Group has transferred substantially the risks and profits derived from their ownership.

Derecognition of a financial asset in its entirety implies a recognition of profit or loss for the difference between its carrying amount and the sum of the received compensation, less transaction costs, including the assets obtained or the liabilities assumed and any loss or gain recognised in other comprehensive income, except for the equity instruments designated at fair value with changes in other comprehensive income.

The Group reduces directly the accounting amount of a financial asset when it reasonably expects to recover it entirely or partly.

x) Interests and dividends

The Group recognises interests applying the effective interest rate method, which is an update rate that equalises the carrying amount of a financial asset with the expected cash flows during the expected life of the instrument on the basis of its contractual terms and without considering the expected credit loss, except for the financial assets acquired or originated with incurred losses.

The interests are recognised at gross carrying amount of the financial assets, except for the financial assets acquired or originated with incurred credit losses and financial assets with credit impairment. For the former, the Group recognises the interests according to the effective interest rate adjusted by the initial credit risk and for the latter, the Group recognises the interests at amortised cost.

The changes of estimates in cash flows are discounted at the effective interest rate or an interest rate adjusted by the original credit risk and are recognised in profit or loss.

The income on dividends from investments in equity instruments is recognised in profit or loss when right for the Group arise to collect the dividends, the collection of economic profit is probable and the amount can be reliably calculated.

The dividends from equity instruments classified at fair value with changes in other comprehensive income are recognised in profit or loss, except when they represent a return on investment, in which case they are recognised in other comprehensive income.

The Group recognises as financial income and expenses the late-payment interest in commercial transactions according to the legal and contractual conditions. If eventually the interest is compensated or cancelled, the Group recognises the transaction according to its substance. The Group recognises the legal right to the compensation of incurred collection management costs when its collection is probable. The Group recognises the management collection costs claim according to the rules of the provision accounting policy.

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xi) Derecognition and modification of financial liabilities

The Group derecognises a financial liability or a part of it when the obligation specified in the contract is fulfilled or when the Group is legally exempted from the principal responsibility contained in the liability whether through a court proceeding or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of the liabilities initially recognised are accounted for as an extinguishment of the original financial liability and recognition of a new financial liability, provided that the terms of the instruments are substantially different.

The Group considers that the terms are substantially different if the current value of the discounted cash flows under the new terms, including any commission paid less any commission received, and using for the discount the original effective interest rate, differs by at least 10 per cent from the discounted current value of the cash flows which still remain from the original financial liability.

If the exchange is recorded as an extinguishment of the original financial liability, the costs or commissions are recognised in profit or loss as a part of its result. Otherwise, the modified cash flows are discounted at the original effective interest rate and any difference from the previous carrying amount of the liability is recognised in profit or loss. Likewise, the costs or commissions adjust the carrying amount of the financial assets and they are amortised by the amortised cost method during the remaining life of the modified liability.

The Group recognises in profit or loss the difference between the carrying amount of a financial liability or a part of it that is extinguished or transferred to a third party and the compensation that was paid, including any transferred asset other than cash or assumed liability.

Contracts for purchase and sale of non-financial assets

The Group signs forward contracts for the purchase/sale of energy according to its production requirements. The Group assesses at the moment of signing and also periodically if the contracts should be recognised as derivative financial instruments. For this purpose the Group carries out control and a separate register of those contracts which meet the conditions for not being classified as derivative financial instruments and those which must be considered as trading.

The Group recognises as obligations the contracts for purchase or sale of a non-financial account in line with the terms of the contract and if it is held for delivery or reception according to the usage, purchase or sale requirements.

The transaction costs of the contracts classified as obligations are recognised according to the general criteria applicable to the costs related to purchase and sale transactions.

However, the Group recognises as derivative financial instruments those contracts or groups of similar contracts for which the Group keeps applying a past practice of net cash settlement or those that are held by the Group for the purpose of obtaining profit from trading margin.

In the case of contracts for the purchase or sale of non-financial assets classified as trading and which are going to be settled with physical delivery at a fixed price, the Group applies the cash flow hedge policy.

The Group evaluates the existence of implicit derivatives in the contracts for purchase or sale of non-financial assets in foreign currency. Although the contract is not accounted for as a financial instrument, the implicit derivative is recognised according to the criteria indicated above.

The Group considers that the implicit derivative is closely connected with the main contract when it is not leveraged, does not include options and the payments are made in the functional currency of one

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of the main parties to the contract or the usual currency of commercial transactions for the underlying non-financial asset or the usual currency of contracts for the purchase or sale of the non-financial asset concluded in the economic environment in which the transaction takes place.

2.12 Derivatives and other financial instruments

Financial derivatives are recognised at fair value on the contract date, and are successively recalculated at fair value. The method for recognising the gain or loss depends on whether the derivative is classified as a hedging instrument, and if so, the nature of the asset hedged.

The Audax Renovables Group documents the relationship between the hedging instruments and the assets or liabilities hedged at the beginning of the transaction, as well as the purpose of the risk management and hedging strategy.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument, with an effectiveness ranging from 80% to 125%.

Types of hedges:

a) Cash flow hedges:

For these derivatives, the effective part of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised in net equity. The gain or loss relating to the non-effective part is recognised immediately in the consolidated income statement. The amounts accumulated in net equity are released to the consolidated income statement in the year in which the hedged items affects profit or loss.

b) Fair value hedge:

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges are posted in the consolidated income statement, together with any change in the fair value of the asset or liability hedged that is attributable to the risk hedged.

2.13 Share capital

Share capital is represented by ordinary shares.

The cost of the issue of new shares or options, net of tax, is subtracted from net equity.

The dividends from ordinary shares are recognised as less net equity when approved by the Parent Company's shareholders.

2.14 Provisions and contingent liabilities

The Directors of the Parent Company have established a difference in the consolidated annual accounts between:

- a) Provisions: credit balances that cover current obligations related with past events. Its settlement is likely to originate an outflow of cash, however the moment and the amount of the settlement cannot be determined.
- b) Contingent liabilities: possible obligations arising as a consequence of past events whose future materialization is subject to whether or not one or more than one of these events ends up taking place. These events are independent of the Groups' will.

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Provisions are recognised when the Audax Renovables Group has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated. No provisions are recognised for future operating losses.

Provisions are recorded when the unavoidable costs of meeting the liabilities in an onerous contract for valuable consideration exceed the profits expected to be obtained from them.

Provisions are stated at current value of the amount necessary to settle the liability at the balance sheet date, according to the best estimation available.

When it is expected that part of the disbursement necessary to settle the provision is refundable by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically assured.

2.15 Corporate income tax

The corporate income tax expenses include the expense for the deferred tax and the current tax understood as the amount payable (or refundable) relating to the tax profit for the year.

The current tax is the amount that the Group pays as a consequence of the fiscal liquidations arising from Corporate Income Taxes for the year. Deductions and other fiscal advantages affecting the amount of taxes payable, excluding any account retention or payment, as well as fiscal losses that can be compensated from past years and that are effectively applicable during the current year, give rise to a lower amount of current taxes payable.

The deferred tax is recorded by comparing the temporary differences that arise between the taxable income from the assets and liabilities and the accounting profit on the consolidated annual accounts using the tax rates that are expected to be in force when the assets and liabilities are realised.

Liabilities arising from deferred taxes are recognized for all the temporary differences on tax bases, except for those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect neither the fiscal result nor the accounting result and that is not included in a business combination.

The deferred tax arising from charges or credits made directly in the net equity accounts are also recorded as charges or credits to net equity.

Additionally, any difference that might exist between the consolidated value of an acquired company and its fiscal base will also be considered at a consolidated level. In general these differences arise from the accumulated results generated after the acquisition date, from fiscal deductions associated with the investment and from the exchange difference, in the case where the acquired company uses a currency that is not the Euro. Deferred tax assets and liabilities originated from these differences can be recognized except for, and in the case of taxable differences, those in which the investor has control over the moment of reverting the difference and in the case of the deductible differences, if it can be expected that such difference has consequences on the foreseeable future and if it is likely that the company has a tax profit of a sufficient amount.

The deferred tax assets are recognised to the extent that it is probable that there will be future tax profits with which to offset the temporary differences.

In every closure of the accounting cycle the assets registered as deferred taxes receivable are reconsidered and the needed corrections are done in the cases where doubts exist about their future payment.

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Moreover, in every closure, the assets that have not been registered as deferred taxes in the balance sheet are evaluated and recognized if their future recoverability in the form of future tax profits is likely.

2.16 Recognition of income from energy retailing

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Audax Renovables Group's normal course of business, minus returns, price reductions, discounts and value added tax.

Electricity sales are recognised as income at the moment of delivery to the customer according to the quantities supplied during the period, before being invoiced. Therefore, sales figures include the estimated volume of supplied electricity, that has not yet been read on the customer's meter

The sales of goods are recognised when the products have been delivered to the customer, when the customer has accepted them, even if they have not been invoiced, or as the case may be, the services have been provided and the collection of the respective accounts receivable is reasonably assured. The sales for the year include the estimate of the energy supply that has not yet been invoiced.

Note 3 describes the basic features of the regulations in the electricity sector that are applicable.

The interest income is recognised using the effective interest rate method.

2.17 Leases

Leases in which the lessee substantially holds all the risks and reward of ownership are classified as finance leases.

They are recognised at the beginning of the lease at the lower of the fair value of the asset and the present value of the lease payments including, as the case may be, the purchase option. Each lease payment is separated between the reduction of the debt and the financial charge, so that a constant interest rate is obtained on the outstanding debt. The payment obligation arising from the lease, net of the financial charge, is recognised under liabilities in the consolidated balance sheet. The part of the interest on the financial charge is taken to consolidated income statement during the period of the lease in order to obtain a constant periodical interest rate on the outstanding debt to be paid in each period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases in which the lessor retains a major part of the risks and benefits arising from ownership are classified as operating leases. Operating lease payments are charged to the income statement for the year in which they accrue on a straight-line basis over the term of the lease.

2.18 Cash flow statement

The consolidated cash flows statement has been prepared using the indirect method, and, using the following expressions with the meeting set out below:

- a) Operating activities: activities that make up the ordinary group revenues, and other activities that cannot qualify as investment or financing.
- b) Investment activities: investment, sale or disposal by other means of long-term assets and other investments not included under cash and cash equivalents.
- c) Financing activities: activities that cause changes to the volume and composition of net equity and the liabilities that do not form part of the operating activities.

When it is possible to identify a tax flow in individual operations, such as, for example, Value Added Tax, which give rise to receipts and payments classified as investment and financing activities, these

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will be classified the same as the transaction to which it refers.

The cash flow statement does not list existing cash flows between restricted and non-restricted funds.

2.19 Profit or loss per share

Basic profit or loss per share is calculated using consolidated profit or loss for the year attributable to the parent Company between the average number of ordinary shares in circulation during this period, excluding the average number of treasury shares held by the Group.

Diluted profit or loss per share is calculated using the consolidated profit or loss for the year attributable to the ordinary shareholders adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average number of ordinary shares in circulation during this period, adjusted by the average weighted number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the Parent Company.

2.20 Significant accounting estimates and assumptions.

The preparation of consolidated financial statements in compliance with the IFRS-EU requires the application of important accounting estimates and the formulation of judgements, estimates and assumptions in the process of application of the accounting policies of the Group. Therefore, we set out below the aspects that imply a higher degree of judgement, complexity or where the assumptions and estimates are significant for the preparation of the consolidated annual accounts:

a) Non-financial asset impairment

The Group verifies whether goodwill, the remaining intangible assets and property, plant and equipment have suffered a loss for impairment of assets in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs have been calculated on the basis of the calculations of fair value from discounted cash flows based on the Group's assumptions. These calculations require the use of judgements, which, amongst others, mainly include the discount rate, the production hours and sales prices of electricity (Note 5). In addition, the Group's activities are subject to existing regulation whose amendments may affect the valuation of the assets. Consequently, if the real data differs from the estimates and judgements used, the recoverable amounts resulting from the various CGUs may vary and, consequently, require a higher or lower impairment of assets. To be able to report how sensitive this calculation of impairment is, Note 5 sets out a sensitivity analysis for reasonable variations of key judgements which has been established by Group Management.

b) Provisions

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Audax Renovables Group makes an estimate of the amounts to be settled in the future, including additional amounts relating to corporate income tax, contractual obligations, the settlement of outstanding litigation, and other liabilities. These estimations are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects. Among the most significant provisions there are the toll costs and the costs of energy purchase that have not yet been invoiced.

c) Corporate income tax expenses and deferred income tax assets

The calculation of the corporate income tax expense requires interpretations of tax legislation in the jurisdictions in which the Audax Renovables Group operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgements.

The Audax Renovables Group evaluates the recoverability of the deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient tax profits during the periods in which these deferred taxes are deductible.

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d) *Revenue recognition*

Revenue from energy sales is recognized when the electricity is delivered to the customer on the basis of estimated energy production.

Historically, no material adjustments have been made to the amounts recorded as revenue for the estimate of the energy produced pending invoicing and no adjustments are expected in the future.

Energy supplied to the customers that has not yet been measured on the meters. As the usual date of meter readings does not coincide with the balance sheet date of the financial year, the Management of the Company makes an estimate for the sales that have not yet been invoiced (Note 3 and 10).

e) *Fair value of derivatives*

The fair value of the financial instruments that are traded on official markets is based on market prices at the balance sheet date. The market quotation price that is used for financial assets is the current buyer price.

The fair value of the financial instruments that are not listed on an official market is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the future estimated cash flows.

f) *Useful life of property, plant and equipment and intangible assets*

The accounting treatment of investments in property, plant and equipment and intangible assets includes estimates for determining their useful lives for depreciation and amortisation purposes, and for determining the fair value at the acquisition date, for assets acquired in business combinations.

The determination of useful life requires estimates of their degree of use, maintenance as well as expected technological evolution. The assumptions regarding the degree of use, technological framework and future development involve a significant degree of judgement, insofar as the timing and nature of future events are difficult to foresee.

The Audax Renovables Group estimates a useful life of its wind farms of 25 years (amortisation period).

g) *Financial instruments*

The fair value of the financial instruments that are traded on active markets is based on market price at the balance sheet date. The quoted market price used for the financial assets is the current bid price.

The fair value of the financial instruments that are not traded on active markets is determined using valuation methods. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows.

2.21 Actions causing an impact on the environment

They are registered annually as an expense or as an investment, depending on the nature, the carried out payments that are needed to comply with the legal requirements related with environmental issues. Imports registered as an investment are amortized as a function of their useful life.

No provision for risks and costs related with environment issues has been considered given that there exist no significant contingencies related with the environment protection.

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2.22 Related party transactions

The Group undertakes operations with related parties at market values. Additionally, the transfer prices are adequately justified so it is estimated that no significant risks exist, thus none of them is expected to generate any future obligation that needs to be considered.

2.23 Customer acquisition costs

The incremental costs incurred directly in acquiring new customer contracts, which correspond primarily to the commission paid for the acquisition of contracts for power supply signed with those customers, are recorded as Prepaid Expenses and are transferred to the profit and loss account under the heading of external services, linearly during the expected average life of the contract which ranges between 1 and 2 years.

The customer acquisition costs recognised as assets are amortised systematically in the Consolidated Profit and Loss Account under the heading of external services during the expected average life of contracts with customers which ranges between 1 and 2 years.

NOTE 3 – REGULATORY FRAMEWORK

We describe below the main features of the regulation to which the business of the Audax Renovables Group is subject in the main countries in which it operates.

a) Energy retailing segment

Spain

The energy sector regulations are mainly featured in Electricity Sector Law 24/2013, of 26 December, which, from said date onwards, repealed and replaced the previous Law 54/1997, of 27 November, which until then featured the basic regulations concerning this sector. The most significant aspects regulated by Law 24/2013 and its implementing rules, are as follows:

- The electricity production is conducted under the rules of free competition.
- Transmission, distribution, as well as economic and technical management of the system constitute regulated activities.
- The electricity supply is completely liberalised and each customer must sign an electricity supply agreement with a retailer. Since 1 July 2009, the customers who fulfil certain criteria may choose to enter into an agreement with a Supplier of Last Resort (SoLR) to which the Tariff of Last Resort (hereinafter: ToLR) applies. The Law 24/2013 replaced the term ToLR with the term “Voluntary Price for the Small Consumer” (PVPC), and the term SoLR with the term “Reference Retailer”, and the term ToLR was reserved for the reduced tariff applicable to vulnerable consumers or for the de-incentivising tariff applicable to the consumers who temporarily have no retailer. Under the Royal Decree-Law 17/2013 “CESUR” tenders are removed from their role as a fixing mechanism of energy price component for the last resort tariffs (currently PVPC).
- The access tolls are equal nationwide and are collected by the distributors who act as collecting agents of the electricity system.

Electricity tariff for 2018:

Order ETU/1282/2017, of 27 December, establishes access tolls from 1 January 2018 onwards.

Moreover, on 25 September 2010 Royal Decree 1202/2010, of 24 September, was promulgated, establishing the terms of revision of access tolls to the electricity transmission and distribution networks. Under this Royal Decree the revision of access tolls will be conducted annually, although the Ministry of Industry, Tourism and Commerce may revise them with quarterly regularity in some circumstances:

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- Possible temporary differences due to imbalance in settlement of regulated activities in the electricity sector.
- Regulatory changes in the regulated costs.
- Exceptionally, when there are special circumstances affecting the regulated costs or the parameters used to calculate costs.

On 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection was published in the BOE.

The RDL introduces measures for consumer protection, grouped in two chapters: the first chapter is dedicated to vulnerable consumers and energy poverty prevention; and the second chapter which features measures tending to increase information, protection and rationalisation of contracting mechanisms with the aim of guaranteeing the protection of all electricity consumers.

Italy

The reform of the Italian electricity system began in 1999, when Legislative Decree no. 79/1999 (“the Bersani Law”) was promulgated with the aim of implementing the European directive 96/92/EC on internal electricity market. To this end, “Gestore dei Mercati Energetici S.p.A” (GME) was incorporated, a company controlled by “Gestore dei Servizi Energetici S.p.A.” (GSE), whose duties involve the organisation and management of the electricity and natural gas market (law no. 99/2009).

On 1 April 2004 the IPEX (Italian Power Exchange) began operating and calculating for the Italian consumers a weighted single price, however remunerations for the producers are based on regional prices. The consolidated text of the Disciplina del Mercato Elettrico (Electricity Market Regulation) and the relevant appendices were updated by the ministerial decree of 21 September 2016 which establishes that:

- The distribution, measurement and sale of gas and electricity are subject to the current legal provisions and to the regulation by the “Autorità di Regolazione per Energia Reti e Ambiente” (ARERA) (Law no. 481, 14/11/1995 with amendments).
- The transmission and stabilisation of energy flows constitute activities regulated by Terna Spa. (Legislative Decree of 20/04/2005, amended by LD of 15/12/2010).

The process of market liberalisation ended in July 2007, when each kind of client, domestic as well as non-domestic, could choose freely their own supplier. The new law of 4 August 2017, no. 124, “Legge annuale per il mercato e la concorrenza” establishes on 1 July 2019 the end of the protection of prices provided by ARERA. From that date on, the Authority will stop fixing and updating quarterly the economic conditions for the supply of electricity and natural gas for domestic clients and small enterprises, due to the disappearance of “Servizio di Maggior Tutela”.

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The Netherlands

The regulation of the electricity sector in the Netherlands is reflected basically in the Electricity Law of 1998 and the Law on Gas. The principal aspects regulated by the law are as follows:

- Rules of production, transport, retailing and supply of electricity and gas:

On 1 July 2018 the Law of 9 April 2018 entered into force amending the Electricity Law of 1998 and the Law on Gas (progress of energy transition). The aim of the law is to eliminate the existing obstacles to the energy transition so as to make the Electricity Law of 1998 and the Law on Gas feasible in future.

Since 1 July 2004 the energy market has been liberalised. The Dutch government has liberalised the energy market in order to promote the competition among the suppliers and grant liberty to the consumers to choose their own energy provider. The Dutch wholesale electricity is also a liberalised market where each client is free to choose their provider.

The supply of electricity or gas on the retail market (including consumers) with an electricity connection of up to 3x80A and a gas connection of a maximum capacity of 40m³ (n) / hour is only permitted with an energy licence from the Authority for Consumers and Markets (ACM). No licence is necessary for wholesale delivery.

The energy licence holders are required to comply with certain rules, such as delivery obligation, reliable delivery, reasonable tariffs and terms, reporting obligation with ACM, supply model contract, complaint procedure and electricity label.

b) Renewable energy production

Spain

The wind energy industry is a regulated sector that due to the fundamental changes it has been suffering over the last periods, has motivated the need of a new regulatory framework.

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remunerative system for the renewable energy-generating plants and is submitted to the Government for the new remunerative system to be approved by a Royal Decree. Under this new regulatory framework, the income from the special system plants will comprise:

- The income derived from sale of electricity on the market.
- The income derived from the special remunerative system, when applicable. The special remunerative system will comprise the sum of two elements periodically revised: the remuneration for the investment and the remuneration for the operation.

In accordance with the stated criterion, the specific remuneration is composed, according to each technology, by:

- A factor per unit of installed power (investment remuneration) which covers the investment costs of a standard plant that cannot be recovered from the sale of energy in the market, and
- A factor in the operation (operative remuneration) which covers the negative difference between the operative costs and the income from the market share.

The remuneration is calculated over a standard plant throughout its regulatory useful life, taking into account:

- The standard income for the sale of the generated energy, valued at the production market price (estimated),

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- The standard operative costs and
- The standard value of the initial investment

The first additional provision of the RDL 9/2013 sets the fair profitability of those facilities that have the right to an economic premium system at the date of enforcement of the RDL 9/2013; as the average profitability in the secondary market of the previous ten years to the entry into force of the RDL 9/2013 of the 10- year Government Bonds, increased in 300 basic points (equivalent to the 7.398% for the first regulatory period).

On the other hand, it is important to note that the law states the priority access criterion and distribution for the electricity of renewable energy sources and of cogeneration of high efficiency, in accordance with that established in the Community directives.

Later, in December 2013, the Law 24/2013 on the Electric Sector was enacted to replace the existing Law 54/1997, of 27 November and to cover the regulations of the RDL 9/2013 and which, among others, includes the revision criteria of the remunerative parameters:

- Every 6 years all the parameters may be revised (fair profitability rate, legally fixed).
- Every 3 years the estimations of the income for sale of the generated energy, valued at the production market price.
- Every year, the values of the operative remuneration for the technologies whose operating expenses depend essentially on the fuel price.
- Under no circumstances, once the regulatory useful life or the standard value of the initial investment are recognised, will these values be able to be revised.
- Determines the beginning and the end of the first regulatory term: from the RDL 9/2013 entry into force (14 July 2013) until 31 December 2019 (6 years), with the first half-term ending 31 December 2016 (within 3 years).

In June 2014, the Real Decree 413/2014, of 6 June, was enacted, which regulates the activity of electricity production from renewable sources of energy, cogeneration and waste, and the Ministerial Order IET 1045/2014 which establishes new remunerative parameters of the type plants, applicable to certain plants of energy generation from renewable sources, cogeneration and waste materials.

The Royal Decree 413/2014 and the Ministerial Order IET 1045/2014 specify the amounts in euros for aforementioned remunerations for each type of technology and installation used to generate energy from renewable sources.

On 2 December 2016 was published a draft of indexation for remuneration parameters for the aforementioned plants for the second half-term (from 1 January 2017 to 31 December 2019) in which were also established possible amounts of the operative remuneration which will be applied in the first half year of 2017, thus implementing the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2015, of 2 July.

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate.

In connection with the Law 15/2012, on 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, was published in the BOE, introducing urgent measures for energy transition and consumer protection. The RDL features provisions which adopt a series of measures connected with tax regulations with the main purpose to moderate the price evolution on the wholesale electricity market. To this end, the Tax on the value of electricity generation (IVPEE - a 7% tax) was temporarily suspended for six months,

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coinciding with the months of the largest demand and the highest prices on the wholesale electricity markets, in agreement with the ultimate aim of the current norm.

France

In France the electricity facilities must hold authorisations for operations under the following legislation:

- Law n° 2000-108/10 February 2000, on the modernisation and development of the electricity utilities.
- Decree n° 2000-877/7 September of that year on the authorisation for operating electricity facilities.

Once the authorisation is obtained, the electricity producers will be subject to the remunerative system as per Decree of 10 July 2006.

The remuneration of land wind-based electricity production is set for the first 10 years, indexed to inflation on 1 November of each year. In 2018, the tariff applied to the company in the Audax Renovables Group in France was of 9.247 cents euro per KWh until 1 November, and from that date, of 9.421 cents euro per KWh.

On 9 December 2015, the French Energy Regulatory Commission (CRE) published an opinion concerning the new project for the decree on additional remuneration mentioned in the article L.314-18 of the Energy Code.

The opinion predicts that the producers of renewable sources energy, after the expiration of the contract for the sale of energy, will be entitled to receive an additional recompense. This additional recompense will be paid in form of a premium taking into account both installed capacity and the amount of produced energy.

On 30 December 2017 a new law was passed concerning finances for the year 2018 and subsequent years in which, among others, provisions were made for the change in corporate income tax rates. Article 84 of this law, passed as "LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018", features changes in tax rates which will be applicable to the abovementioned French company. The current tax rate of 33% will undergo the following changes in the coming years:

2017	2018	2019	2020	2021	From 2022 on
PME communautaires B ≤ 75.000€ : 28% B > 75.000€ : 33 ^{1/3} %	B ≤ 500.000€ : 28%	B ≤ 500.000€ : 28%	28%	26,5%	25%
Autres 33 ^{1/3} %	B > 500.000€ : 33 ^{1/3} %	B > 500.000€ : 31%			

PME communautaires refers to companies where the annual turnover of the majority shareholder does not exceed 50M€

B: refers to income before tax

Poland

In Poland, the renewable energy sources are regulated by the Energy Law of 10 April 1997 ("Energy Law") supplemented with the transitory provisions of 20 February 2015 ("2015 RES Law") along with the amendments published in December 2015 and January 2016.

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Under this regulation the producers of renewable energy are entitled to the following incentives:

- market price for sale of energy on regulated market (average price for the last quarter)
- price for traded certificates of origin (Green Certificates) during 15 years following the date of the first verification of energy production

This system of incentives works based on the price of certificates of origin limited to “substitution fee” which is currently 300.03 PLN/MWh. The price of certificates of origin (Green Certificates in the case of Postolin) on the TGE market, as of closing day for the current year, amounts to 45.29 PLN/MWh.

Under the “2015 RES Law” approved in February 2015, this system of incentives is still applicable to generators that began operations before 1 July 2016; whereas the producers registered afterwards will benefit from the new auction system. The plants put into operation before 1 July 2016 can opt to join the new auction system while simultaneously relinquishing the system of incentives.

The main features of the new auction system are as follows:

- There are annual energy auctions, separate for different sources of energy, with a prequalification phase in order to participate in the auction.
- For every annual auction, the required amount and maximal reference price will be published by the Ministry before every auction.
- The only criterion for winning the auction is the price: the lowest bidders are accepted until completing the required amount of energy of the auction.
- The winners will sign contracts for 15 years for the offered price. The price will be indexed annually.

The regulations established in the “2015 RES Law” were amended by the law of 22 June 2016 to promote the auctions and the renewable energy plants with a stable generation profile.

This amendment stipulates that the right to benefit from the system of incentives and to sell all the produced energy on the average market price of the last quarter of 2017 (amounting to 162.50 PLN/MWh), will be valid only until 1 January 2018. From that date onwards, the final suppliers will be able to renegotiate or even terminate the contracts with the producers.

Lastly, it should be noted that the regulatory framework related to the real property tax payable to the municipality was also changed by the amendment of 20 May 2016, affecting particularly, among others, the investments in wind farms in Poland. Under this new regulation, the real property tax of 2% affected the investment in the construction of a wind farm in its entirety. The regulation has been changed on 29 June 2018 with the promulgation of an amendment to the Construction Law of 7 July 1994 and to the Law of 20 May 2016 on investments in wind farms (which, in turn, amends the Law of 20 February 2015 on renewable energy sources), re-establishing from 1 January 2018 the real property tax of 2% only on the investment in the construction of the elements recognised as direct costs, such as foundations and substation.

NOTE 4 – SEGMENT REPORTING

The main format of segment reporting presentation comprises business segments and geographical segments.

The principal business segments of the Audax Renewables Group involve electricity and gas retailing and renewable energy generation.

The main geographical segments of the Audax Renewables Group are as follows:

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- Spain and Portugal
- Rest of Europe: in regard to retailing, the Group operates also in Italy, Poland, Germany and the Netherlands; the generation segment corresponds to France and Poland.
- Latam: corresponds to Panama, where a wind farm of 66 MW is under construction.

Profit and loss by segment as defined above for the annual periods ended on 31 December 2018 and 2017 is as follows:

	RETAILING			GENERATION				TOTAL
	Spain and Portugal	Rest of Europe ⁽¹⁾	Total	Spain	Rest of Europe ⁽²⁾	Latam ⁽³⁾	Total	Total
31 December 2018								
Turnover by segment	723,365	225,354	948,719	28,203	7,432	-	35,635	984,354
EBITDA	22,244	(2,512)	19,732	21,635	12,028	-	33,663	53,395
Depreciation charge	(5,385)	(8,113)	(13,498)	(9,457)	(2,124)	-	(11,581)	(25,079)
Operating profit (loss)	16,859	(10,625)	6,234	12,178	9,904	-	22,082	28,316
Net financial income (expenses)	(5,311)	(4,481)	(9,792)	(5,014)	(1,701)	-	(6,715)	(16,507)
Participation in profit (loss) for the year of associates	-	-	-	-	-	(48)	(48)	(48)
Profit (loss) before tax	11,548	(15,106)	(3,558)	7,164	8,203	(48)	15,319	11,761
Corporate income tax	(2,263)	1,455	(808)	(392)	(572)	-	(964)	(1,772)
Consolidated profit (loss) for the year	9,285	(13,651)	(4,366)	6,772	7,631	(48)	14,355	9,989
a) Profit (loss) attributed to the parent company								8,997
b) Profit (loss) attributed to minority interests								992

Rest of Europe ⁽¹⁾ in Retailing includes Italy, Poland, Germany and the Netherlands

Rest of Europe ⁽²⁾ in Generation includes France and Poland

Latam ⁽³⁾ in Generation includes Panama

	RETAILING			GENERATION				TOTAL
	Spain and Portugal	Rest of Europe ⁽¹⁾	Total	Spain	Rest of Europe ⁽²⁾	Latam ⁽³⁾	Total	Total
31 December 2017								
Turnover by segment	481,903	151,339	633,242	30,573	6,830	-	37,403	670,645
EBITDA	12,702	(1,180)	11,522	21,309	4,245	-	25,554	37,076
Depreciation charge	(613)	(6,323)	(6,936)	(11,591)	-	-	(11,591)	(18,527)
Operating profit (loss)	12,089	(7,503)	4,586	9,718	4,245	-	13,963	18,549
Net financial income (expenses)	(2,049)	(6,700)	(8,749)	(2,077)	(1,804)	-	(3,881)	(12,630)
Participation in profit (loss) for the year of associates	-	-	-	-	-	(133)	(133)	(133)
Profit (loss) before tax	10,040	(14,203)	(4,163)	7,641	2,441	(133)	9,949	5,786
Corporate income tax	(3,041)	2,729	(312)	1,681	(875)	-	806	494
Consolidated profit (loss) for the year	6,999	(11,474)	(4,475)	9,322	1,566	(133)	10,755	6,280
a) Profit (loss) attributed to the parent company								8,250
b) Profit (loss) attributed to minority interests								(1,970)

Rest of Europe ⁽¹⁾ in Retailing includes Italy, Poland, Germany and the Netherlands

Rest of Europe ⁽²⁾ in Generation includes France and Poland

Latam ⁽³⁾ in Generation includes Panama

Currently the Group owns operating wind farms in Spain, France and Poland, as well as energy retailing activity in Spain, Portugal, Italy, the Netherlands, Germany and Poland.

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NOTE 5 – INTANGIBLE ASSETS

The movements for the years ended on 31 December 2018 and 2017 in the accounts under intangible assets have been as follows:

	Goodwill	Other intangible assets	Total intangible assets
Net book value 31/12/16	4,077	36,980	41,057
Investment	-	2,445	2,445
Additions to scope (Note 2)	94,391	51,421	145,812
Amortisation	-	(8,214)	(8,214)
Derecognition	-	(38)	(38)
Other movements	-	(810)	(810)
Translation differences	-	-	-
Net book value 31/12/17	98,468	81,784	180,252
Cost	98,468	92,389	190,857
Accumulated amortisation	-	(10,605)	(10,605)
Net book value 31/12/17	98,468	81,784	180,252
Investment	94	2,428	2,522
Additions to scope (Note 2)	40,002	42,319	82,321
Amortisation	-	(14,730)	(14,730)
Derecognition	-	(297)	(297)
Other movements	-	8	8
Translation differences	-	(2)	(2)
Net book value 31/12/18	138,564	111,510	250,074
Cost	138,564	136,845	275,409
Accumulated amortisation	-	(25,335)	(25,335)
Net book value 31/12/18	138,564	111,510	250,074

The recognitions resulting from changes in the scope correspond to incorporation of assets as a consequence of the non-cash contribution of ADS Energy 8.0 SLU and Eryx Investments, S.L. Moreover, intangible assets were incorporated due to the merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L. as well as the merger between Audax Energía, S.A. and Audax Renovables, S.A. (Note 2).

The main movements in the year 2017 correspond to the assets acquired through business combination of Audax Netherlands B.V, mentioned in the note 2.

As at 31 December 2018 the intangible assets, still in use and completely amortised amount to EUR 25 thousand (EUR 1 thousand at 31 December 2017).

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Goodwill

The breakdown of goodwill by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	634	634
France	860	860
Energy retailing		
Spain	40,072	70
the Netherlands	94,391	94,391
Poland	2,599	2,513
Others	8	-
TOTAL	138,564	98,468

Other intangible assets.

The breakdown of intangible assets by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	26,002	27,726
France	2,778	2,982
Energy retailing		
Spain	40,427	1,864
Italy	3,144	3,209
Germany	182	22
Poland	138	72
the Netherlands	38,827	45,909
Portugal	12	0
TOTAL	111,510	81,784

The breakdown of intangible assets by type is as follows:

	31/12/2018	31/12/2017
Rights, licences and similar	33,753	33,682
Industrial property, patents, trademarks and similar	23,510	2,694
Computer software	12,712	10,534
Client portfolio	66,132	45,004
Advance and other intangible assets	738	475
Accumulated amortisation	(25,335)	(10,605)
TOTAL	111,510	81,784

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Impairment test:

The Audax Renovables Group has conducted impairment tests using cash flow projections in order to determine recoverable amount. The impairment tests were made on 31 December 2018 and 2017. As a result of these tests, a reversal of the net impairment provision was recorded in the amount of EUR 8,575 thousand in the year 2018 (negative amount of EUR 58 thousand in the year 2017) corresponding mainly to property, plant and equipment.

The breakdown of the net release / (charge) to the impairment provision by segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	1,963	(58)
Poland	6,564	-
Energy retailing		
Spain	(6)	-
Poland	(1)	-
the Netherlands	55	-
TOTAL	8,575	(58)

There was no tax effect of the impairment (reduction of related deferred tax liabilities) 2018 nor in 2017, and there was no effect on minority interest.

In order to carry out the impairment tests, the goodwill has been allocated to the cash-generating unit (CGU) of the Group according to the kind of business or country of the transaction, that represents the lowest level to which the goodwill is allocated and is subject to internal control by the management of the Group.

The CGUs Audax Renovables are created by the companies within the group headed by the company, mainly wind farms.

The CGU Poland is comprised of the company Audax Energia Sp. z o.o. (formerly Deltis Sp. z o.o.),

Likewise the CGU Netherlands is comprised of the company Audax Netherlands and its subsidiaries.

The recoverable amount of a CGU is determined on the basis of calculation of the value in use. The calculation uses cash flow projections based on financial estimates approved by the management for a period of five years. Cash flows beyond the period of five years are extrapolated using estimate growth rate indicated below.

The key assumptions used to calculate fair value, applied to the impairment test, are as follows:

- a) Discount rate. Discount rates have been calculated using the weighted average cost of capital ("WACC"), on the basis of the following variables:
 - The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year Government bonds.
 - The estimated risk premium considering the estimated betas of comparable companies of the sector and a market risk premium, which are after-tax observable variables.

The breakdown of the weighted average cost of capital after tax between generation and retailing

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(WACC) resulting from the main geographical segments is as follows:

Year 2018

	2018					
	Spain	France	Poland	Italy	Netherlands	Germany
Risk-free discount rate	2.61%	1.63%	2.82%	3.55%	0.91%	0.88%
Risk premium *	6.77%	6.56%	6.92%	6.79%	6.77%	6.65%
Capital cost	9.38%	8.19%	9.74%	10.34%	7.68%	7.52%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	6.51%	5.70%	6.75%	7.06%	5.57%	5.40%

Year 2017

The weighted average cost of capital after tax of the principal CGEs with significant assets in the year 2017 is as follows:

	Spain	France	Poland	Italy	Netherlands	Germany
After-tax weighted average cost of capital 2017**	6.63%	5.62%	7.86%	5.71%	4.60%	4.80%

* The estimated risk premium is the result of multiplying the estimated beta (sector companies average) by the market risk premium.

** Because the sources of information consulted to obtain the parameters used for the calculation of the discount rate do not offer data before taxes, the Group uses discount rates after taxes. Consequently, and to maintain the coherency of the discount rate with the methodology of calculation of the planned flows, the payment of taxes was taken into account.

- b) Prices: The sale prices of electricity have been estimated on the basis of past experience and external sources of information. For countries in which there are framework agreements on prices, such as Poland and France, the agreed-upon price has been used. An annual increase in prices has been estimated in accordance with the regulatory framework of each one of the countries.
- c) Production hours of generation plants: the production hours employed in the calculation of the impairment test have been based, for the operating generation plants, on the average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels) and for the generation plants under development, on the estimated wind hours predicted by the wind studies carried out both internally and externally.
- d) Gross margin and growth rates: the Group has determined the gross margin budgeted based on past return and market development expectations. The weighted average growth rates are coherent with the estimates included in the industry reports.

In addition to the assumptions set out above, the Managers of the Company have taken into account in the preparation of the calculations of recoverable value other business assumptions that are relevant, such as:

- Estimated life of the wind project: 25 years, without considering any residual value at the end of its useful life.

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- Operating expenses: For future years, the operating expenses have been estimated on the basis of past experience and by applying an estimated inflation rate.

As a consequence of the new legislation passed in Poland in 2018, which affected the renewable energy sector and caused, among others, a significant drop in tax cost for local taxes, and also due to the increase in prices of the Green Certificates in Poland, the Group registered a reversal of the provision for property, plant and equipment amounting to EUR 6,564 thousand related to the Postolin wind farm in Poland.

Likewise, as a consequence of the reactivation of a solar project in Spain, called La Pedrera, a set of investments, which had been impaired in previous years, were subject to revaluation by the amount of EUR 1,982 thousand.

There was no significant impact on the impairment of the year 2017.

As it has been mentioned above, and as a result of the registered impairment, there are certain CGUs in the generation segment, whose carrying amount is equal to the recoverable amount, therefore any increase in discount rate or decrease in selling price for energy would cause another impairment or reversal. Similarly, an increase in selling prices for energy or a decrease in discount rate would have a positive effect on the income statement of the Audax Renovables Group as a consequence of the reversal of the registered provisions.

The differences between the recoverable amount and the carrying amount (i.e. the existing "gap") for all of the energy generation CGUs, obtained through the analysis of impairment in the year 2018 are as follows:

Energy generation sector	31/12/2018
Spain and France	22,784
Poland	-
TOTAL	22,784

The difference between the recoverable amount and the carrying amount (i.e. the existing "gap") for the retailing CGUs of significant book value, obtained through the analysis of impairment in the year 2018 amounted to EUR 75,019 thousand, corresponding mainly to the CGU of the Netherlands.

Sensitivity analysis:

As already mentioned, there are certain assumptions whose variations could significantly affect the recoverable value of the assets subject to the impairment testing, which are the discount rate and the sale prices of electricity. The sensitivity of the results to reasonably possible changes in these assumptions, on which the Directors have based their determination of the recoverable amount of the wind farms, differentiated by the different geographic segments is as follows:

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Effect on net income (EUR thousands)		
	2018	2017
Increase of the discount rate of 10%		
Spain	-	-
Poland	(1,694)	(1,699)
Latin America	-	-
Total	(1,694)	(1,699)
Decrease of the discount rate of 10%		
Spain	-	-
Poland	1,675	1,944
Asia	-	-
Latin America	-	-
Total	1,675	1,944

Effect on net income (EUR thousands)		
	2018	2017
Increase of the sale price of electricity of 10%		
Spain	-	-
Poland	3,277	3,433
Latin America	-	-
Total	3,277	3,433
Decrease of the sale price of electricity of 10%		
Spain	(192)	(1,936)
Poland	(3,277)	(3,383)
Latin America	-	-
Total	(3,469)	(5,319)

The impacts described above refer only to the generation segment, the recovery amount of the retailing segment CGU is greater than the net carrying value of its net assets.

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NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The movement in the years 2018 and 2017 in the accounts under Property, plant and equipment has been as follows:

	Property, plant and equipment energy generation	Property, plant and equipment energy retailing	total
Net book value 31/12/16	172,478	2,095	174,573
Investment	270	12	282
Additions to scope (Note 2)	-	1,646	1,646
Divestment	(1)	(25)	(26)
Depreciation charge	(9,657)	(599)	(10,256)
Impairment charge (Note 5)	(63)	-	(63)
Translation differences	1,752	(1)	1,751
Net book value 31/12/17	164,779	3,128	167,907
Cost	178,737	3,721	182,458
Accumulated depreciation	(13,958)	(593)	(14,551)
Net book value 31/12/17	164,779	3,128	167,907
Additions to scope (Note 2)	-	1,153	1,153
Investment	174	236	410
Divestment	-	(119)	(119)
Depreciation charge	(9,659)	(690)	(10,349)
Impairment charge (Note 5)	8,525	-	8,525
Translation differences	(929)	(1)	(930)
Net book value 31/12/18	162,890	3,707	166,597
Cost	177,777	4,301	173,553
Accumulated depreciation	(14,887)	(594)	(6,956)
Net book value 31/12/18	162,890	3,707	166,597

No significant financial expenses were capitalised in the year 2017 nor in 2018.

As at 31 December 2018, the Group has commitments for the purchase of fixed assets for the amount of EUR 496 thousand (there were no such commitments as at 31 December 2017).

As at 31 December 2018 there are no payments nor advance payments to suppliers for the construction of fixed assets registered as an increase of value of assets under construction, nor there were such payments as at 31 December 2017.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The negative impact for the year 2018 is due mainly to the depreciation of the Polish zloty against the euro.

As at 31 December 2018 the tangible assets still in use and totally depreciated amount to EUR 383 thousand (EUR 166 thousand as at 31 December 2017).

The assets associated to the farms holding loans from credit entities under the modality of Project Finance are presented as a collateral of the mentioned credits (Note 14).

It is the strategy of the Audax Renovables Group to take out all the insurance policies deemed necessary to cover the exposure of its property, plant and equipment.

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The breakdown of intangible assets by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	117,575	123,096
France	7,449	7,999
Poland	37,765	33,584
Other	101	100
Energy retailing		
Spain	2,791	1,885
Italy	30	28
Germany	9	7
Poland	17	18
the Netherlands	860	1,190
TOTAL	166,597	167,907

NOTE 7 – INVESTMENTS AS PER EQUITY ACCOUNTING

The movement in the year 2018 in investments accounted for by the equity method is as follows:

	Balance 31.12.17	Participation in results	Translation differences	Balance 31.12.18
<u>Company</u>				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,931	(48)	109	6,992
Total	6,931	(48)	109	6,992

The movement in the year 2017 in investments accounted for by the equity method is as follows:

	Balance 31.12.16	Participation in results	Translation differences	Balance 31.12.17
<u>Company</u>				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	7,442	(133)	(378)	6,931
Total	7,442	(133)	(378)	6,931

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The most significant information relating to the associated companies and joint ventures consolidated by the equity accounting method is as follows:

	Country	Assets	Liabilities	Income	Results	% Shareholding
At 31-12-18						
Berta Energies Renovables, S.L.	Spain	5,845	2,658	-	(383)	25.79%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panama	38,220	35,730	-	(160)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	215	11	20	(25)	30.30%
Total		44,280	38,399	20	(568)	

	Country	Assets	Liabilities	Income	Results	% Shareholding
At 31-12-17						
Berta Energies Renovables, S.L.	Spain	6,157	2,587	-	(275)	25.79%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panamá	6,068	3,771	-	(444)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	236	6	37	(10)	30.30%
Total		6,304	6,364	37	(729)	

The information on these associated companies and joint ventures has been obtained from their not audited financial statements as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017 none of the associated companies is listed on the stock exchange.

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NOTE 8 – FINANCIAL ASSETS

The breakdown of the financial assets by Class and Category is as follows:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Assets designated at fair value through profit and loss						
Equity instruments						
Not traded	-	313	313	-	311	311
Total	-	313	313	-	311	311
Financial assets at amortised cost						
Unsecured credits						
Floating rate	-	1,238	1,238	-	309	309
Total	-	1,238	1,238	-	309	309
Trade and other receivables						
Receivables from sales and services	148,015	-	148,015	130,429	-	130,429
Other receivables	4,553	-	4,553	6,850	-	6,850
Less impairment	(16,492)	-	(16,492)	(10,066)	-	(10,066)
Total (Note 10)	136,076	-	136,076	127,213	-	127,213
Claims to group entities (Note 22)						
Total	2,715	90,720	93,435	3,411	27,066	30,477
	2,715	90,720	93,435	3,411	27,066	30,477
Deposits and sureties granted						
Fixed-term deposits	12,640	2,200	14,840	6,115	-	6,115
Other financial assets	10,161	-	10,161	43,592	-	43,592
Total	23,256	6,709	29,965	50,886	2,586	53,472
Total	162,047	98,667	260,714	181,510	29,961	211,471
Equity instruments at fair value through other comprehensive income						
Listed	6,166	-	6,166	4,933	-	4,933
Hedge derivatives						
Contracted on organised markets (Note 9)	12,323	375	12,698	5,688	2,750	8,438
Total	18,489	375	18,864	10,621	2,750	13,371
Total financial assets	180,536	99,355	279,891	192,131	33,022	225,153

Transferred deposits and guarantees refer to:

- Amounts transferred to lessors as a guarantee for the existing lease contracts. The amounts are represented at paid out value which does not differ significantly from their fair value.
- Amounts paid out as a guarantee for the purpose of operating on the electricity market.

Fixed-term deposits consist mainly of deposits made to different financial institutions, which during the years 2018 and 2017 yielded an accrued interest at market interest rate.

Other current financial assets refer primarily to the Debt Service Reserve Account (DSRA) amounting to EUR 8,866 thousand (EUR 8,777 thousand as at 31 December 2017) which constitute an additional guarantee for the bank syndicate and are subject to restrictions in application, as is described in Note 14.

The amount of equity instruments at fair value with changes in other comprehensive income at 31 December 2018 and 31 December 2017 corresponds, mainly, to listed investment funds.

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As at 31 December 2018, the adjustment of the of financial assets, without taking into account the impairment of trade payables, amounts to EUR 2,368 thousand, of which EUR 851 thousand correspond to the initial application of the IFRS 9 (Note 2.1).

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to fluctuations in interest rates since its bank borrowings are made at floating interest rates. Therefore, related to its loans, the Group has hedging contracts on variations in Euribor / Wibor interest rates in order to ensure a maximum rate.

Furthermore, the Group entered into hedging contracts as a form of security measure against fluctuations in electricity selling prices.

As at 31 December 2018 and 31 December 2017 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	31 December 2018		31 December 2017	
	Non-current	Current	Non-current	Current
<i>Assets arising from derivatives</i>				
Energy price hedges	375	12,323	2,750	5,688
Total assets	375	12,323	2,750	5,688
<i>Liabilities arising from derivatives</i>				
Energy price hedges	1,739	462	-	-
Interest rate swaps	9,634	-	10,633	-
Total liabilities	11,373	462	10,633	-

The fair value of the different financial instruments is calculated using the cash flow discount valuation method. The assumptions used in these valuation techniques are based on prices of observable, current market transactions of the same instrument, such as, for example, the interest rate.

Therefore, the variables on which the valuation of the hedging derivatives is based in this section can be observed in an official market (Level 2).

Interest rate derivatives

The breakdown of derivative financial instruments as at 31 December 2018 and 31 December 2017, their fair value and the breakdown by maturities of notional values, in thousand euros, are as follows:

	Fair value	At 31.12.18 Notional Value (EUR thousands)						
		2019	2020	2021	2022	2023	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(9,634)	8,695	9,072	9,836	10,029	9,015	57,810	95,442
	Fair value	At 31.12.17 Notional Value (EUR thousands)						
		2018	2019	2020	2021	2022	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(10,633)	9,611	9,752	10,390	10,267	8,834	53,985	102,839

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All the Group's interest rate derivatives have been classified as held for trading, because not all of them meet the criteria for the application of hedge accounting established in the IFRS-EU standards, and therefore the fluctuations in the fair value are registered in the profit and loss account.

During the current year the company Parque Eólico Hinojal S.L., as a result of the refinancing process of its "Project Finance" (see Note 14) proceeded to pay off their respective hedging contracts on Euribor interest rates fluctuation associated to these loans by forming new contracts for derivatives on Euribor interest rates fluctuation in order to secure a maximum interest.

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2018 varies between 2.45% and 4.55%.

Energy price hedge derivatives.

As at 31 December 2018, the Group holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Group hedges against the risk of energy price changes for the maximum net volume of 101 MW for the year 2019, 48 MW for the year 2020, 34 MW for the year 2021 and 18 MW for the year 2022 and following. As at 31 December 2018 the net fair value of these derivative financial instruments amounts to EUR 10,497 thousand (total negative amount of EUR 7,774 thousand at 31 December 2017).

The energy price hedge derivatives comply with the IFRS-EU standards for the application of hedge accounting, therefore the changes in the value of these financial instruments are recorded (at the after tax amount) under net equity.

NOTE 10 – TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The breakdown of Trade and other receivables is as follows:

	At 31.12.18	At 31.12.17
Trade receivables	147,579	129,810
Trade receivables from group companies	436	619
Other receivables	4,553	6,850
Public Administration		
Valuation adjustments for bad debt	(16,492)	(10,066)
Total trade and other receivables	136,076	127,213

Under the heading of "Trade receivables" the Group puts mainly the invoicing amounts corresponding to the months of November and December 2018 that have not yet been collected.

As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the volume of sales to customers which has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured in under the heading "Trade and other receivables". As at 31 December 2018, the estimates of the retailing companies amount to EUR 53,305 thousand (EUR 52,525 thousand as at 31 December 2017).

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The movement of valuation adjustments for bad debt is as follows:

Balance at 31 December 2017	(10,066)
First application IFRS 9	(1,607)
Change of scope (Note 2b)	(532)
Allocations	(4,817)
Reversals	530
Balance at 31 December 2018	(16,492)

As a consequence of application of the IFRS 9, at 1 January 2018 the Group recorded impairment based on the estimated loss model in the amount of EUR 1,607 thousand, this impairment being recorded against reserves (Note 2.20).

The breakdown of "Other current assets" is as follows:

	31/12/2018	31/12/2017
Prepaid expenses for insurance	115	12
Prepaid expenses for commissions	17,896	10,114
Prepaid expenses for renting	157	56
Other prepaid expenses	680	893
Claims to Public Administrations	778	1,825
Total	19,626	12,899

"Prepaid expenses for commissions" correspond to payments of commissions made in advance to commission agents for new clients acquisition, depending on the duration of the contract which usually is a period of one year (Notes 2.1.a and 2.24).

NOTE 11 - CASH AND OTHER CASH EQUIVALENTS

The heading "Cash and other cash equivalents" includes:

	31/12/2018	31/12/2017
Cash and banks	96,633	49,643
Short-term investments of high liquidity	1,680	615
Total	98,313	50,258

Effective interest accrues on short-term financial investments as at 31 December 2018 at a rate of 0.06% (0.03% in 2017).

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NOTE 12 – NET EQUITY

a) Share capital

The Extraordinary General Meeting of Shareholders of the Parent Company on 2 May 2007 agreed to increase share capital by EUR 37,755,975 through the issue of 37,755,975 ordinary shares with a par value of EUR 1 each, and a share premium of EUR 3 per share.

On 9 July 2007 this capital increase was accounted after it was inscribed in the Registry of the Spanish National Securities Market Commission (CNMV), recorded in a public deed and inscribed in the Mercantile Registry.

On 20 February 2008, the Extraordinary General Meeting of Shareholders of the Parent Company Audax Renovables, S.A. adopted a resolution approving of a transaction under which several business groups made contributions to the Parent Company in the form of companies with operating wind farms and at different stages of administrative process. In consideration thereof, the parent Company made a capital increase with non-cash contributions. This transaction included the wind farms in Spain and abroad, specifically in India, France and Poland, and resulted in the incorporation of MW 562.7 and contributions totalling EUR 274,874 thousand.

On 30 June 2015 the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. agreed to reduce the share capital by decreasing the nominal value of the shares by EUR 0.3 per share. Consequently, the share capital of the Company as at 31 December 2015 and 2016 amounts to EUR 98,003 thousand and is represented by 140,003,778 shares, with a value of EUR 0.7 each. As a result of this operation a special fund was created amounting to EUR 42,001 thousand.

On 19 May 2016 Audax Energía, S.A. made a bid to purchase 100% of shares of Audax Renovables, S.A. at the price of fifty cent euro (EUR 0.50) per share. On 8 August 2016 the CNMV announced that the offer made by Audax Energía, S.A. had been accepted by the holders of 99,211,899 shares representing 70.86% of the share capital of Audax Renovables, S.A.

As at 31 December 2018, the share capital of the Parent Company is divided in 440,291,054 shares of EUR 0.70 of nominal value each of them. As at 31 December 2017, the share capital of the Parent Company was divided in 140,003,778 shares of EUR 0.7 of nominal value each of them.

Reverse merger with Audax Energía

On 23 November 2018 the Extraordinary General Meeting of Shareholders of Audax Renovables approved unanimously the project of merger between Audax Renovables, S.A. (the acquiring company) and Audax Energía, S.A. (the acquired company) which had been formulated on 29 June 2018 by the Boards of Directors of both companies. The merger involved the integration of the acquired company into the acquiring company by way of an en bloc transfer of assets of the former to the benefit of the latter, the dissolution without liquidation of the acquired company, an increase of the share capital of the acquiring company by the amount of EUR 210,201 thousand, with a share premium amounting to EUR 141,368 thousand, by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, of EUR 0.70 of nominal value each share, which were attributed entirely to Eléctrica Nuriel, S.L.U. (formerly called Banana Phone, S.L.U.), the sole shareholder of the acquired company. The exchange was established on the basis of the real value of the merged equity at that date. The transaction was entered into the Commercial Register in Barcelona on 25 January 2019.

Previously, on 28 June 2018, the General Meeting of Shareholders of the company Audax Energía, S.A.U. had approved the merger by absorption of the companies Orus Energía, S.L.U. and A-Dos Energía, S.L.U. on the terms established in the joint project of merger of 28 June 2018. The merger implied an en bloc transfer of assets of the acquired companies (Orus Energía, S.L.U. and A-Dos Energía, S.L.U.) to the acquiring company (Audax Energía, S.A.U.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were owned directly by the same sole shareholder. As at 31 December 2018, the share capital of the Parent Company amounts to EUR 308,204 thousand represented by 440,291,054 shares of EUR 0.70 of

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nominal value each share. The impact of this transaction involved an adjustment (diminishment) of the reserves of EUR 330,586 thousand, in order to compensate the increase in equity at fair value derived from the share capital increase, given that, as indicated in Note 2, these transactions were recognised with the application of the “Pooling of interest” method, and net assets at predecessor value were incorporated.

In accordance with the regulation of article 31.10 LME, the merger balances of the Acquired and Acquiring Companies in both transactions, which were taken into consideration for the purpose of establishing the terms of the merger, are those balances which are featured in the financial statements of both companies as at 31 December 2017.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share quotation as at 31 December 2018 of the Parent Company's shares was of EUR 1.285 per share (EUR 0.44 as at 31 December 2017). At the balance sheet date of these annual accounts the new shares issued as a consequence of the capital increase due to the merger transaction (Note 1) have not yet been admitted to trading.

The breakdown of the shareholders with more than 10% of stake of the Parent Company as at 31 December 2018 and 2017 is as follows:

Shareholders	At 31.12.18	At 31.12.17
	%	%
Eléctrica Nuriel, S.L.	90.73%	-
Audax Energía, S.A.	-	70.86%
Rest of shareholders (*)	9.27%	29.14%
Total	100.00%	100.00%

(*) None of them holds more than 10%

As at 31 December 2017, the shareholders of Audax Energía, S.A. were Electrica Nuriel, S.L.U. with 33% and Banana Phone, S.L.U with 67%. Both companies were merged this year, as indicated in Note 1.

b) Share premium account

This account can only be affected by resolutions of the General Meeting of Shareholders of the Parent Company.

c) Legal Reserve

Companies that report profits will be obligated to appropriate 10% of profit for the year to this reserve until it reaches at least 20% of share capital. This reserve, as long as it does not exceed the limit indicated, can only be used to offset losses if there are no other reserves sufficiently available to do so. On the other hand, it can also be used to increase share capital in the part that exceeds 10% of the capital already increased.

As at 31 December 2018 the Parent Company has a Legal Reserve valued at EUR 17,029 thousand (EUR 16,266 thousand as at 31 December 2017).

d) Treasury shares

As at 31 December 2018 and 2017 the Parent Company does not own treasury shares.

e) Translation differences

This account in the consolidated balance sheet includes the net exchange differences arising from the

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translation into euros of the balances of functional currencies of the consolidated companies whose functional currency is not the euro. At 31 December 2018 as well as at 31 December 2017 the balances reflect mainly the impact of the historical price fluctuations of the Polish zloty against the euro.

f) Distribution of earnings:

The proposed distribution of earnings of the Parent Company for 2018 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	EUR
Profit and loss (loss)	19,975,375
Total	19,975,375

Base of distribution	EUR
To the Legal Reserve	1,997,537
To compensate losses from previous years	17,977,837
Total	19,975,375

As indicated in Note 2.2, the Directors of the Parent Company plan to include in the agenda of the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. a reduction of the nominal value of the shares in order to restore the equilibrium to the financial situation of the Parent Company and ensure the equity's optimal condition in order to enable, should the circumstances allow, the dividend payout in the future .

The General Meeting of Shareholders of 27 June 2018 agreed to distribute the profit for the year 2017 of the Parent Company amounting to EUR 7,634 thousand in the following way:

Base of distribution	EUR
Profit	7,634,995
Total	7,634,995

Base of distribution	EUR
To the Legal Reserve	763,500
To compensate losses from previous years	6,871,495
Total	7,634,995

Profit / (loss) per share

Profit / (loss) per share is calculated by dividing the profit attributable to the net equity holders of the Parent Company by the weighted arithmetic mean of ordinary shares circulating during the period:

	31.12.18	31.12.17
Number of shares	440,291,054	140,003,778
Average number of shares	171,438,810	140,003,778
Profit (loss) of the company (EUR thousands)	19,975	7,635
Profit / (loss) per share (euros per share)		
- Basic	0.1165	0.0545
- Diluted	0.1165	0.0545

There are no financial instruments that could dilute the profit per share.

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Non-controlling interests

The movement during the years 2018 and 2017 of non-controlling shares has been as follows:

Balance at 1 January 2017	6
Changes to the scope (Note 2)	15,096
Profit (loss) for the year	(1,970)
Balance at 31 December 2017	13,132
Changes to the scope (Note 2)	19,350
Profit (loss) for the year	992
Dividend distribution	(167)
Other movements	(49)
Balance at 31 December 2018	33,258

The breakdown of the non-controlling interests by entity as at 31 December 2018 is as follows:

Balance at 31 December 2017	31/12/2018
Audax Netherlands, B.V	11,861
Eryx Investments 2017, S.L. *	20,264
Eoliennes de Beausemblant, SAS	754
Gestora Fotovoltaica de Castellon, S.L.	356
Others	23
	33,258

*includes Unieléctrica Energia S.A. and its subsidiaries.

NOTE 13 – NON-CURRENT PROVISIONS

The breakdown of provisions as at 31 December 2018 and as at 31 December 2017 is as follows:

	Balance 31.12.18	Balance 31.12.17
Provision for liabilities	827	-
Provision for dismantling	1,843	1,762
Total	2,670	1,762

Provision for liabilities

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities with a maturity of over one year. As at 31 December 2018, the Directors of the Parent Company consider that there are no contingencies requiring to be provisioned for.

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Dismantling provision

As at 31 December 2018, the Group has recorded a provision of EUR 1,843 thousand (EUR 1,762 thousand as at 31 December 2017) to cover the costs of dismantling the wind farms that are now in operation.

NOTE 14 - FINANCIAL LIABILITIES

The breakdown of the financial liabilities, without including trade and other payables (Note 16), during the years 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
Bonds and other negotiable securities	96,938	85,128
Bank loans	129,873	162,009
Financial derivative liabilities (Note 9)	11,373	10,633
Other non-current financial liabilities	46,283	22,333
Total non-current financial liabilities	284,467	280,103
Bonds and other negotiable securities	67,985	28,941
Bank loans	103,713	69,126
Financial derivative liabilities (Note 9)	462	-
Other current financial liabilities	16,495	38,333
Total current financial liabilities	188,655	136,400

Except for the liabilities arising from financial derivatives, the financial liabilities are measured at amortised cost. Deferred tax liabilities are measured at fair value. The fair value of liabilities bearing fixed interest rate is estimated on the basis of discounted cash flows over the remaining term of that liability. Discount rates were determined according to the market rates available at 31 December 2018 and 2017 on the financial liabilities with similar maturity and credit features.

The movement of financial liabilities during the year 2018 has been as follows:

	31.12.2017	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2018
Bonds and other negotiable securities	85,128	32,810	(8,700)	(12,300)	-	96,938
Bank loans	162,009	44,396	(41,896)	(34,635)	-	129,873
Financial derivative liabilities (Note 9)	10,633	-	-	-	740	11,373
Other financial liabilities	22,333	9,950	-	14,000	-	46,283
Total non-current financial liabilities	280,103	87,156	(50,596)	(32,935)	740	284,467
Bonds and other negotiable securities	28,941	56,172	(29,427)	12,300	-	67,985
Bank loans	69,126	56,693	(56,741)	34,635	-	103,713
Financial derivative liabilities (Note 9)	-	-	-	-	462	462
Other financial liabilities	38,333	28,091	(35,929)	(14,000)	-	16,495
Total current financial liabilities	136,400	140,956	(122,097)	32,935	462	188,655

The breakdown of financial liabilities cash flows in 2018 is as follows:

	31.12.2017	Cash flows movement	Movements which do not involve cash flows	31.12.2018
Bonds and other negotiable securities	114,069	50,854	-	164,923
Bank loans	231,135	2,451	-	233,586
Financial derivative liabilities (Note 9)	10,633	-	1,202	11,835
Other financial liabilities	60,666	2,112	-	62,778
Total financial liabilities	416,503	55,417	1,202	473,122

The entire movement of financial liability cash flows corresponds to the cash flows generated during 2018, including cash flows derived from Unieléctrica, indicated in their net position in the business unit line in the cash flow statement of the consolidated report.

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Bonds and other negotiable securities

The Board of Directors of the Parent Company, Audax Energía, S.A., on its meeting of 16 June 2014, and pursuant to the second resolution of the General Meeting of Shareholders of the same date, agreed to carry out an issuance of plain bonds of nominal amount of EUR 21,000 thousand of single nominal value fully paid on 29 July 2014, admitted to be incorporated into the Alternative Fixed-Income Market (MARF) at a nominal annual fixed interest rate of 5.75% till maturity on 29 July 2019, when the entirety of the capital will be returned. During the year 2018 an early settlement was carried out of the amount of EUR 8,700 thousand, therefore as at 31 December 2018 the remaining amount to pay for this bond is of EUR 12,300 thousand.

In January 2017 Audax Energía, S.A. registered a programme of corporate promissory notes on the Alternative Fixed-Income Market (MARF) for the maximum amount of EUR 50,000 thousand, the outstanding amount of which as at 31 December 2018 is of EUR 49,898 thousand and its maturity falls in 2019. On 13 February 2019 this promissory note programme was expanded by a maximum amount of EUR 75,000 thousand with maturities of up to 2 years (See Note 28).

In May 2017 Audax Energía S.A. approved a programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 100 million, the subscription of which amounted to EUR 65,000 thousand of unit nominal value that as at 31 December 2018 have not yet been returned; the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 4.20% until their maturity in June 2022.

In September 2018 Audax Energía S.A. approved a new programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 35,000 thousand, which were entirely subscribed for. the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 5.5% until their maturity in October 2023. As at 31 December 2018 the Group's debt arising from this bond amounts to EUR 33,780 thousand.

On 11 July 2018 Audax Renovables, S.A. signed a private contract on promissory notes issue for the maximum amount of EUR 5,000 thousand with Toro Finance, S.L.U. (Bravo Capital), with maturity date in October 2018; in 2019 the contract was partially cancelled for EUR 1,660 thousand and the rest was extended until the end of March 2019.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2018 all the established ratios are met.

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2018 includes the debt to be repaid as a consequence of the issuance of said bonds and promissory notes in current and non-current liabilities.

Current liabilities include financial expenses that had been accrued but not paid at the balance sheet date of 2018 and 2017.

Bank loans

The breakdown of the Group's bank loans is as follows:

<u>Type</u>	31.12.2018	31.12.2017
Project finance	102,711	106,810
Loans	27,162	55,030
Lines of credit	-	169
Reverse factoring and similar	-	-
Total non-current	129,873	162,009
Project finance	13,541	14,437
Loans	26,402	28,064
Lines of credit	21,684	5,305
Reverse factoring and similar	42,086	21,320
Total current	103,713	69,126

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As at 31 December 2018 the average effective interest rate of the bank loans is of 4.01% (4.18% at 31 December 2017).

Project Finance

Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk.

The companies included in the consolidation scope Eólica del Pino S.L., Eólica el Pedregoso S.L., SAS Eoliennes de Beausemblant, Parque Eólico Hinojal S.L., Parc Eòlic Mudéfer S.L., Gestora Fotovoltaica de Castellón S.L. and Eólica Postolin Sp. z o.o. have entered into loan agreements with lending institutions in the Project Finance scheme under which the entirety of their shares are pledged. These loan agreements include conditions which impose limitations on dividend distribution and require the fulfilment of certain minimum ratios, such as the Debt Service Coverage Ratio or the Leverage Index.

On 10 April 2018 the bank loan of the company Parque Eólico Hinojal with Banco Santander S.A. in the Project Finance scheme was subject to optimisation. The new financing agreement includes conditions that are usual in this kind of agreements which impose limitations on the distribution of dividends and require the fulfilment of certain ratios. The new agreement extends the maturity of the loan until 30 June 2026.

Regarding the loan agreements for financing of the facilities which include the obligation to meet certain ratios, as at 31 December 2018 there are no indications of non-compliance with the requirements defined in those contracts or, otherwise, exemptions from compliance have been obtained from financial entities (Waivers). There are no breaches of financial obligations foreseen at the balance sheet date of the next period by any of the companies of the Group.

Furthermore, these loans require companies to record a Debt Service Fund Reserve (DSFR) through their bank accounts as an additional guarantee for the bank syndicate. At the balance sheet date of the year 2018 and 2017 the following amounts are held as guarantee:

Company	31.12.2018	31.12.2017
Eólica el Pedregoso, S.L.	768	768
Eólica del Pino, S.L.	385	385
SAS Eoliennes de Beausemblant	632	632
Parque Eólico Hinojal, S.L.	1,784	1,899
Parc Eòlic Mudéfer, S.L.	3,819	3,573
Eólica Postolin Sp. z o.o.	1,478	1,520
Total	8,866	8,777

Loans and lines of credit

The main loans and lines of credit of the Group are as follows:

In 2016, in order to finance the purchase of Audax Renovables, S.A., Audax Energía S.A. took out a loan with CaixaBank S.A. and Banc de Sabadell, with maturity date on 8 June 2019, for the amount of EUR 29,850 thousand, bearing interest at market rate linked to Euribor plus an annual margin. In 2018 early repayment of the total amount of the loan was carried out.

On 1 February 2012, Audax Renovables S.A. signed a financing agreement with the financial entities Banco Santander, S.A., Banco Popular Español S.A., Banco Español de Crédito, S.A., Bankinter, S.A. and CaixaBank, S.A., by which it was agreed to restructure the corporate loan these entities had granted to Audax Renovables. Under this restructuring agreement the corporate loan held by Audax Renovables was replaced with a Syndicated Loan contract structured in two tranches for the total amount of EUR 27,561 thousand. As at 31 December 2017, and after several novations, the outstanding amount was

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of EUR 4,600 thousand. On 31 January 2018 the syndicated corporate loan was settled and two bilateral loan agreements were signed with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand, with maturity date on 31 July 2020. Later in 2018 this loan was settled, therefore as at 31 December 2018 there is no outstanding amount related to it.

The main loans of the Parent Company with lending entities correspond to two loans with Bankia and Toro Finance, whose outstanding amount as at 31 December 2018 is of EUR 7,000 thousand and EUR 6,667 thousand, respectively. Both loans have their maturity date in 2019.

As a consequence of the incorporation of Audax Netherlands B.V. and its subsidiaries into the Group in 2017 the consolidated financial debt increased. As at 31 December 2018 the debts with lending entities related to this sub-consolidated company amount to EUR 20,650 thousand, of which the sum of EUR 3,250 thousand is classified as current (total amount of EUR 34,500 thousand as at 31 December 2017) and correspond mainly to two loans taken out with ING Bank and Rabobank.

Other financial liabilities

The breakdown of other financial liabilities is as follows:

Type	31.12.2018	31.12.2017
Debts to Group entities (Note 22)	15,038	480
Other debts	31,045	21,853
Total non-current	46,083	22,333

Type	31.12.2018	31.12.2017
Debts to Group entities (Note 22)	11,307	37,766
Other debts	5,188	567
Total current	16,495	38,333

Other debts include a set of deferred payments for the purchase of the Unieléctrica Energía S.A. company for the amount of EUR 15,196 thousand, of which the amount of EUR 3,971 thousand is classified as current liability. Additionally, other non-current liabilities include also a debt of the Dutch company called Audax Netherlands amounting to EUR 19,371 of a subordinated loan with the entity Kartesia.

The following tables describe consolidated gross financial liabilities as at 31 December 2018 and 2017 and their maturity dates, taking into account the impact of the derivatives and other financial liabilities:

	31/12/2018	31/12/2017
Up to one year	188,655	136,400
one to two years	57,368	58,135
three to five years	178,575	162,514
more than five years	48,524	59,454
Total financial liabilities	473,122	416,503

The flow of contractual interests by maturity and not accrued is as follows:

	31/12/2018
Up to one year	15,190
one to two years	10,257
three to five years	11,052
more than five years (annual)	1,946
Total financial debt interest	38,445

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NOTE 15 – SUBSIDIES

The company Eólica Postolin Sp. z o.o. has received non-repayable grants from the European Union through the Polish Ministry of Economy for the construction of its wind farm amounting to PLN 38,354 thousand (EUR 9,019 thousand). The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm.

NOTE 16 - TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

Trade and other payables

The breakdown as at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Suppliers	75,365	48,828
Suppliers, group companies	803	2,815
Other payables	16,396	16,485
Personnel	749	757
Trade and other payables	93,313	68,885

Most of the accounts payable fall due between 30 and 90 days and no interest is accrued on them.

For the companies of the Group which have their tax residence in Spain, we set out below the information required by the 3rd Additional Disposition of the law 15/2010/5 July of "Information Duty", modified by the second final disposition of the law 31/2014/3 December, which modifies the law of capital companies for the improvement of corporate governance, in accordance with the Resolution of 29 January 2016, of the Spanish Institute of Accounting and Book Audit, regarding the information to be incorporated into the notes to the annual accounts for the years beginning with 1 January 2015, in relation to the average period of payment to providers in trading operations, published in BOE on 4 February 2016:

	31/12/2018	31/12/2017
	Days	
Average period of payment to suppliers	41	30
Paid transactions ratio	36	28
Transactions with outstanding payment ratio	41	30
	Amount in EUR thousands	
Total payments carried out	484,587	334,405
Total outstanding payments	53,912	27,738

- (1) Under the law 11/2013/26 July, the maximum legal time limit for payment, applicable to the companies of the Group which have their tax residence in Spain, is of 30 days, except for the case when by agreement a longer time period is established, which under no circumstances can exceed 60 days.

The payments detailed in the above table as payments to providers refer to those which by their nature are trade payables for debts with suppliers of goods and services, in such a way that they include the needed information for the 'Other creditors' account found as current liabilities in the consolidated balance sheet.

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Other current liabilities

The breakdown as at 31 December 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
Public administrations and similar	57,062	32,470
Time adjustments of current liabilities	901	256
Advance payments from clients and other current payables	13,080	14,745
Total other current assets	57,963	47,471

The main accounts payable to public administration entities and similar included under this heading correspond to liabilities arising from current transactions of the Dutch company of the Group, Main Energie.

NOTE 17 – RISK MANAGEMENT

The Audax Renovables Group, in general terms, considers to be a risk any eventuality or contingency which might impede the Company's ability to successfully fulfil its business objectives.

Thusly, the Group is subject to various risks inherent to the countries and markets where it operates and which could impede its ability to successfully attain its objectives and execute its strategies. Therefore the Board of Directors, being aware of their importance, encourages the implementation of necessary mechanisms in order to appropriately identify, manage and control the significant risks.

Due to the above, any and all actions aimed at risk control and mitigation must comply with the following basic rules:

- a) Integration of the risk-opportunity vision into the Company's management and strategy.
- b) Implementation of an appropriate separation of duties while ensuring an adequate level of independence.
- c) Ensuring the appropriate use of hedging instruments.
- d) Information on the risks faced by the Group and of the systems implemented to mitigate them.
- e) Adjusting the Group's risk policy to all the specific policies which need to be developed in regards to risks.
- f) Ensuring the appropriate compliance with the rules of corporate governance.
- g) Acting at any and all times in accordance with the rules of law and the Corporate Code of Ethics and Conduct.

Regardless of the above, the Group, being aware of their importance, has been taking the appropriate measures concerning the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall Group's risk management programme is focused on the uncertainty of the financial markets and attempts to minimise the potential adverse effects on its financial profitability.

Interest rate risk

The fluctuations in interest rates modify the fair value of the financial assets and liabilities on which a fixed interest rate is accrued as well as the cash flows from the financial assets and liabilities indexed to a floating interest rate, and, accordingly, they impact both net equity and net income, respectively.

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Any rise of interest rates would increase the Group's financial expenses related to the part of its debt indexed to a floating interest rate, which would be mitigated by the interest rate hedging policy.

The purpose of interest rate risk management is to maintain a balance between floating and fixed rates on debt that in order to reduce the costs of borrowings within the established risk parameters.

On the entirety of the issued bonds an interest at a fixed rate is accrued (Note 14). Furthermore, the Audax Renovables Group uses financial swaps to manage its exposure to interest rate fluctuations.

The structure of its financial debt at 31 December 2018, taking into account the hedges through derivative contracts, is as follows:

	At 31.12.18	At 31.12.17
Fixed interest rate	332,473	301,770
Floating interest rate	66,036	43,434
Total	398,509	345,204

The floating interest rate is subject mainly to the fluctuations of the European Interbank Offered Rate (Euribor). The sensitivity of the net income to the fluctuation in interest rates is as follows:

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2018	10%	(547)
	(10%)	498
2017	10%	(217)
	(10%)	197

This effect does not include the impact that would result from interest rate fluctuations on asset impairments, considered in Note 5.

Exchange rate risk

The variations in exchange rates can affect the fair value of the investments and of the debt denominated in non-local or non-functional currencies and the transactions and investments denominated in non-euro currencies, and, accordingly, the counter-value of net equity and net income.

The main non-euro currencies with which the Audax Renovables Group operates in 2018 and 2017 are the dollar and the zloty.

Commodity price of electricity risk

The Audax Renovables Group is exposed to the risk of fluctuations in commodity prices given that its sales are linked to the price of electricity.

In certain countries where the Group operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk that the regulated component might fail to compensate entirely the fluctuations of market prices and, therefore, there is the risk of volatility of the total remuneration.

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Furthermore, it is impossible to ensure that the market prices will be maintained at the levels which would enable the Group to attain desirable profit margins and investment recovery levels. A reduction of the prices below those levels could have a significant adverse effect on the business, the financial situation and the results of the Company's operations.

In order to mitigate the electricity price volatility risk the Group holds long-term power purchase agreements (Note 19), as well as derivative hedging contracts (Note 9).

The sensitivity of net income to the variation in commodity prices, taking as a reference the sale price of electricity in the daily electricity market and the received remunerations to the investments, is as follows:

	Average energy price increase /(decrease)	Effect on profit and loss before tax
2018	10%	(827)
	(10%)	827
2017	10%	(821)
	(10%)	821

This effect does not include the impact that would result from fluctuations in the electricity sale price on asset impairments, considered in Note 5.

Credit risk

The credit risk lies in that the counterparty to an agreement might fail to fulfil their contractual obligations, thus bringing about economic or financial loss. The counterparties may be end clients or providers, counterparties on financial markets or on commodity markets, partners.

The Company, even though it has no significant credit risk concentrations in the energy retailing activity, does keep policies to ensure that the energy is sold to the clients with appropriate credit history, e.g. sales carried out through analysis of client scoring before signing the contract.

The designation of an existing credit risk as bad debt is established according to the implemented accounting principles (Note 2). In particular, in Spain an individual analysis is carried out for the unpaid credits older than 180 days, clients in state of insolvency as well as the clients with relevant proceedings initiated against them.

As at 31 December 2018 the provision for bad debts amounts to EUR 16,492 thousand (EUR 10,066 thousand as at 31 December 2017).

In order to mitigate the credit risk arising from commercial positions, the Group holds bad debt insurance policies. Moreover, in order to mitigate the credit risk arising from financial positions, the Group holds derivative contracts and cash surpluses are invested in high solvency banks and financial institutions limiting the time horizon of the open positions as well as the credit quality of the counterparties in financial transactions.

On 31 December 2018 and 2017 the Group did not have significant credit risk concentrations.

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Liquidity risk

Prudent liquidity risk management derives from the need of financing the Group's activity by temporary differences between the needs and cash generation and involves maintaining sufficient cash and marketable securities and the availability of funding through a sufficient amount of committed credit facilities as well as sufficient ability to close out market positions.

Management follows up the liquidity reserve forecasts of the Group (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note 14, to which the payments corresponding to Trade and other payables maturing in 2018 should also be added (Note 16).

As at 31 December 2018 available liquidity amounts to EUR 98,313 thousand, which entirely belong to cash and other cash equivalents (EUR 50,258 thousand as at 31 December 2017).

Capital management

The purpose of capital risk management is to maintain an appropriate ratio between internal and external financing (financial liability).

The leverage ratio is as follows:

	A 31.12.18	A 31.12.17
Non-current financial liabilities		
Bonds and other negotiable securities issuance liabilities	96,938	85,128
Financial liabilities to credit institutions	129,873	162,009
Other financial liabilities	46,283	22,333
Current financial liabilities		
Bonds and other negotiable securities issuance liabilities	67,985	28,941
Financial liabilities to credit institutions	103,713	69,126
Other financial liabilities	16,495	38,333
Derivatives	(863)	2,195
Cash and other cash equivalents		
Other current financial assets	(16,327)	(48,526)
Cash and other cash equivalents	(98,313)	(50,258)
Net financial debt:	345,784	309,281
Of the Parent Company (Note 12)	120,926	47,988
Of the minority interests (Note 12)	33,258	37,075
Net equity:	154,184	85,063
Leverage (Net financial debt / (Net financial debt + Net equity))	69.2%	78.4%

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Guarantee terms risk

In order for the Group to be able to carry out its activity, it has to provide the guarantees connected to the electricity purchase. The guarantees are provided in the form of guarantees issued by a bank and/or an insurance company, some of which are secured by the positive net liquidity position of the Group.

Should the financial institutions that grant the guarantees decide to cancel them, the Group's retailing activity would become limited, which could, to some extent, affect its viability. Likewise, if those financial institutions modified substantially the terms of the guarantees they had granted (cost, validity, warranties, among others), such modification could affect the profitability of the Audax Renovables Group.

As at 31 December 2018 and 2017, the Group does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

In the division of energy generation the development of the facilities under construction, owned by the Group, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

Financing the renewable energy projects with loans may imply, as a guarantee for the financial institutions, the necessity to pledge all or some of the shares of the Audax Renovables Group's investee companies.

NOTE 18 – TAX SITUATION

The Parent Company, as well as other companies of the Group, are subject to Corporate Income Tax under the consolidated tax system along with the following companies where Excelsior Times, S.L. is the head entity of the tax group:

Excelsior Times, S.L.U	Parc Eòlic Mudefer, S.L.U	Audax Solar SPV X S.L.U	Audax Solar SPV XVI S.L.U
A-Dos Energía, S.L.U	Explotación La pedrera, S.L.U	Audax Solar SPV XI S.L.U	Audax Solar SPV XVII S.L.U
Eléctrica Nuriel, S.L.U	Fercom Eólica, S.L.U	Audax Solar SPV XII S.L.U	Audax Solar SPV XVIII S.L.U
Orus Energía, S.L.	Parc Eòlic Coll de Som, S.L.U	Audax Solar SPV XIII S.L.U	Audax Solar SPV XIX S.L.U
Banana Phone, S.L.U	Parc Eòlic l'Arram, S.L.U	Audax Solar SPV XIV S.L.U	Audax Solar SPV XX S.L.U
Audax Green, S.L.U	ADS Energy 8.0, S.L.U.	Audax Solar SPV XV S.L.U	Audax Solar SPV XXI S.L.U
Orus Properties, S.L.U	The Energy House Group, S.L.U.	Audax Solar SPV XVI S.L.U	Audax Solar SPV XXII S.L.U
Orus Renovables, S.L.U	Eryx Investments, S.L.	Audax Solar SPV XVII S.L.U	Audax Solar SPV XXIII S.L.U
Generación Iberia, S.L.U	Audax Fotovoltaica, S.L.U.	Audax Solar SPV XVIII S.L.U	Audax Solar SPV XXIV S.L.U
Svendborg PV VII, S.L.U	Audax Solar SPV I, S.L.U	Audax Solar SPV XIX S.L.U	Audax Solar SPV XXV S.L.U
Aspy Global servicios, S.L.U	Audax Solar SPV II S.L.U	Audax Solar SPV XX S.L.U	
Aspy Prevención, S.L.U	Audax Solar SPV III S.L.U	Audax Solar SPV XXI S.L.U	
Spay Seguridad y Salud, S.L.U	Audax Solar SPV IV S.L.U	Audax Solar SPV XXII S.L.U	
Aspy Salud Global, S.L.U	Audax Solar SPV V S.L.U	Audax Solar SPV XXIII S.L.U	
Aspy Formación, S.L.U	Audax Solar SPV VI S.L.U	Audax Solar SPV XXIV S.L.U	
Audax Renovables, S.A.	Audax Solar SPV VII S.L.U	Audax Solar SPV XXV S.L.U	
Fersa Asesoramiento y Gestión, S.L.U	Audax Solar SPV VIII S.L.U	Audax Solar SPV XIV S.L.U	
Parque Eólico Hinojal, S.L.U	Audax Solar SPV IX S.L.U	Audax Solar SPV XV S.L.U	

Apart from Spain, the Group operates and pays taxes in Italy, the Netherlands, Poland, France, Germany and Portugal.

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Deferred taxes

The following table reflects the movement during 2018 in deferred taxes:

	Balance 31.12.17	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.18
Deferred tax assets	1,103	2,065	(514)	250	2,565	(8)	5,461
Deferred tax liabilities	(18,391)	(1,398)	2,791	(10,195)	(2,565)	3	(29,755)
Total	(3,638)	228	(955)	(955)	-	34	(4,331)

Recognised deferred tax assets and liabilities have mostly an estimated term of reversal or realisation over 12 months.

Deferred tax assets include mainly the tax effect of the recognition of derivative liabilities (Note 9), as well as temporary differences from recognised expenses that have not yet become tax-deductible.

Deferred tax liabilities include mainly the tax effect of the purchase price allocation to certain intangible assets in business combination transactions, the most important of them being the tax deferred liability connected with the business combinations of Audax Netherlands B.V. , which as at 31 December 2018 amounts to EUR 9,598 and of Unielectrica Energía S.A., which implied an increase for the year of EUR 10,195 thousand (Note 2).

There are no significant deferred tax liabilities connected with temporary differences in shareholding in subsidiaries, investees, associate companies and joint ventures.

Corporate Income Tax expenses

The reconciliation between the applicable tax rate and the effective tax rate for the year 2018 and 2017 is as follows:

	2018	%	2017	%
Income before tax	11,761		5,786	
Theoretical tax	2,940	25%	1,447	25%
Tax difference foreign subsidiaries	(114)		153	
Non-deductible cost	199		1,743	
Divestment and other tax recoveries	(317)		(8,363)	
Reversal of non-deductible impairment	(2,123)		-	
Recovery of tax losses carried forward, deductions and similar	(704)		-	
Incorporation of former tax groups to profit and loss	-		1,878	
Unrecognised tax credits	2,525		3,313	
Other deferred tax adjustments	(177)		(737)	
Other adjustments	(457)		72	
	1,772		(494)	

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Tax loss carry-forward and other tax credits

As at 31 December 2018 the Group has tax loss carry-forwards available for offset and not recognised, amounting to EUR 158,942 thousand, as well as an unrecognised deferred tax asset balance of EUR 8,461 thousand (EUR 9,539 thousand at 31 December 2017). The breakdown of these unrecognised credits is as follows:

	At 31.12.18	At 31.12.17
Tax loss carry-forward	39,439	36,455
Deferred tax assets	8,461	9,539
Total	47,900	45,994

In both cases the Audax Renovables Group has decided not to recognise these amounts in its annual accounts, as it considers that there are uncertainties regarding the ability to recover them.

The tax recovery of these credits will be determined primarily by the nature of each credit, its geographical origin and specific limitations of each tax environment.

Under current tax legislation, a tax return cannot be considered definitive until it is verified by the tax authorities or the four-year limitation time has elapsed.

The consolidated companies that comprise the Group are opened to tax inspection for all applicable taxes for the last four years.

NOTE 19 – INCOME AND EXPENSES

Ordinary Income

The breakdown of ordinary income is as follows:

	31/12/2018			31/12/2017		
	Spain and Portugal	Rest of Europe	Total	Spain and Portugal	Rest of Europe	Total
Operating income						
Energy retailing	723,365	225,354	948,719	481,903	151,339	633,242
Energy generation	28,203	7,432	35,635	30,573	6,830	37,403
Total	751,568	232,786	984,354	512,476	158,169	670,645

The sales amount is recorded as income at the moment of delivery to the client according to the supplied quantities and including estimated supplied energy that has not yet been read on the customer's meters (see Note 10).

Procurement

The breakdown of procurement is as follows:

	31/12/2018			31/12/2017		
	Spain and Portugal	Rest of Europe	Total	Spain and Portugal	Rest of Europe	Total
Procurement and others						
Energy retailing	676,555	206,691	883,246	459,895	134,290	594,185
Total	676,555	206,691	883,246	459,895	134,290	594,185

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The Group company, Audax Renovables S.A., signed in 2018 long-term power purchase agreements, the most significant of which being the one signed with COX Energy Solar S.A. Under this contract the Company will purchase energy directly from the generator of expected aggregate power of 495 MWp at defined terms. Given the nature of these agreements, the company does not consider them to be financial derivatives.

Staff costs

The breakdown of staff costs for the year 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Wages and salaries	15,301	11,240
Employer contributions	3,470	2,745
Other social expenses	589	355
Total	19,360	14,340

The total amount of employer contributions relates to Social Security.

The average number of employees for the years 2018 and 2017 is as follows:

	Average number	
	31/12/2018	31/12/2017
Management*	3	3
Managers, professionals, technicians and similar	114	93
Back office staff	284	190
Other salaried staff	67	80
Total	468	366

* including internal auditor.

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the Official State Gazette of 23 March 2007, the average number of employees of the Audax Renovables Group at the end of 2018 and 2017 broken down by category and gender is as follows:

	31/12/2018		31/12/2017	
	Women	Men	Women	Men
Management *	1	2	1	2
Managers, professionals, technicians and similar	26	79	26	67
Back office staff	227	128	141	80
Other salaried staff	33	37	38	38
Total	287	246	206	187

* including internal auditor.

The average number of employees with a disability equal to or greater than 33% (or equivalent local qualification) during the years 2018 and 2017, by category, is as follows:

	Average number	
	31/12/2018	31/12/2017
Back office staff	4	3
Other salaried staff	1	1
Total	5	4

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Other operating expenses

The breakdown of Other operating expenses in the years 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Leases (note 25)	2,044	1,968
Repairs and maintenance	5,448	4,741
Assessment services	5,570	6,454
Insurance premiums and commissions	1,571	1,598
Supplies and other services	1,732	1,015
Other operating expenses	7,956	6,892
Taxes	9,426	4,698
Loss, impairment and change in provisions	5,774	2,577
Total	39,521	29,943

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated profit and loss statement for the years 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Financial income from shareholding in third parties	133	341
Financial income from group companies receivables	2,270	(261)
Financial income from third party receivables	1,721	2,636
Financial expenses arising from bond issuing	(5,463)	-
Financial expenses from debt and other financial cost	(14,783)	(19,154)
Impairment and profit (loss) on disposal of financial instruments	(291)	268
Change in fair value of financial instruments	-	3,254
Exchange differences	(94)	286
Financial profit (loss)	(16,507)	(12,630)

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NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2018 and 2017 is as follows:

	2018	2017
<i>Cash flows from operating activities</i>		
Profit (loss) for the year before tax	11,761	5,786
Adjustments to results	37,935	33,091
Amortisation and depreciation	25,079	18,527
Valuation adjustments due to impairment	6,426	(125)
Changes in provisions	(6,993)	1,876
Profit (loss) on derecognition and disposal of fixed assets	-	50
Profit (loss) on derecognition and disposal of financial instruments	(61)	133
Financial income	(4,124)	(2,716)
Financial expenses	20,246	19,154
Exchange differences	932	(286)
Changes in fair value of financial instruments	(3,058)	(3,522)
Other income and expenses	(512)	-
Changes in working capital	23,371	(108,867)
Inventory	(4,457)	(51)
Accounts receivable	11,946	(25,712)
Other current assets	(6,687)	(39,995)
Accounts payable	24,428	(43,109)
Other non-current assets and liabilities	(1,859)	-
Other cash flows from operating activities	(17,176)	(14,853)
Payments of interest	(20,246)	(17,569)
Collections of interest	4,124	2,716
Income tax payments	(1,054)	-
Cash flows from operating activities	55,891	(84,843)

NOTE 22 – INFORMATION ON RELATED PARTY TRANSACTIONS

Related parties are:

- a) Significant shareholders of Audax Renovables, S.A., meaning those who directly or indirectly hold an interest equal to or exceeding 3%, as well as shareholders which, while not being significant, have exercised the power to appoint a member of the Board of Directors:

According to the above definition, Eléctrica Nuriel, S.L.U. is considered to be a related party.

- b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, “Directors” meaning members of the Board of Directors, and “Senior Management” meaning people who report directly to the Company’s Board of Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 23.
- c) All the companies belonging to the Excelsior Group.

The transactions between related companies have been carried out at arm’s length.

The transactions involving services rendered between Group companies have been objective and unbiased and carried out at arm’s length, based on the incremental cost system, under which the estimated cost plus a margin has been allocated to the different Group or related companies. Thus, the costs shared by the Parent Company and other Group companies are distributed and charged by project and activity, based on parameters of activity and hourly charges (using periodical slips per employee). Detailed definitions of the services and remits to be carried out are prepared, and the average indicators used to calculate the charges are determined.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2018
(EUR thousands)

Moreover, the loans that the Parent Company has extended to the Group companies, associates or multi-group companies accrue financial interest based on a market rate.

The balances and transactions carried out in the years 2018 and 2017 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

a) Balances with related parties:

Accounts payable and receivable with related parties as at 31 December 2018 and 31 December 2017 are as follows:

2018	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	87,810	2,910	90,720
Total non-current assets	87,810	2,910	90,720
Trade and other receivables			
Short-term receivables from group companies and associates	436	-	436
Loans and receivables			
Claims (Note 10)	2,616	99	2,715
Total current assets	3,052	99	3,151
Total assets	90,862	3,009	93,871
Long-term payables to group companies and associates	14,402	636	15,038
Total non-current liabilities	14,402	636	15,038
Short-term payables to group companies and associates	11,307	-	11,307
Trade and other payables			
Short-term suppliers, group companies and associates	803	-	803
Total current liabilities	12,110	-	12,110
Total liabilities	26,512	636	27,148
2017	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	23,087	3,979	27,066
Total non-current assets	23,087	3,979	27,066
Trade and other receivables			
Short-term receivables from group companies and associates	619	-	619
Loans and receivables			
Claims (Note 10)	3,330	81	3,411
Total current assets	3,949	81	4,030
Total assets	27,036	4,060	31,096
Long-term payables to group companies and associates	1,106	(626)	480
Total non-current liabilities	1,106	(626)	480
Short-term payables to group companies and associates	37,766	-	37,766
Trade and other payables			
Short-term suppliers, group companies and associates	2,815	-	2,815
Total current liabilities	40,581	-	40,581
Total liabilities	41,687	(626)	41,061

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
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The receivables and payables balances with the group companies for 2018 correspond mainly to loans granted and received by Audax Renovables, S.A. and its subsidiaries with Excelsior Times, S.L.U.. As at 31 December 2018 the amount of non-current loans granted to Excelsior Times S.L.U. amount to EUR 80,009 thousand, including the principal and interest. Additionally, the non-current payables balances with Excelsior S.L.U. amount to EUR 14,000 thousand.

Loans and non-current receivables with other related parties include loans granted to the companies incorporated as per equity accounting and to other investee companies which do not comprise the Group, in the amount of EUR 2,910 thousand (EUR 3,888 thousand as at 31 December 2017).

b) Related party transactions:

The amounts of the related party transactions are as follows:

2018	Group companies	Other related parties	Total
Income			
Net turnover	709	-	709
Services rendered	2,855	90	2,945
Financial instruments			
Financial income	2,213	108	2,321
Total income	5,777	198	5,975
Expenses			
Purchases	8,363	42	8,405
Other received services	692	-	692
Total Expenses	9,055	42	9,097

2017	Group companies	Other related parties	Total
Income			
Net turnover	1,004	2	1,006
Services rendered	3,763	227	3,990
Financial instruments			
Financial income	646	39	685
Total income	5,413	268	5,681
Expenses			
Purchases	13,997	35	14,032
Other received services	1,207	8	1,215
Total Expenses	15,204	43	15,247

In the year 2018 there were no transactions entered into with Directors and senior management, nor there were such transactions in the year 2017.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2018
(EUR thousands)

NOTE 23 - INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the Board of Directors

The Board of Directors of the Company, at its meeting of 21 February 2017, unanimously approved the remuneration system recommended by the Appointments and Remuneration Committee.

Furthermore, the General Meeting of Shareholders of Audax Renovables, S.A. at its meeting on 29 June 2017 approved for consultation purposes the report put forward by the Appointments and Remuneration Committee, which will be effective in the years 2017, 2018, 2019 and following.

The Company's remuneration policy is designed to reward dedication, qualification and responsibility required by the office of Director, without compromising their independence. The remuneration comprises the performance of duties either individually or jointly and the oversight and responsibility required by the office.

The remuneration corresponds with the membership of the Board of Directors and consists of a variable remuneration for the members of the Board of Directors depending on the attendance at the in-person meetings.

The composition of the Board of Directors of Audax Renovables, S.A. did not change as a consequence of the merger by absorption of Audax Energía, S.A.U. by Audax Renovables, S.A.

In the year 2018 the amount charged by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 104 thousand (EUR 67 thousand in 2017) for their membership of the Board and its various Delegated Committees, as well as remuneration for their employment relationship or direct responsibilities at different executive levels, where appropriate.

In the year 2018 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 29 thousand (EUR 29 thousand in 2017).

As at 31 December 2018 the Board of Directors of the Parent Company is composed of 6 men (7 men at 31 December 2017).

Other information on Directors

Article 229 of the Spanish Corporate Enterprises Act, adopted by Royal Legislative Decree 1/2010/2 July, has imposed on Directors, or their individual representatives, the duty to report to the Board of Directors, and failing that, the other Directors, or, in the case of a Sole Administrator, the General Meeting of Shareholders, any direct or Indirect conflict of interest they may have with the Company. The affected Director must abstain from intervening in the resolutions or decisions on the operation to which the conflict refers.

In this regard it should be noted that in the years 2018 and 2017 no situations of direct or indirect conflict of interest occurred between the members of the Board of Directors and the Company.

In the years 2018 and 2017 no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

Likewise, the Directors have declared that they are not subject to any direct or indirect conflict of interest with the Parent Company and its subsidiaries.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2018 by the Senior Management amounted to EUR 394 thousand (EUR 217 thousand for the year 2017). Furthermore, there is one

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2018
(EUR thousands)

contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2018 the Senior Management of the Group is made up of one woman and two men, including the internal auditor (one woman and one man in 2017, including the internal auditor).

NOTE 24 - AUDITORS' FEES

The professional fees for the services rendered by the audit company KPMG Auditores, S.L. in auditing the annual financial statements of the Group in the years ended on 31 December 2018 and 2017, regardless of the moment of invoicing, are as follows:

	EUR thousands	
	<u>2018</u>	<u>2017</u>
Audit services	313	180
Other accounting verification services	-	-
Other services	<u>30</u>	<u>27</u>
	<u>343</u>	<u>207</u>

Furthermore, in the years ended on 31 December 2018 and 2017 the Group was invoiced for net professional fees of other entities associated to KPMG International, according to the following breakdown:

	EUR thousands	
	<u>2018</u>	<u>2017</u>
Audit services	148	111
Other accounting verification services	-	-
Tax assessment services	-	-
Other services	<u>4</u>	<u>-</u>
	<u>152</u>	<u>111</u>

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

As at 31 December 2018 the Group has been given bank guarantees amounting to EUR 75,041 thousand (EUR 39,001 thousand at 31 December 2017) to cover the relevant obligations with third parties. The guarantees have been granted mainly to cover the transactions of electricity purchase on the market.

The Group does not expect that significant liabilities arise from the guarantees and sureties that have been granted.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
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Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2018 and 2017:

Period	31.12.18
Up to one year	1,761
One to five years	5,109
More than five years	7,851
Total	14,721

The Group's operating lease expenses in the year 2018 amounted to EUR 1,940 thousand (EUR 1,934 thousand in 2017).

Contingencies

The Audax Renovables Group considers that the provisions and value adjustments recorded in these consolidated annual accounts adequately cover the risks related to any possible contingencies and therefore, it does not expect that they will generate any liabilities or value adjustments other than those which have been recorded (Note 13).

NOTE 26 - ENVIRONMENT

Environmental aspects are borne in mind throughout the processing and construction of facilities, and all necessary studies required under the legislation of each country are prepared.

In the year 2018 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 129 thousand, mainly for wildlife conservation purposes (EUR 120 thousand in 2017).

NOTE 27 – GREENHOUSE GAS EMISSIONS RIGHTS

On 27 August 2004 Royal Decree Law 5/2004, which regulates the regime for trading in greenhouse gas emissions rights, was adopted, the objective of which was to assist in complying with the obligations under the Kyoto Protocol Convention.

The Group has not been assigned CO2 emissions and has no expenses arising from the consumption of these rights. The Management of the Audax Renovables Group does not expect that any penalties or contingencies will arise from compliance with the requirements under Law 1/2005.

The wind farm of the Polish company Eólica Postolin Sp. z o.o. was endorsed to obtain Green Certificates. The volume of Green Certificates generated during the year 2018 by the company amounts to EUR 2,143 thousand (EUR 813 thousand in the previous year).

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2018
(EUR thousands)

NOTE 28 - SUBSEQUENT EVENTS

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November between Audax Renovables, S.A. and Audax Energía, S.A. (Note 1 and Note 12).

On 4 February 2019 the Parent Company informed about the conclusion of a power purchase agreement (PPA) with Morningchapter S.A., controlled by Allianz Insurance Companies. The Parent Company will act as a representative on the Portuguese market for retailing electricity from the photovoltaic plant Ourika developed by WELink Group with a capacity of 46 MWp.

On 7 February 2019 the Parent Company signed a representation contract for electricity retailing (PPA) with WELink Investment Holdings Ltd. Under this framework agreement (PPA), which establishes a fixed price for 20 years, the Parent Company will purchase electricity generated by Solara4 as well as by other new projects of solar photovoltaic plants developed by WELink Group in Spain as well as in Portugal, with a possibility to reach a total of 708 MW. The photovoltaic plant Solara4 will have an installed capacity of 218.8 MWp and is expected to be connected to the grid in mid-2019. The plant will employ an average of 300 people during its construction and will generate enough energy to supply electricity to more than 100,000 households.

On 13 February 2019 the Parent Company prolonged its current promissory note programme of EUR 50,000 thousand (Note 14) with maturity in 2019, extending it with a new programme amounting to a maximum of EUR 75,000 thousand with maturity of up to 24 months.

APPENDIX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 DECEMBER 2018

a) Shareholdings in subsidiary companies

Audax Renovables, S.A. has a controlling shareholding in the following companies:

Company's name	Registered address	Country	Objects	Shareholding	
				Direct	Indirect
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Nações Unidas, 23, Escritorio C, Telheiras, 1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausemlant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyteltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energia, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.L.	Avda. Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	54%
Nabalía Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	50%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	50%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%

b) Shareholdings in associated companies and joint ventures

Company's name	Registered address	Country	Objects	Shareholding		Controlling relation
				Direct	Indirect	
Berta Energías Renovables, S.L.	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Wind energy	4.74%	21.05%	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Wind energy	-	30.30%	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Spain	Wind energy	30.00%	-	Significant influence

AUDAX RENEWABLES GROUP COMPANIES AS AT 31 DECEMBER 2017

a) Shareholdings in subsidiary companies

Audax Renovables, S.A. has a controlling shareholding in the following companies:

Company's name	Registered address	Country	Objects	Shareholding	
				Direct	Indirect
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Orus Energia, S.L.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	-	100%
A-DOS Energia, S.L.U.	Camí de la Pelleria, 44, 08915 Badalona (Barcelona)	Spain	Retailing	-	100%
Propensalternativa Unipessoal, LDA	Avda. das Nações Unidas, 23, Escritório C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energia, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Parstream B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Steamline Holding B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%

b) Shareholdings in associated companies and joint ventures

Company's name	Registered address	Country	Objects	Shareholding		Controlling relation
				Direct	Indirect	
Berta Energies Renovables, S.L.	Traversera de Gràcia, 56 entresuelo (Barcelona)	Spain	Wind energy	4.74%	21.05%	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Wind energy	-	30.30%	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind energy	30.00%	-	Significant influence

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2018

The following Consolidated Directors' Report for the Year 2018 has been drawn up in accordance with the "Guide for Setting up Listed Companies' Management Reports" issued by the CNMV.

1. Entity's situation

Audax Renovables, S.A. (hereinafter: Audax Renovables, Audax or the Company), incorporated in the year 2000 under the name of Fersa Energías Renovables, S.A., currently has its registered office at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

Audax and its Subsidiaries (hereinafter: the Group) operates on the markets in Spain, Portugal, Poland, Germany, Italy, France, the Netherlands and Panama.

Its principal objects include:

- Energy retailing, purchase and sale of electricity, including export and import, fuel retailing for energy production, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as all the necessary additional activities.
- Development, construction and exploitation of all kinds of activities related to electricity generation from 100% renewable sources.

In 2003 the shares of Audax were admitted to trading on the secondary market of the Barcelona Stock Exchange and in 2007 they were included in the SIBE (integrated stock exchange system) of the Madrid Stock Exchange. Now the shares are traded on the Spanish Continuous Market with the ticker symbol of ADX.MC.

In August 2016 Audax Energía, S.A., after its takeover bid had been accepted by 70.86% of the shareholders of Audax Renovables, became the majority shareholder the latter. The transaction was in line with the strategy of Audax Energía, S.A. of vertical integration between the generation and the retailing activities in order to mitigate the impact of electricity price fluctuations on the business margins.

On 29 June 2018 the Boards of Directors of Audax Renovables and Audax Energía, S.A. formulated a joint project of merger by absorption between Audax Renovables, as the acquiring company, and Audax Energía, S.A., as the acquired company. The union between the companies was approved unanimously by the shareholders attending the General Meeting of Shareholders held on 23 November 2018.

On 27 December 2018 a significant event was announced in the form of notarisation and execution of the company's resolutions approving the merger by absorption of the acquired company by the acquiring company. Finally, on 25 January 2019, the transaction of the inverse merger was entered into the Commercial Register in Barcelona.

The share capital of Audax, upon completion of the transaction of inverse merger, is distributed in the following manner:

Shareholder	Shareholding
Eléctrica Nuriel, S.L.	90.73%
Free float	9.27%
Total	100.00%

1.1. Organisational structure

The Group manages jointly the businesses of both retailing and generating energy in order to optimise the vertical integration that has been carried out. Thus the entity's management is able to act flexibly in each one of the two existing business lines.

The information on the entity's management structure, the functions and the different regulations of the Board of Directors' committees is available in the corporate governance report attached to this document.

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 90.73% of the shares. In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2018 is presented in Appendix I to this report.

1.3. Profile and strategy

The Group's strategy in recent years has been centred around three fundamental pillars:

(i) A strong process of internationalisation referred to the retailing activity by establishing the company in different European countries: Portugal (2013), Italy (2014), Germany (2015), Poland (2016) and the Netherlands (2017).

(ii) A better positioning on the Spanish market by way of both organic and inorganic growth.

(iii) The maintenance and optimisation of the facilities for the generation of energy from 100% renewable sources, thus enabling the vertical integration with the retailing activity and providing the customers with 100% renewable energy.

- **RETAILING:**

Spain and Portugal:

The retailing activity is based on a commodity product placed on a very competitive market, especially since the liberalisation of energy retailing in January 1998. On the basis of this liberalisation and considering the strong competition on the market, Audax strives to present new products which will set it apart from the competitors and which will better meet the needs of the clients, positioning a significant proportion of the sales in the SME segment.

In regard to the retailing activity, as at 31 December 2018 Audax Renovables ranks 9th among the retailers on the Spanish electricity market, with a market share of 1.33%. In Portugal the company is ranked 6th by market share of supplied energy on the Portuguese market.

The Company retails at three rates:

I. Indexed rate: The client pays for the consumed electricity at a variable price depending on the sale price on the wholesale market. It allows access to the free market and paying for the energy at a cost price plus a management commission. Audax establishes a mark-up applied to the cost of energy.

II. Flat indexed rate: It allows paying the same amount of the electricity invoice each month. This rate is established on a personalised basis depending on the consumption needs of the client and includes a mark-up for costs covering.

III. Flat rate: In this case the prices of invoiced energy supply contracted as well as energy consumption are fixed during the validity of the contract, which is at least 12 months.

Italy:

Audax Energía, S.R.L. is involved in electricity and gas retailing and is present through its own trademarks that offer local services linked to the environment. It has 15 offices and the headquarters in Milan.

The Group entered the Italian market through the acquisition of the retailer BigEnergía, S.R.L. in 2014 and a subsequent acquisition of a portfolio of clients of Compagnia Energetica Italiana (CEI) with the aim of increasing the turnover.

Poland:

The Group entered the Polish market in 2016 through the acquisition of 51% of the retailer Deltis sp. z o.o., which changed its name to Audax Energía sp. z o.o. In March 2017 Audax acquired the remaining 49% of shares and now has control over the entire company.

The Group's strategy is to accelerate its growth in Poland, given the country's potential market of 1.8 million businesses and 14 million households.

Germany:

The Group initiated its activity on the German retailing market in 2015. Unlike in the internationalisation process carried out in other European countries – where the Group entered through the acquisition of an already operating company – the Group's strategy in Germany has been based on starting the retailing activity from scratch by creating the Audax Energie GmbH company.

The Netherlands:

In March 2017 the Group acquired 71.97% of the company Main Energie, B.V. (Main) involved basically in electricity and gas retailing on the Dutch market, mainly in the SME segment of the real property sector.

The acquisition of Main has enabled a more accelerated consolidation of the international expansion strategy by increasing the presence on the European market.

- **REPRESENTATION:**

Generación Iberia, S.L. is a company incorporated in 2005 for the purpose of representing the energy generation plants. Its aim is to maximise the profitability of the electricity producers. The company manages the sales of energy from independent generators at OMIE for the daily and intraday market.

Furthermore, the company offers complementary management services, such as hedging and guarantees management to OMEL and MEFF.

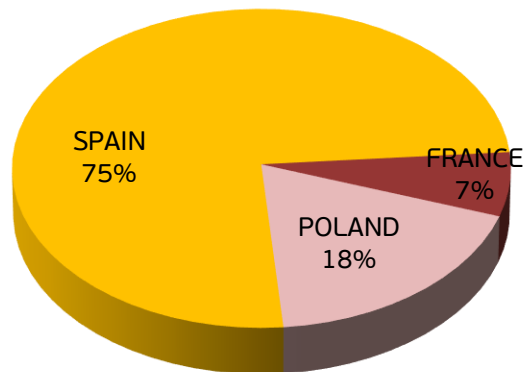
- **GENERATION:**

Currently Audax manages a total portfolio of operating plants of 185 MW in Spain, France and Poland, 1 MW of which corresponds to photovoltaic technology and the rest is wind technology; there is a project under construction in Panama, of 66MW (a 30% shareholding in the company Toabré, S.A.)

Audax has a portfolio of operating assets of high technological quality and of an average age of 9 years.

As at 31 December 2018 the distribution of the Audax's operating plants is as follows:

Installed capacity - 185 MW



Spain:

Currently Audax has in Spain 139 MW in operation: 138 MW in wind farms and 1 MW in photovoltaic plants. The operating plants are located in the provinces of Tarragona, Castellón and Cádiz, thus diversifying the portfolio nationwide.

France:

Currently Audax has an operating wind farm in France, of 12 MW, in the region of Drôme (in the south-east of the country).

Poland:

Audax has in Poland the Postolin wind farm of 34 MW, operating since December 2015. It is located in the north of the country, near the city of Sztum.

Panama:

Audax holds a 30% shareholding in the Parque Eólico Toabré, S.A. company, the owner of a wind farm under construction which, in the first stage, will have 66MW.

2. Evolution and results of the business

2.1. Significant events of the period

Audax Renovables ends the year 2018 with a Net Profit Attributable to the Parent Company amounting to EUR 8,997 thousand, which is an increase of 9.1% (EUR 8,250 thousand) and the EBITDA amounting to EUR 53,395 thousand, having increased by 44%, both in comparison to the same period of the previous year.

Among the most important events of the period, in chronological order, we can point out the following:

- Audax Renovables, S.A. informed about restructuring its syndicated corporate loan signed in January 2012, concluding a new corporate loan agreement with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand. Subsequently, on 10 April 2018, the loan was settled entirely through a new transaction of debt optimisation, in the project finance scheme, of Parque Eólico Hinojal.

- Audax Energía, S.A. signed on 16 March 2018 a framework agreement on long term energy purchase between Cox Energy Solar, S.A., as the developer (the “Developer”), and Audax, as the buyer (the “Framework Agreement”), under which the Developer will acquire and/or develop facilities for solar photovoltaic energy generation with an expected aggregated capacity of 495MWp, located in Spain and 165MWp in Portugal, with the aim of transmitting to Audax the energy generated by those facilities on the terms stipulated in the Framework Agreement.

The Framework Agreement will enable Audax to purchase energy directly from the producer at stable prices and in a long term, thus gaining a competitive edge in the sector.

- In April 2018 the integration between Audax Energía, S.A. and UniEléctrica, S.A. was concluded according to the strategy of increasing the share in the Spanish market. UniEléctrica renders electricity retailing services throughout Spain, including the Balearic Islands and the Canary Islands, has a strong position in the SME segment and a nationwide distribution network, and has been the most successful retailer in terms of client acquisition in that segment in the last year.
- In May of this year Audax Renovables, S.A. informed about the beginning of the construction works of the first stage of the wind farm Toabré of 66 MW of installed capacity in Panama, with a total investment amounting to over USD 150 million. A loan agreement for 12 years was signed for the purpose of financing this first stage, of a total amount of USD 104 million, with Banco Prival, S.A. acting as the agent bank
- On 14 September 2018 Audax Energía, S.A. announced its invitation to the bond repurchase and swap, aimed at all the holders of unsecured senior bonds of a total amount of TWENTY ONE MILLION EUROS (EUR 21,000.000), at an interest rate of 5.75% and with the maturity date on 29 July 2019, all of them fungible and with the ISIN Code ES0305039002.
- On 5 October 2018, through a significant event report submitted to the MARF, Audax Energía, S.A. notified the market about the amount corresponding to the Repurchase and Swap of Existing Bonds and announced the issue of 350 Bonds for the amount of EUR 35.000.000 at an interest rate of 5.50% and with the maturity date on 10 October 2023, all of them fungible and with the ISIN Code ES0305039028. The bonds were paid up on 10 October 2018.
- The most important event of the year is the transaction of reverse merger carried out by Audax Renovables, S.A. (as the acquiring company) and Audax Energía, S.A. (as the acquired company). The process was initiated by the joint project of merger formulated by the Boards of Directors of both companies on 29 June 2018, approved unanimously by the Extraordinary General Meeting of Shareholders of Audax Renovables, S.A. on 23 November 2018, and afterwards the shareholders’ resolutions adopted on 27 December 2018 were notarised, registered and implemented.
- In connection with the reverse merger process, other preparatory transactions were carried out:

On 28 June 2018 the merger by absorption of Banana Phone, S.L. as the acquiring company and Eléctrica Nuriel, S.L. as the acquired company. As a result of this merger, Banana Phone S.L. became the holder of 100% of shares of Audax Energía, S.A. On the same day, the merger by absorption of Audax Energía S.A. as the acquiring company and A-DOS Energía S.L. and Orus Energía S.L. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L. And finally, on 19 October 2018, a non-cash increase of

share capital of Audax Energía, S.A. was carried out, in which the sole shareholder of this company contributed 100% of shares of the ADS Energy 8.0, S.LU. company and 80% of shares of the Eryx Investments 2017, S.L. company.

See note number 2.5. b) Changes in the consolidation scope and business combinations, for more detail on the impact of these preparatory transactions on accounting.

2.2. Profit and loss for the year

The results of Audax disclosed in these notes to the financial statements for the year 2018 are presented in the context of the merger by absorption described above.

From the accounting perspective, as a consequence of that reverse merger of Audax Energía, S.A. (acquired company, legally subsidiary, but acquirer in accounting) by Audax Renovables, S.A. (acquiring company, legally parent, but acquired for accounting purposes), it is considered, according to IFRS 3 – section B22, that the consolidated financial statements for the year 2018 are a continuation of the consolidated financial statements of Audax Energía, S.A., insofar as it is a transaction between entities under joint control. Therefore, for the purpose of the analysis, the changes in the results for the present year 2018 will be compared with the information regarding the annual period ended on 31 December 2017 with regard to Audax Energía, S.A. and subsidiaries.

2.3. Analysis of the results

The most significant results figures for the year 2018 in comparison to the year 2017 are as follows:

Consolidated Income Statement	2018	2017	Var. (%)
Operating income	986,947	675,594	46.1
Gross Margin	103,701	81,409	27.4
EBITDA *	53,395	37,076	44.0
EBIT	28,316	18,549	52.7
Profit/loss attributable to the Parent Company	8,997	8,250	9.1

EUR thousands

* As a consequence of the merger transaction and the change of dimension and scope of the company, the EBITDA is considered to be the result of operating income + amortization and depreciation +/- impairment, reversal and profit/loss on disposal of fixed assets.

Operating income has increased by EUR 311,353 thousand, mainly due to the incorporation of UniEléctrica in the year 2018. Furthermore, the good performance of the Netherlands (Main Energy) and other European countries, showing a steady upward trend, have increased their sales figures for this year, reinforcing the income growth by 46.1% compared to the previous year.

The consolidated EBITDA amounts to EUR 53,395 thousand, up by 44% from the same period of the previous year.

The net profit (net result attributable to the parent company) amounted to EUR 8,997 thousand, compared to EUR 8,250 thousand of the year before, which signifies an increase of 9.1%.

2.4. Profit and loss by segments

The overview of the results up to EBITDA of the main business segments by geographical region in the year 2018 is as follows:

Business segments details

2018, December 31st

	Retail			Generation			TOTAL
	Spain and Portugal	Rest of Europe ⁽¹⁾	Subtotal Retail	Spain	Rest of Europe ⁽²⁾	Subtotal Gener.	
Net turnover	723,365	225,354	948,719	28,203	7,432	35,635	984,354
Supplies	-676,555	-206,691	-883,246	0	0	0	-883,246
Gross Margin	46,810	18,663	65,473	28,203	7,432	35,635	101,108
Operating expenses	-24,560	-21,229	-45,789	-8,551	-1,948	-10,499	-56,288
Impairment (reversion) and profit/loss from disposal of fixed assets	-6	54	48	1,983	6,544	8,527	8,575
EBITDA	22,244	-2,512	19,732	21,635	12,028	33,663	53,395

EUR thousands

2017, December 31st

	Retail			Generation			TOTAL
	Spain and Portugal	Rest of Europe ⁽¹⁾	Subtotal Retail	Spain	Rest of Europe ⁽²⁾	Subtotal Gener.	
Net turnover	481,903	151,339	633,242	30,573	6,830	37,403	670,645
Supplies	-459,895	-134,290	-594,185	0	0	0	-594,185
Gross Margin	22,008	17,049	39,057	30,573	6,830	37,403	76,460
Operating expenses	-9,314	-18,234	-27,548	-9,264	-2,522	-11,786	-39,334
Impairment (reversion) and profit/loss from disposal of fixed assets	8	5	13	0	-63	-63	-50
EBITDA	12,702	-1,180	11,522	21,309	4,245	25,554	37,076

EUR thousands

Rest of Europe ⁽¹⁾ of Retail includes Italy, Poland, Germany and Netherlands

Rest of Europe ⁽²⁾ of Generation includes France and Poland

In the retail segment, the incorporation of UniEléctrica in the year 2018 is reflected in the evolution of the Gross Margin as well as the EBITDA in the region of Spain and Portugal, the latter amounting to EUR 22,244 thousand, compared to EUR 12,702 thousand of the previous year.

The good performance of the Rest of Europe segment contributes to increasing the operating income by 48.9%, up to the amount of EUR 225,354 thousand in the year 2018, compared to EUR 151,339 thousand in the year before.

In the generation segment the Gross Margin has not experienced any significant change, as the weaker wind resource in Spain this year has been compensated by good results of Poland, owing to the increased price of the Green Certificates and a decrease of its operating expenses due to a change in legislation.

As a consequence of the aforementioned change in legislation in Poland, the Group made a reversal of the provision for tangible assets of EUR 6,564 thousand concerning the Postolin wind farm.

The Group's EBITDA has reached EUR 53,395 thousand, compared to EUR 37,076 thousand of the previous year, up by 44%.

2.5. Principal operating figures

The principal figures arranged by segments are as follows:

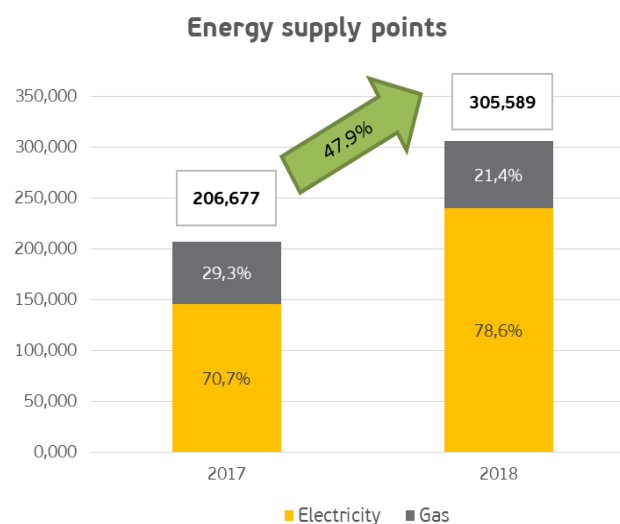
- **Retailing:**

- Supply points:

At the balance sheet date of the year 2018 Audax has 306 thousand active energy supply points, approximately 47.9% more than at the end of 2017.

The electricity supply points, whose number increased the most throughout this year, represent 78.6% of the total quantity of supply points. When UniEléctrica joined the Group in April 2018, it contributed 72 thousand new supply points, which meant an increase of 64.5% of electricity supply points.

Without any new company incorporations, the number of gas supply points increased by 7.8% in comparison to the same period of the previous year.



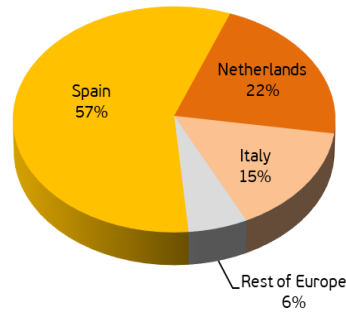
The following table shows the evolution of the supply points in the two years by geographical region:

Energy supply points	2018	2017	% Var.
Spain	174,844	71,424	n.a.
Electricity *	156,019	60,060	n.a.
Gas	18,825	11,364	65.7
Netherlands	66,220	62,692	5.6
Electricity	40,758	37,292	9.3
Gas	25,462	25,400	0.2
Italy	46,873	54,970	-14.7
Electricity	26,721	31,955	-16.4
Gas	20,152	23,015	-12.4
Rest of Europe (RoE)	17,652	17,591	0.3
Electricity	16,743	16,768	-0.1
Gas	909	823	10.5
TOTAL ENERGY SUPPLY POINTS	305,589	206,677	47.9
Total Electricity	240,241	146,075	64.5
Total Gas	65,348	60,602	7.8

* In 2018 its included UniEléctrica incorporation with 72.399 energy supply points since 06/04/2018.

The distribution of the supply points by geographical region at the end of the year is as follows:

Energy supply points 2018



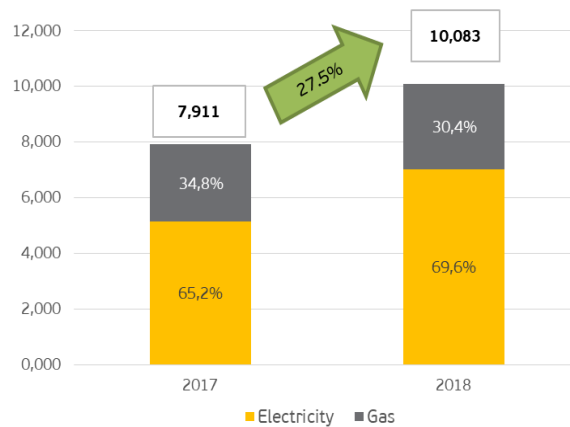
Supplied energy:

The total amount of energy supplied by Audax in the year 2018 is of 10.1 TWh, compared to 7.9 TWh of the previous year, which signifies an increase of 27.5%.

The supplied electricity, where the biggest growth was recorded this year, constitutes 69.6% of the total amount of supplied energy. When UniEléctrica joined the Group in April 2018, it added 2.1 TWh to this amount at the end of December 2018.

Without any new company incorporations, the amount of gas supply was up by 11.2% in comparison to the same period of the previous year.

Energy supplied (GWh)

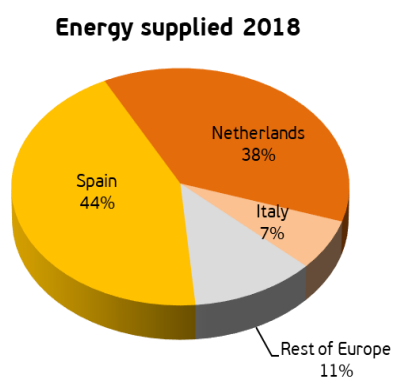


The following table shows the evolution of the supplied energy in the two years by geographical region:

Energy supplied (GWh)	2018	2017	% Var.
Spain	4,415	3,020	46.2
Electricity *	4,006	2,579	55.3
Gas	409	441	-7.2
Netherlands	3,807	3,394	12.2
Electricity	1,638	1,495	9.5
Gas	2,169	1,899	14.3
Italy	688	620	10.9
Electricity	305	262	16.2
Gas	383	358	7.1
Rest of Europe (RoE)	1,173	876	33.8
Electricity	1,074	822	30.6
Gas	99	54	82.1
TOTAL ENERGY SUPPLIED	10,083	7,911	27.5
Total Electricity	7,022	5,159	36.1
Total Gas	3,061	2,752	11.2

* In 2018 its included Uniléctrica incorporation

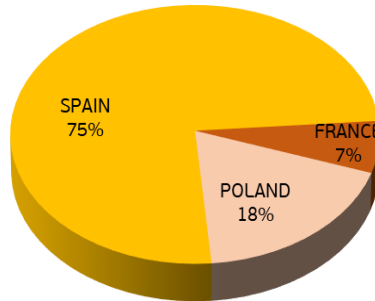
The distribution of the supplied energy by geographical region at the end of the year is as follows:



- **Generation:**

The Group's renewable energy generation division has not changed its installed capacity during the year 2018 in comparison to the year 2017. Of the total amount of installed capacity, 1 MW corresponds to photovoltaic technology, and the rest is wind technology. The distribution of installed capacity by country is as follows:

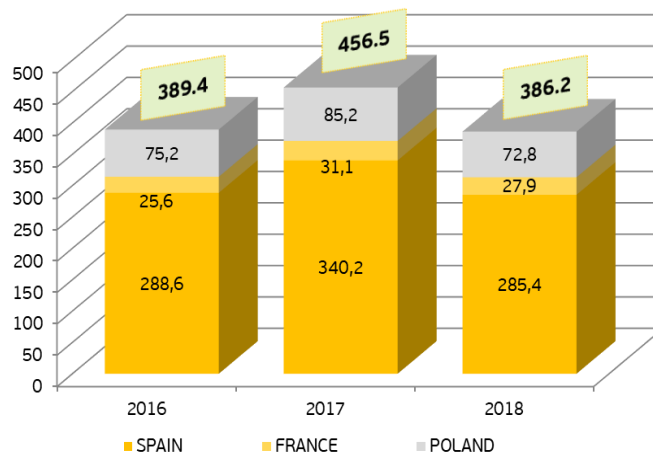
Installed capacity - 185 MW



The beginning in May 2018 of the construction works of the first stage of the wind farm Parque Eólico Toabré of 66MW should be pointed out. A loan agreement for 12 years was signed for the purpose of financing this first stage, of a total amount of USD 104 million, with Banco Prival, S.A. acting as the agent bank.

The production in the year 2018 reached 386.1 GWh, approximately 15% less than in the previous year, mainly due to weaker wind resource, but in line with the year 2016. The distribution of the production by country is as follows:

Production (GWh)



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec-18	Dec-17	Var.	Var. (%)
Debt of bonds and other marketable securities	164,923	114,069	50,854	44.6
Bank loans	233,586	231,135	2,451	1.1
Other financial liabilities	62,778	60,666	2,112	3.5
Derivatives	-863	2,195	-3,058	-139.3
Cash and other current financial assets	-114,640	-98,784	-15,856	16.1
Net Financial Debt	345,784	309,281	36,503	11.8
Net Equity *	154,184	85,063	69,121	1.34
Leverage **	69.2%	78.4%	-9.3%	

EUR thousands

* Net Equity = Parent Company Net Equity + minority interests

** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net financial debt as at 31 December 2018 increased by EUR 36,503 thousand, up to EUR 345,784 thousand, in comparison to EUR 309,281 thousand as at 31 December 2017, mainly as a consequence of new issuance of bonds and promissory notes on the MARF. See note 14 to the financial statements for more detailed information on these financial liabilities.

Financial leverage decreased by 9.3% owing, among others, to the variation in the Net Equity of the Company after the incorporation of other companies into the Group.

3.2. Rating management

As at 31 December 2018 the Group has a BBB- with stable outlook rating issued by AXESOR RISK MANAGEMENT S.L.U.

3.3. Debt structure

Regarding financial liabilities, without including trade payables and other accounts payable, the following table shows the main groups of current and non-current financial liabilities:

Financial Liabilities *	Dec-18	dic-17	Var.	%
Debt of bonds and other marketable securities	164,923	114,069	50,854	44.6
Bank loans	233,586	231,135	2,451	1.1
Financial Derivatives	11,835	10,633	1,202	11.3
Other non-current financial liabilities	58,534	58,262	272	0.5
Total Financial Liabilities	468.878	414.099	54.779	13.2

* Financial liabilities, non including trade and other liabilities accounts

In regard to financial liabilities of the year 2018, their structure by type of debt is as follows:

Financial liabilities breakdown	Dec-18	% total
Project Finance	116,252	25%
Bonds	113,397	24%
Loans	53,564	11%
Promissory notes	51,525	11%
Confirmings and similars	42,086	9%
Other liabilities	36,433	8%
Debts with Group companies	21,901	5%
Crédits	21,684	5%
Derivatives	11,835	3%
Total financial libailities	468,678	100%

Project Finance is a method of financing the construction of wind farms and solar plants of the renewable energy generation segment. Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk. This loans comprise around 25% of the total financial liabilities.

The issues of bonds and promissory notes on the MARF throughout the year 2018 contributed to increase this kind of financing by EUR 50,854 thousand, comprising 24% and 11% respectively of the total of the abovementioned financial liabilities.

See Note 14 to the financial statements about Financial Liabilities for more detailed information.

4. Main risks and uncertainties

The Company's Risk Control and Management System

The Group, in general, considers risk to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives.

In this regard, the Group is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it to achieve its objectives and successfully implement its strategies. For that reason the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant to be correctly identified, managed and controlled. The joint project of merger, to which the Company has been submitted, has not altered these objectives, but it has made the Policy, through which these risks are properly managed (called "The Group's General Policy of Risk Control and Management"), to be internally reviewed by the Group and adapted to the new reality. The Policy should primarily allow:

- a) to achieve the defined strategic objectives;
- b) to provide the highest level of guarantees to the shareholders;
- c) to protect the results and the reputation of the Group;
- d) to defend the interests of shareholders, clients and other groups interested in the performance of the Company;
- e) to guarantee business stability and financial strength on a sustained basis throughout time;
- f) to separate the areas that assume risks besides those that control them;
- g) to apply the transparency and good governance practices; and
- h) to act in compliance with the current legal regulations and the commitments established within the Corporate Responsibility framework.

In the fulfilment of this commitment, the Board of Directors collaborates with the Audit Committee that, as a delegate and advisory body, supervises and informs about the adequacy of the system of evaluation and internal control of significant risks.

According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure:

- a) Integrate the risk-opportunity vision in the management and strategy of the Company.
- b) Implement an appropriate separation of duties to guarantee an adequate level of independence.
- c) Guarantee the proper use of risk hedging instruments.
- d) Inform about the risks for the Group and about the implemented systems to mitigate them.
- e) Align the Policy with all the specific policies that need to be developed in the matter of risk.
- f) Ensure the adequate compliance with the corporate governance rules.
- g) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

The Group's General Policy of Risk Control and Management which, as indicated above, is undergoing a review, is carried out through the procedures, methodologies and support tools and includes the following guidelines:

- a) The identification of the significant risks of corporate governance, market, credit, liquidity, capital management, business, regulation, operational, environmental, reputational and others.
- b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments as an essential element in the process of decision making in profitability-risk approach.
- c) The settlement of an internal structure of policies, guidelines and limits.
- d) The implementation and control of the compliance of policies, guidelines and limits through adequate procedures and systems, including the contingency plans necessary in order to mitigate the impact of risk materialisation.
- e) The measurement and control of risks.
- f) The information and internal control systems, which allow to carry out a regular and transparent evaluation and information of the results of monitoring risk control and management, including compliance with the policies and the limits.
- g) The constant evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations concerning risks from the perspective of their possible incorporation into the model.
- h) The review of the entire control system by the Internal Audit Committee of the Group.

The Group's General Policy of Risk Control and Management is developed and complemented by the corporate risk policies that are established in relation to the business lines and/or companies of the Group, which are set out below, and which are also subject to supervision by the Audit Committee and subsequent approval by the Board of Directors. It should be noted that, due to the joint project of merger, several of the policies that were previously implemented are now being adapted and reviewed for the purpose of their adequate implementation next year.

Corporate Policies and Procedures which have been approved and implemented:

- Corporate Code of Ethics and Conduct.
- Disciplinary Rules and Sanctions.
- Handbook and General Principles of Criminal Risk Prevention.
- Internal Regulations for Conduct in the Securities Markets.

Corporate Policies and Procedures which are undergoing a review:

- General Policy of Risk Control and Management.
- Delegation of Authority.
- Policy of Financial Risk Management.
- Investments, Purchases and Suppliers Policy.
- Guidelines for Accounting Policies.
- Guidelines for Information Security Systems.
- Project Finance Process and Projects' Status.
- Policies for Loan Granting and Terms of Loan Agreements.
- Acquisition and Disposal of Own Shares Procedure.
- Guidelines of the Regulated Information to Be Disclosed to the Market.
- System of Internal Control for Financial Information (ICFR).

The Company has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Group's General Policy of Risk Control and Management (currently undergoing a process of internal review due to the joint project of merger, which has brought about a new dimension to the group as well as new risks that need to be added because of the incorporation of new business lines), the risk factors are generally the following:

A) FINANCIAL RISKS:

a) Credit risks: credit risk is the possibility that a counterparty to an agreement may fail to comply its contractual obligations bringing about an economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.

b) Market risks: market risk present in the electricity sector is based on the complex process of price formation which affects the retailing activity as well as the energy generation activity.

c) Commodity price volatility risk: in certain countries where the Group operates in the energy generation activity, the remuneration received by the Group has a regulatory component and a component which is linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile. Furthermore, it is impossible to ensure that the market prices will remain on such levels as to allow the collection of profit margins and desired levels for investments recovery.

d) Liquidity risk: the management of that risk results from the demand for financing the Group's activities because of temporary differences between the needs and cash generation, and is based on maintaining a sufficient level of cash and securities, as well as the availability of financing through adequate amount of committed credit facilities and the appropriate ability to settle market positions.

e) Interest rate risk: any rise in interest rates would increase the Group's financial expenses in relation to the portion of its debt at a floating rate, which would be mitigated by the interest rate hedging policy.

f) Guarantee terms risk: In order for Audax Renovables to be able to carry out its activity as retailer, it has to provide the guarantees linked to the electricity purchase. The guarantees are provided in the form of bank guarantees, some of which are secured by the positive net liquidity position of the Group. Should the financial institutions that grant the guarantees decide to cancel them, the Group's activity would become severely limited, which could affect its own viability.

g) Access to financing: in the division of energy generation the development of the facilities under construction, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

B) RISKS RELATED TO THE ACTIVITY SECTOR:

h) Regulatory risks: those resulting from regulatory changes established by the different regulators, such as the changes in the remuneration for the regulated activities or of the required conditions of supply, environmental regulations, tax regulations, labour regulations, among others.

i) Competition risk: in the retailing activity it is possible to be exposed to a significant risk due to the existing market entry barriers and which could materialise in a decrease of the offered price.

j) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of certain external events, including their economic, social and/or environmental impact, as well as the legal risk.

l) Risk of exposition to the Spanish market: the Group's activity currently depends primarily on the Spanish market.

m) Dependence and concentration of qualified providers risk: the energy generation activity requires the supply and assembly of numerous technical components, such as wind turbines, for the wind energy generation facilities, which can be provided only by a limited number of suppliers.

k) Weather conditions risk: electricity generation from wind energy is subject to weather conditions of the location of the facilities and, particularly, wind conditions.

The Group may as well be affected by other risks of a different character, for instance:

- Reputational risks: potential negative impact of the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest groups: shareholders, clients, media, analysts, public administration, employees and people in general.

- Corporate governance risks: the Company assumes the need to secure the public interest and the strategy to boost in a sustainable manner the Company's economic value and its good performance in the long term, taking into consideration the legitimate interests, whether public or private, especially among the different interest groups.

5. R+D+i activities

In the year 2018 the Group allocated EUR 543 thousand to the R+D+i activities.

6. Personnel

As at 31 December 2018 the number of the Group's employees is 533, the average of the year 2018 being 468 employees.

7. Natural environment

Environmental aspects are borne in mind throughout the entire process of obtaining authorisation, building the generation plants and preparing the studies based on the legislation governing each country.

In the year 2018 the Group incurred environmental expenditure amounting to EUR 129 thousand, mainly for wildlife conservation.

8. Acquisition and disposal of treasury shares

As at 31 December 2018 the Company does not hold treasury shares.

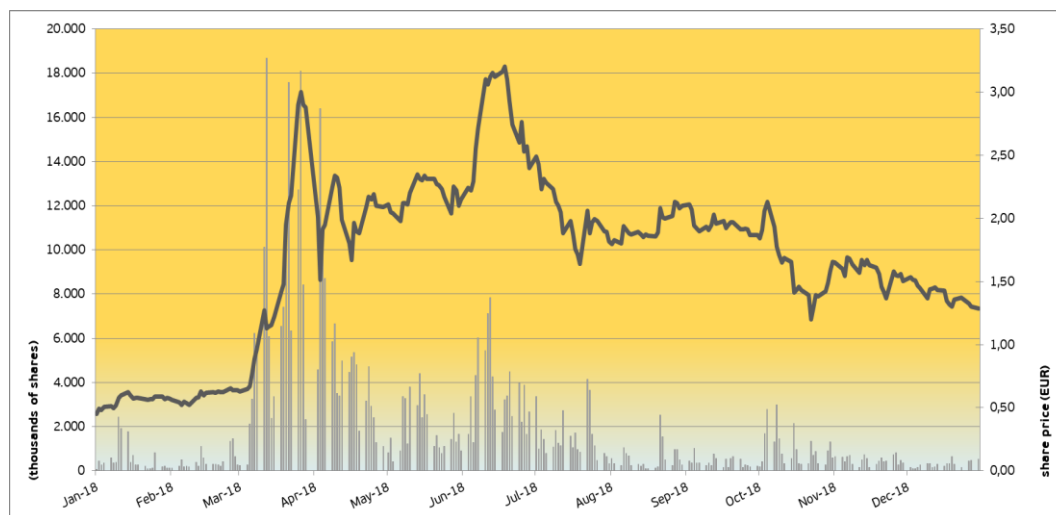
9. Other important information

9.1. Stock market information

The price of the the shares of Audax (ADX.MC) in the present year 2018 reached the highest values since October 2008.

The value traded on the market was also much higher than the average of recent years.

The stock market evolution of Audax during 2018 was as follows:



The following table shows the main trading data:

Audax Renovables - ADX.MC	2018	Units
Number of shares admitted to trading	140,003,778	Num.
Share price at the beginning of the period	0.450	€ / share
Share price at the end of the period	1.285	€ / share
Maximum trading price	3.200	€ / share
Minimum trading price	0.450	€ / share
Trading price fluctuation during the period	185.56	%
Capitalisation at the end of the period	179,904,855	€
Number of traded shares	484,436,526	Num.
Effective volume	966,111,810	€
Daily volume of traded shares (average)	1,899,751	Num.
Effective daily volume (average)	3,788,674	€

9.2. Dividend policy

The goal of the Board of Directors of Audax is to maximise the remuneration to the shareholders.

Audax endeavours to ensure the dividend payout, providing that pertinent factors are fulfilled regarding cash generation and distributable reserves availability. Due to these determinants, it is not possible to guarantee the amount of the dividend nor the year in which the distribution is going to take place.

9.3. Other information

Alternative Performance Measures (APM)

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) Audax reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures, in addition to the financial ones, are used for the purpose of establishing budgets and goals and of managing business, assessing its financial and operating performance and comparing it with previous periods and with the performance of the competitors. The presentation of such measures is assumed to be helpful because they can be used for analysis and comparison of profitability between companies and industries, as the impact of the financial structure of the accounting effects other than cash flows are excluded.

Non-financial measures are also presented, because these and other similar measures are generally used by investors, securities analysts and other brokers as complementary performance measures.

In general, these APM are used in the Directors' Report so there is direct traceability to the consolidated income statement and no reconciliation is needed.

The APM that the Group considers most important are set out below:

Consolidated Income Statement	2018	2017	Var. (%)
Operating income	986,947	675,594	46.1
Gross Margin	103,701	81,409	27.4
EBITDA *	53,395	37,076	44.0
EBIT	28,316	18,549	52.7

EUR thousands

* As a consequence of the merger transaction and the change of dimension and scope of the company, the EBITDA is considered to be the result of operating income + amortization and depreciation +/- impairment, reversal and profit/loss on disposal of fixed assets.

The reconciliation between the EBITDA and the Consolidated profit and loss for the year is as follows:

	2018	2017
EBITDA	53,395	37,076
Amortisation, depreciation and provisions	-25,079	-18,527
EBIT	28,316	18,549
Financial income	4,124	2,716
Financial expenses	-20,246	-19,154
Exchange differences	-94	286
Profit/loss from disposal of financial instruments	-291	3,522
Financial profit/loss	-16,507	-12,630
Share in the profit/loss of associated companies	-48	-133
Profit/loss before tax	11,761	5,786
Corporate Income Tax	-1,772	494
Consolidated profit/loss for the year	9,989	6,280
Profit/loss attributed to minority interests	-992	1,970
Net profit/loss Attributed to the Parent Company	8,997	8,250

EUR thousands

The main operating figures are as follows:

Production (GWh)	2018	%	2017	%	Var. (%)
Spain	285.4	74%	340.2	74%	-16.1
France	27.9	7%	31.1	7%	-10.3
Poland	72.8	19%	85.2	19%	-14.6
Total	386.1	100%	456.5	100%	-15.4

Energy supply points	2018	2017	% Var.
Spain	174,844	71,424	n.a.
Electricity *	156,019	60,060	n.a.
Gas	18,825	11,364	65.7
Netherlands	66,220	62,692	5.6
Electricity	40,758	37,292	9.3
Gas	25,462	25,400	0.2
Italy	46,873	54,970	-14.7
Electricity	26,721	31,955	-16.4
Gas	20,152	23,015	-12.4
Rest of Europe (RoE)	17,652	17,591	0.3
Electricity	16,743	16,768	-0.1
Gas	909	823	10.5
TOTAL ENERGY SUPPLY POINTS	305,589	206,677	47.9
Total Electricity	240,241	146,075	64.5
Total Gas	65,348	60,602	7.8

* In 2018 its included UniEléctrica incorporation with 72.399 energy supply points since 06/04/2018.

Energy supplied (GWh)	2018	2017	% Var.
Spain	4,415	3,020	46.2
Electricity *	4,006	2,579	55.3
Gas	409	441	-7.2
Netherlands	3,807	3,394	12.2
Electricity	1,638	1,495	9.5
Gas	2,169	1,899	14.3
Italy	688	620	10.9
Electricity	305	262	16.2
Gas	383	358	7.1
Rest of Europe (RoE)	1,173	876	33.8
Electricity	1,074	822	30.6
Gas	99	54	82.1
TOTAL ENERGY SUPPLIED	10,083	7,911	27.5
Total Electricity	7,022	5,159	36.1
Total Gas	3,061	2,752	11.2

* In 2018 its included Uniléctrica incorporation

The Net Financial Debt is as follows:

Net Financial Debt	Dec-18	Dec-17	Var.	Var. (%)
Non-current financial liabilities	273,094	269,470	3,624	1.3
Debt of bonds and other marketable securities	96,938	85,128	11,810	13.9
Bank loans	129,873	162,009	-32,136	-19.8
Other financial liabilities	46,283	22,333	23,950	107.2
Current financial liabilities	188,193	136,400	51,793	38.0
Debt of bonds and other marketable securities	67,985	28,941	39,044	134.9
Bank loans	103,713	69,126	34,587	50.0
Other financial liabilities	16,495	38,333	-21,838	57.0
Derivatives	-863	2,195	-3,058	-139.3
Cash and other current financial assets	-114,640	-98,784	-15,856	16.1
Current financial assets	-16,327	-48,526	32,199	-66.4
Cash and cash equivalents	-98,313	-50,258	-48,055	95.6
Net Financial Debt *	345,784	309,281	36,503	11.8
Of the Parent Company	120,926	71,931	48,995	68.1
Of the Minority interest	33,258	13,132	20,126	153.3
Net Equity	154,184	85,063	69,121	81.3
Leverage **	69.2%	78.4%	-9.3%	

EUR thousands

* Net Financial Debt = Non-current financial liabilities + Current financial liabilities + Derivatives + Cash and others

** Net Equity = Net Equity of the Parent Company + of the Minority interest

*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

The following table shows the main stock market data:

Audax Renovables - ADX.MC			
Stock Market Data	2018	2017	Units
Number of shares admitted to trading	140,003,778	140,003,778	Num.
Share price at the beginning of the period	0.450	0.505	€ / share
Share price at the end of the period	1.285	0.440	€ / share
Maximum trading price	3.200	0.670	€ / share
Minimum trading price	0.450	0.395	€ / share
Trading price fluctuation during the period	185.56	-12.87	%
Capitalisation at the end of the period	179,904,855	61,601,662	€
Number of traded shares	484,436,526	83,240,634	Num.
Effective volume	966,111,810	48,297,180	€
Daily volume of traded shares (average)	1,899,751	329,014	Num.
Effective daily volume (average)	3,788,674	190,898	€
Number of shares	140,003,778	140,003,778	Num.
Average number of shares	140,003,778	140,003,778	Num.
Profit/Loss attributable to Parent Company	8,996,567	8,250,058	€
Profit/Loss per share			
- Basic	0.0643	0.0589	€ / share
- Diluted	0.0643	0.0589	€ / share

10. Significant events subsequent to the balance sheet date

- On 29 January 2019, following the significant event number 273350, the Company informs that it has proceeded to register the notarisation and execution of the Company's resolutions by which the merger by absorption was approved.

Subsequently, Audax Renovables, S.A. will begin the appropriate proceedings scheduled in the reverse merger resolutions in order to, among others, request the new shares issued for the purpose of the merger to be admitted to trading on the pertinent Stock Exchange through the Spanish Stock Exchange Interconnection System.

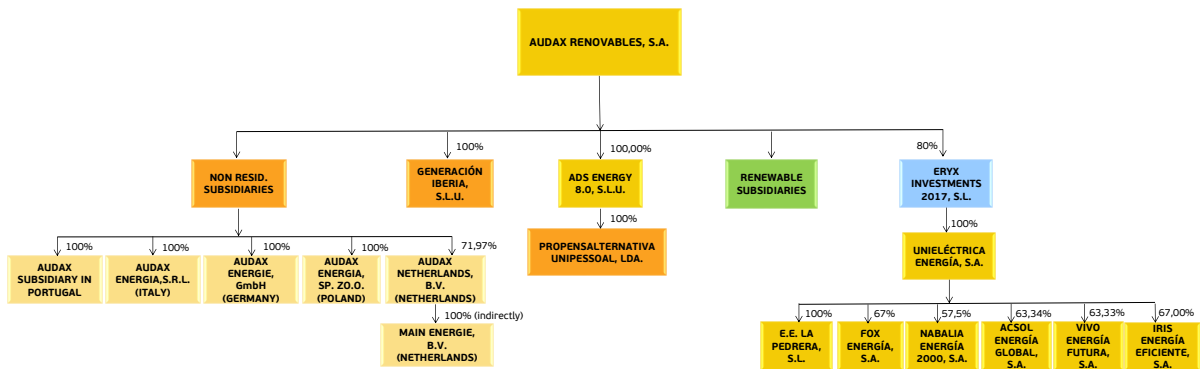
- On 4 February 2019 the Company informed about the conclusion of a power purchase agreement (PPA) with Morningchapter S.A., a company controlled by Allianz Insurance Companies. Audax will act as a representative for electricity retailing on the Portuguese market for electricity retailing from the photovoltaic plant Ourika developed by WELink Group with a capacity of 46 MWp.
- On 7 February 2019 the Company signed a representation contract for electricity retailing (PPA) with WELink Investment Holdings Ltd. Under this framework agreement (PPA), which establishes a fixed price for 20 years, Audax will purchase electricity generated by Solara4 as well as by other new projects of solar photovoltaic plants developed by WELink Group in Spain as well as in Portugal, with a possibility to reach a total of 708 MW.

The photovoltaic plant Solara4 will have an installed capacity of 218,8 MWp and is expected to be connected to the grid in mid-2019. The plant will employ an average of 300 people during its construction and will generate enough energy to supply electricity to more than 100,000 households.

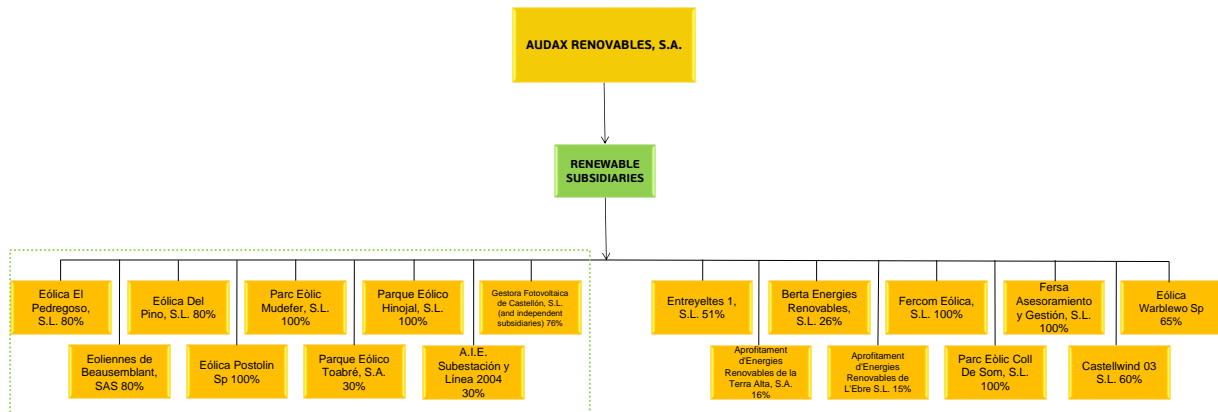
- On 13 February 2019 the Parent Company prolonged its current promissory note programme of EUR 50,000 thousand (see Note 14 to the financial statements) with maturity in 2019, extending it with a new programme amounting to a maximum of EUR 75,000 thousand with maturity of up to 24 months.

Appendix I: Corporate structure

The following is a chart of the corporate structure of Audax Renovables, S.A., whose majority shareholder is Eléctrica Nuriel, S.L.U. which as at 31 December 2018 holds 90,73% of the shares.



Within the “RENEWABLE SUBSIDIARIES” there are the following companies:



 Companies that own operating plants (wind and solar), transmission lines or plants under construction.

The corporate chart of Audax as at 31 December 2018 indicating the shareholding in each of the companies is as follows:

Company	Holding direct + indirect	Address	Country	Activity
Eólica El Pedregoso, S.L.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Eólica Del Pino, S.L.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parc Eòlic Mudefer, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parque Eólico Hinojal, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Gestora Fotovoltaica de Castellón, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding
Fotovoltaica Fer, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Weinsberg Ecotec, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Ecotec, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Joso Fotovoltaica, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Padua, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Vergos, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica La Mola, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Inversions Trautt, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica de Castelló, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica de les Coves, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Inversions Vínroma, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fercom Eólica, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Fersa Asesoramiento y Gestión, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parc Eòlic Coll De Som, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Castellwind 03 S.L.	60%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Entreytelles 1, S.L.	51%	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation
Eoliennes de Beausemblant, SAS	80%	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation
Eólica Postolin Sp	100%	ul. Libelta 2/1, 85-080 Bydgoszcz (Polonia)	Poland	Generation
Eólica Warblewo Sp	65%	ul. Libelta 2/1, 85-080 Bydgoszcz (Polonia)	Poland	Generation
Berta Energías Renovables, S.L.	26%	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Generation
Parque Eólico Toabré, S.A.	30%	Cincuenta, edificio 2000, 5a planta (Ciudad de Panamá)	Panama	Generation
A.I.E. Subestación y Línea 2004	30%	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Generation
Generación Iberia, S.L.	100%	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Representation
ADS Energy 8.0., S.L.U.	100%	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retail
Eryx Investments, S.L.U.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retail
Unieléctrica Energía, S.L.	80%	Avda. Brillante 114, Córdoba	Spain	Retail
Explotación Eólica La Pedrera, S.L.U.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Fox Energía, SA	54%	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retail
Nabalia Energía 2.000, S.A.	46%	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retail
Acsol Energía Global, S.A.	50%	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retail
Vivo Energía Futura, S.A.	50%	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retail
Iris Energía Eficiente, S.A.	54%	Avda. Miguel de Cervantes 23, Murcia	Spain	Retail
Propensalternativa Unipessoal, LDA	100%	Avda. das Nações Unidas, 23, Escritorio C, Telheiras, 1600531 Lisboa (Portugal)	Portugal	Retail
Audax Energía, S.R.L.	100%	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retail
Audax Energie, GmbH	100%	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retail
Audax Energía, SP, Z.O.O.	100%	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retail
Audax Netherlands B.V.	72%	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	Netherlands	Retail
Main Energie, B.V.	72%	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	Netherlands	Retail

ISSUER'S PARTICULARS

Financial year end: [31/12/2018]

Tax identification code: [A62338827]

Registered name:

[**AUDAX RENOVABLES, S.A.**]

Registered address:

[AVENIDA NAVARRA, 14 (BADALONA) BARCELONA]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
31/12/2018	308,203,737.80	440,291,054	440,291,054

Indicate whether there are different classes of shares with different associated rights:

- Yes
 No

A.2. Provide details of the direct and indirect holders of significant shareholdings at the year end, excluding directors:

Name or company name of shareholder	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
EXCELSIOR TIMES, S.L.U.	0.00	90.74	0.00	0.00	90.74

Details of indirect shareholding:

Name or company name of indirect holder	Name or company name of direct holder	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights
EXCELSIOR TIMES, S.L.U.	ELECTRICA NURIEL, S.L.U.	90.74	0.00	90.74

Indicate the most significant changes in the shareholding structure occurred during the year:

Most significant changes

The Extraordinary General Meeting of Shareholders of Audax Renovables, S.A. (the "Acquiring Company") and the sole shareholder of Audax Energía, S.A.U. (the "Acquired Company") approved on 23 November 2018 the merger by absorption of the Acquired Company by the Acquiring Company (the "Merger") on the terms established in the joint project of merger formulated by the respective governing bodies.

Moreover, on 27 December 2018, and once the term for the creditors' objection specified by article 44 of the Law 3/2009, of 3 April, on structural changes to the companies has expired, the resolutions were notified by the notary public Ms Blanca Pardo García filling in for Mr Ramón José Vázquez García, under the notary's register number 2.344. The notarial deed of the Merger was submitted to the Commercial Register in Barcelona on 31 December 2018 and was duly registered on 25 January 2019. As a result, the Merger is fully effective as of 31 December 2018 and will have retroactive accounting effects as of 1 January 2018.

It shall be expressly stated that as a consequence of the Merger all of the rights and obligations of the Acquired Company were assigned to the Acquiring Company by universal succession.

Within the framework of the Merger transaction the share capital of the Acquiring Company was increased by the amount of EUR 210,201,093.20 through the issuance of 300.287.276 equal, accumulative and indivisible shares of EUR 0.70 of nominal value each share, numbered from 140,003,779 to 440,291,054, both numbers included, as a result of which the share capital was established at the amount of EUR 308,203,737.80.

The shares were issued with a share premium of EUR 0.470775549 per share, i.e., a total premium of EUR 141,367,906.98. The shares resulting from the capital increase were subject to an exchange by which 300,287,276 new shares of the Acquiring Company, numbered from 140,003,779 to 440,291,054, both included, of EUR 0.70 of nominal value each share, resulting from the capital increase were assigned to the sole shareholder of the Acquired Company, i.e. Eléctrica Nuriel, S.L.U. (formerly Banana Phone, S.L., sociedad unipersonal), in exchange for 1,800,000 registered shares of the Acquired Company without additional compensation in cash. The shares of the Company owned by the Acquired Company were attributed directly to its sole shareholder, therefore Eléctrica Nuriel, S.L.U. currently holds 399,499,175 shares of the Company representing approximately 90.74% of its share capital.

The new issued shares are currently undergoing the process of being admitted to trading on the Stock Exchange of Madrid and Barcelona.

A.3. Fill in the following tables listing the members of the company's board of directors who hold voting rights on the company shares:

Name or company name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% of voting rights that <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	0.00	90.74	0.00	0.00	90.74	0.00	0.00
% of total voting rights belonging to the board of directors						90.74	

Details of indirect shareholding:

Name or company name of director	Name or company name of direct holder	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights	% of voting rights that <u>can be transmitted</u> through financial instruments
DON FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL, S.L.U.	90.74	0.00	90.74	0.00

Mr Francisco José Elías Navarro is the sole shareholder of Excelsior Times, S.L.U., which, in turn, is the sole shareholder of Eléctrica Nuriel, S.L.U., the company that is the owner of shares representing approximately 90.74% of share capital of Audax Renovables, S.A.

A.4. Where applicable, indicate any family, commercial, contractual or corporate relationships between the owners of significant shareholdings, insofar as they are known to the company, unless they are irrelevant or arise from normal business activities, except for those detailed in section A.6:

Related-party name or company name	Type of relationship	Brief description
No data		

A.5. Where applicable, indicate any commercial, contractual or corporate relationships between the owners of significant shareholdings and the company and/or its group, unless they are irrelevant or arise from normal business activities:

Related-party name or company name	Type of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for both parties, existing between significant shareholders or shareholders represented in the board and directors or their representatives in the case of corporate directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate the directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies of their group, specifying the nature of such relationships. In particular, mention the possible existence, identity and post of directors or their representatives of the listed company, who are, in turn, members of the governing body or representatives of companies that hold significant shareholdings in the listed company or in group companies of those significant shareholders :

Name or company name of the related director or representative	Name or company name of the related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL, S.L.U.	EXCELSIOR TIMES, S.L.U.	Mr Francisco José Elías Navarro is direct holder of 100% of shares of Excelsior Times, S.L.U. and, through this company, of 100% of shares of Eléctrica Nuriel, S.L.U.
Mr EDUARD ROMEU BARCELÓ	ELECTRICA NURIEL, S.L.U.	EXCELSIOR TIMES, S.L.U.	Mr Eduard Romeu Barceló is corporate director of the group of companies of which

Name or company name of the related director or representative	Name or company name of the related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
			Excelsior Times, S.L.U. is the parent company.

A.7. Indicate whether the company has been notified of any shareholders' agreements that affect it pursuant to article 530 and 531 of the Corporate Enterprise Act. Where applicable, give a brief description and list the shareholders bound by the agreement:

Yes
 No

Indicate whether the company is aware of the existence of any concerted actions between its shareholders. If so, briefly describe them:

Yes
 No

Expressly indicate any amendments to, or termination of, such agreements or concerted actions during the year:

[Not applicable]

A.8. Indicate whether there is any individual or legal entity that exercises or may exercise control over the company pursuant to article 5 of the Securities Market Act. If so, identify them:

Yes
 No

Name or company name
FRANCISCO JOSÉ ELÍAS NAVARRO

A.9. Fill in the following tables about the company's treasury shares:

As at the year-end:

Number of direct shares	Number of indirect shares(*)	% of total share capital
		0.00

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain the significant changes occurred during the year:

Explain significant changes

[N/A]

A.10. Give details of the terms and conditions of the general meeting of shareholders' current mandate to the board of directors to issue, buy back or transfer treasury shares:

[N/A]

A.11. Estimated free float:

	%
Estimated free float	9.26

A.12. Indicate whether there is any restriction (stipulated by articles of association, statutory or of any other nature) on the transferability of securities and/or any restriction on voting rights. In particular, state the existence of any kind of restriction which may hinder a takeover of the company by means of acquisition of shares on the market, as well as any authorisation or notification systems that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[] Yes
[v] No

A.13. Specify whether the general meeting has agreed to take up neutralisation measures against a takeover bid by virtue of provisions of Law 6/2007.

[] Yes
[v] No

If applicable, explain the measures approved and terms under which the restrictions would not be enforceable:

A.14. Indicate whether the company has issued securities that are not traded on a regulated market of the European Union.

Yes
 No

If applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations it confers:

Different classes of shares

As indicated in section A.2., within the framework of the merger by absorption of Audax Energía, S.A.U. (the "Acquired Company") by Audax Renovables, S.A. (the "Acquiring Company") the share capital of the Acquiring Company was increased by the amount of EUR 210,201,093.20 through the issuance of 300.287.276 equal, accumulative and indivisible shares of EUR 0.70 of nominal value each share, numbered from 140,003,779 to 440,291,054, both numbers included, as a result of which the share capital was established at the amount of EUR 308,203,737.80.

The shares were issued with a share premium of EUR 0.470775549 per share, i.e., a total premium of EUR 141,367,906.98. The shares resulting from the capital increase were subject to an exchange by which 300,287,276 new shares of the Acquiring Company, numbered from 140,003,779 to 440,291,054, both included, of EUR 0.70 of nominal value each share, resulting from the capital increase were assigned to the sole shareholder of the Acquired Company, i.e. Eléctrica Nuriel, S.L.U. (formerly Banana Phone, S.L., sociedad unipersonal), in exchange for 1,800,000 registered shares of the Acquired Company without additional compensation in cash.

The new issued shares are currently undergoing the process of being admitted to trading on the Stock Exchange of Madrid and Barcelona.

B. GENERAL MEETING OF SHAREHOLDERS

B.1. Indicate and, if applicable, explain whether the minimum quorum requirements for constitution of the general meeting of shareholders differ from those specified in the Corporate Enterprises Act (LSC):

Yes
 No

B.2. Indicate and, if applicable, explain whether the company's system of adopting corporate resolutions differs from the one set forth in the Corporate Enterprises Act (LSC):

Yes
 No

B.3. Indicate the rules governing amendments to the company's articles of association. In particular, indicate the majorities required to amend the articles of association, as well as the rules for protecting the shareholders' rights when modifying the articles of association.

In this respect, article 14, second paragraph of the company's articles of association states the following:

«(...) for the General Shareholders' Meeting to be able to adopt a resolution on capital increases or decreases and any other modification of the company's Articles of Association (...), shall require that, at the first summons, shareholders attend, present or represented by proxy, holding at least 50% of the subscribed capital with voting rights. At the second summons, 25% of such capital attending the meeting shall be deemed sufficient. When shareholders attend the meeting representing less than 50% of the subscribed capital with voting rights, the aforementioned resolutions may only be adopted with votes in favour of 2/3 of the share capital present or represented by proxy at the

General Shareholders' Meeting.»

In the cases not considered in the aforementioned article, the relevant resolution shall be adopted by ordinary majority of the votes of the shareholders present or represented by proxy, pursuant to article 201 of the Corporate Enterprises Act.

Furthermore, in accordance with article 286 of the Corporate Enterprises Act, the directors or, if appropriate, the shareholders who introduced the motion to amend the company's articles of association shall formulate the entire text they suggest as well as a written report with the justification of such motion.

Additionally, pursuant to article 287 of the Corporate Enterprises Act, the announcement of the General Meeting summons shall include intelligible information on issues subject to amendment and the right of all the shareholders to examine in the company's headquarters the full text of the suggested amendment and the relevant report, as well as ask for the free delivery of these documents.

B.4. Give details of attendance at the general shareholders' meetings held in the year of this report and the two previous years:

Date of general meeting	Attendance					Total
	% attending in person	% attending by proxy	% remote voting		Other	
			Electronic vote			
28/06/2016	48.26	0.25	0.00	0.01	48.52	
Of which, free float	0.40	0.25	0.00	0.00	0.65	
29/06/2017	70.91	1.02	0.00	0.00	71.93	
Of which, free float	0.50	1.02	0.00	0.00	1.52	
27/06/2018	71.00	0.42	0.00	0.01	71.43	
Of which, free float	0.14	0.42	0.00	0.01	0.57	
23/11/2018	70.95	0.58	0.00	0.06	71.59	
Of which, free float	0.09	0.58	0.00	0.06	0.73	

B.5. State whether any point on the agenda of the general meetings of shareholders held this year has not been approved by the shareholders for any reason:

Yes
 No

B.6. State whether there is any restriction set forth by the articles of association establishing a minimum number of shares required to attend the general meeting or perform remote voting:

Yes
 No

B.7. Indicate whether it has been resolved that certain decisions other than those established by law that entail an acquisition, disposal or contribution to other company of essential assets or other similar corporate transactions must be subject to the approval of the general meeting of shareholders:

Yes
 No

B.8. Indicate the address and mode of accessing the information on corporate governance on the company's website and other information on general meetings of shareholders which must be made available to shareholders on the Company's website:

The address of the corporate website of the company is as follows: www.audaxrenovables.com

The information on corporate governance is available on the section "Shareholders and Investors" and "Corporate Governance".

The information on general meetings that must be provided to the shareholders, as well as the resolutions adopted in those meetings is available on:

<http://www.audaxrenovables.com/accionistas-e-inversores/el-rincon-del-accionista/junta-general-accionistas/>

C. STRUCTURE OF THE MANAGEMENT OF THE COMPANY

C.1. Board of directors

C.1.1 Maximum and minimum number of directors set forth in the company's articles of association and the number agreed by the general meeting:

Maximum number of directors	12
Minimum number of directors	3
Number of directors agreed by the general meeting	7

Currently, as Mr Emilio Moraleda Martínez resigned as company's director, the Board of Directors of the Company is comprised of 6 directors, without prejudice to the existence of one vacancy yet to be filled, as the general meeting has not changed the number of directors of the governing body.

C.1.2 Complete the following table with the members of the board:

Name or company name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Mr RAFAEL GARCÉS BERAMENDI		Proprietary	DIRECTOR	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE		Proprietary	DIRECTOR	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr PEDRO LUIS FERNÁNDEZ PÉREZ		Independent	DIRECTOR	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr FRANCISCO JOSÉ ELÍAS NAVARRO		Proprietary	CHAIRMAN	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr EDUARD ROMEU BARCELÓ		Proprietary	DIRECTOR	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr JOSEP MARIA ECHARRI TORRES		Independent	DIRECTOR	14/11/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS

Total number of directors	6
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Indicate the departures from the board of directors which, whether through resignation, dismissal or any other reason, took place during the period subject to this report:

Name or company name of the director	Category of the director at the time of departure	Date of last appointment	Date of departure	Membership of special committees	Indicate whether the departure took place before the end of term
Mr EMILIO MORALEDA MARTÍNEZ	Proprietary	29/06/2017	10/05/2018	None.	Yes

Reason for departure and other observations

Incompatibility between professional agenda and duty fulfilment.
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C.1.3 Fill in the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS		
Name or company name of the director	Position in the company's structure	Profile
No data		

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or company name of significant shareholder represented or who proposed appointment	Profile
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL, S.L.U.	Industrial Technical Engineer, specialised in electricity, by the Polytechnic University of Catalonia. Founder of several companies in the energy sector and pioneer of the liberalised electricity market.
Mr EDUARD ROMEU BARCELÓ	ELECTRICA NURIEL, S.L.U.	Master of Economics. Has developed his professional career in Banco Santander for 20 years, most of the time as manager of corporate division. Later he joined the new management team of Bankia as

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Name or company name of significant shareholder represented or who proposed appointment	Profile
		manager of the Corporate Division until the end of the restructuring process in 2015.
Mr RAFAEL GARCÉS BERAMENDI	ELECTRICA NURIEL, S.L.U.	Master of Economics. Specialised in Capital Market and Corporate Finance with more than 30 years of professional experience in finance and banking.
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	ELECTRICA NURIEL, S.L.U.	Master of Economics and Law. Has held different positions at the National Securities Market Commission (CNMV). Currently Chairman of Solventis SGIIC. Has served as Director of Gomarq Consulting, Chairman of Nordkapp Gestión and General Secretary and member of the Board of Directors of Fortis Bank and Beta Capital MeesPierson.

Total number of proprietary directors	4
% of the board	66.67

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the director	Profile
Mr JOSEP MARIA ECHARRI TORRES	Master of Economics and of Actuarial and Financial Science, both by the University of Barcelona, and Master of Financial Management by ESADE. Chief Financial Officer of Oryzon from 2003 to 2007, previously responsible for the first integral programme of creation of technology enterprises developed by a Spanish administrative authority. At present is the Managing Director of Inveready Asset Management, S.G.E.I.C., S.A. and Chairman of Grupo Financiero Inveready, the founding partner of both companies and now their major shareholder. Participates as member of the management board of different companies, including Mas Móvil Ibercom, S.A, Agile Contents, S.A., Atrys Health, S.A. and Oryzon Genomics, S.A. Member of the Instituto de Consejeros-Administradores (ICA) awarded the good corporate governance diploma for professional managers. From his position in Inveready he has actively participated in dozens of corporate transactions (sale of PasswordBank Technologies, S.L. to Symantec, sale of Indisys, S.L. to Intel or acquisitions and financing of Pepephone or Yoigo by Mas Móvil Ibercom, S.A.).
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	Master of Law. MBA International, ESDEN. Master studies on Value Creation and Company Valuation, IESE. Has developed his professional career in different industrial and services companies and is the founder of General de Alquiler de Maquinaria, S.A. Member of the management board of several companies related to leisure, food and industry.

Total number of independent directors	2
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% of the board	33.33
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Indicate whether any directors designated as independent receives from the company or its group any amount or profit other than standard remuneration of director, or maintains or has maintained in the last year a business relationship with the company or with any company of its group, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

If applicable, include a declaration from the board explaining the reasons why said director is considered to be able to carry out the duties as an independent director.

Name or company name of the director	Description of the relationship	Declaration and reasons
No data		

OTHER EXTERNAL DIRECTORS

Indicate the other external directors explaining the reasons why they cannot be considered as proprietary or independent directors as well as their relationship with the company, its executives or shareholders:

Name or company name of the director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
No data			

Total number of other external directors	N.A.
% of the board	N.A.

Indicate the changes, if any, that have taken place in the category of each director during the year:

Name or company name of the director	Date of change	Previous category	Current category
No data			

C.1.4 Fill in the following table with information on the number of female directors at the end of the past 4 years, as well as the category of each of them:

	Number of women directors				% of total number of directors of each category			
	Year 2018	Year 2017	Year 2016	Year 2015	Year 2018	Year 2017	Year 2016	Year 2015
Executive					0.00	0.00	0.00	0.00
Proprietary				1	0.00	0.00	0.00	11.11

	Number of women directors				% of total number of directors of each category			
	Year 2018	Year 2017	Year 2016	Year 2015	Year 2018	Year 2017	Year 2016	Year 2015
Independent					0.00	0.00	0.00	0.00
Other external					0.00	0.00	0.00	0.00
Total				1	0.00	0.00	0.00	11.11

C.1.5 Indicate whether the company has diversity policies in relation to the board of directors of the company regarding such matters as age, gender, disability or professional training and experience. Small and medium enterprises, in accordance with the definition provided in the Accounts Audit Act, shall report at least their established policy on gender diversity.

- Yes
 No
 Partial policies

If the answer is yes, describe these diversity policies, their objectives, the measures and ways of implementation and their results over the year. Indicate also the specific measures taken by the board of directors and the appointment and remuneration committee in order to attain a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why not.

Description of policies, objectives, measures and ways of implementation, and the results attained

The Board of Directors of Audax Renovables, S.A. is committed to the importance of achieving an equilibrated presence of women and men. For years the Company has tried to incorporate women in the Board of Directors, following the recommendations of the Unified Code of Conduct and Good Governance of Listed Companies and also in line with the current reality of the Company's management team (the General Manager is a woman). In accordance with this policy, in 2016 a woman was appointed non-board member secretary.

C.1.6 Describe the measures, if any, adopted by the appointments committee to ensure that the selection procedures are not affected by an implicit bias that prevents female directors from being selected and that the company purposefully seeks and includes among potential candidates women who meet the professional profile, making it possible to attain an equilibrated presence of women and men:

Explanation of the measures

As outlined in the previous section, for many years now the company (and the Appointments and Remunerations Committee in particular) has been making efforts towards including women into the Board of Directors, following the recommendations of the Unified Code of Conduct and Good Governance of Listed Companies and also in line with the current reality of the Company's management team.

In this regard, the Appointments and Remunerations Committee, after discussing the suitability requirements and other conditions expected to be met by a director (or directors) appointed in future, agreed expressly that applications put forward by women should be preferred.

When, even after the measures have been adopted, the number of female directors is scarce or null, explain the reasons:

Explanation of the reasons

As mentioned above, the Board of Directors tried, in relation to the appointments of the Directors which took place in 2016, to include among potential candidates women that would satisfy the professional profile, and adopted the necessary measures to ensure that the selection procedures were not affected by an implicit bias that would prevent female directors interested in the position from being selected.

C.1.7 Describe the conclusions of the appointments committee regarding the verification of compliance with the selection policy for directors. Particularly, explain how said policy promotes the goal to ensure that by the year 202 women directors comprise at least 30% of the entire board.

The appointments and remunerations committee has included in its meeting agenda a systematic verification of the progress in the compliance with the selection policy for directors and the degree in which said policy promotes the goal to ensure that by the year 2020 women directors comprise at least 30% of the entire board .

C.1.8 Explain, when applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Name or company name of the shareholder	Reasons
No data	

Indicate whether formal requests have been rejected for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders at whose request proprietary directors were appointed. If so, explain the reasons for the denial:

- Yes
 No

C.1.9 Indicate whether there are powers delegated by the board of directors to directors or committees of the board:

Name or company name of the director or committee	Brief description
EDUARD ROMEU BARCELÓ	General powers.
FRANCISCO JOSÉ ELÍAS NAVARRO	General powers.

C.1.10 Identify any members of the board who are also directors, representatives or officers in other companies within the group to which the listed company belongs:

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELÉCTRICA NURIEL, S.L.	Sole Director	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS RENOVABLES, S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOS ENERGÍA, S.L.	Joint and Several Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS PROPERTIES, S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GENERACIÓN IBERIA, S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA, S.R.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY GLOBAL SERVICES, S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY PREVENCIÓN, S.L.U.	Managing Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA EL PEDREGOSO, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA DEL PINO, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EÒLIC MUDEFER, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERCOM EÓLICA, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GESTORA FOTOVOLTAICA DE CASTELLÓN, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA FER, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	WEINSBERG ECOTEC, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA ECOTEC, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	JOSO FOTOVOLTAICA, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA PADUA, S.L.	Two Joint Directors' Representative 143 RRM	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA VERGOS, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA LA MOLA, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS TRAUTT, S.L.	Two Joint Directors' Representative 143 RRM	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE CASTELLÓ, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE LES COVES, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS VINROMA, S.L.	Two Joint Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARQUE EÓLICO HINOJAL, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA POSTOLIN SP	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERSA ASESORAMIENTO Y GESTIÓN, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EÒLIC COLL DE SOM, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXPLOTACIÓN EÓLICA LA PEDRERA, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA WARBLEWO SP	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLIENNES DE BEAUSEMBLANT, S.A.S.	Chairman	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CASTELLWIND 03, S.L.	Two Joint Managing Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY FORMACIÓN, S.L.U.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY SALUD GLOBAL, S.L.U.	Sole Director's Representative 143 RRM	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SPAY SEGURIDAD Y SALUD, S.L.U.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX NETHERLANDS B.V.	Member of the board	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXCELSIOR TIMES, S.L.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV I, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV II, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV III, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV IV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV V, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV VI, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV VII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV VIII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV IX, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV X, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XI, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XIII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XIV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XVI, S.L.U.	Sole Director	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XVII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XVIII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XIX, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XX, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XXI, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XXII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XXIII, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XXIV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV XXV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX FOTOVOLTAICA, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	ASPY PREVENCIÓN, S.L.U.	Member of the board	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX GREEN, S.L.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	SVENDBORG PV VII, S.L.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	ERYX INVESTMENTS 2017, S.L.	Member of the board	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ERYX INVESTMENTS 2017, S.L.	Chairman	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	UNIELÉCTRICA ENERGÍA, S.A.	Sole Director's Representative 143 RRM	YES
Mr EDUARD ROMEU BARCELÓ	AZNALCÓLLAR SOLAR, S.A.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ADS ENERGY 8.0., S.L.	Sole Director	YES
Mr RAFAEL GARCÉS BERAMENDI	AUDAX NETHERLANDS B.V.	Member of the board	NO

C.1.11 If applicable, list your company's directors or representatives of legal-person directors who are members of the board of directors or representatives of legal-person directors of other entities listed on official securities markets, other than the companies of your group, that have been reported to the company:

Name or company name of the director	Company name of the listed entity	Position
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	General de Alquiler de Maquinaria, S.A.	CHAIRMAN-MANAGING DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	Masmóvil Ibercom, S.A.	DEPUTY CHAIRMAN
Mr JOSEP MARIA ECHARRI TORRES	Oryzon Genomics, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	Agile Content, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	Atrys Health, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	AB Biotics, S.A.	MEMBER OF THE BOARD
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	Laboratorios Reig Jofré, S.A.	MEMBER OF THE BOARD
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	Desarrollos Especiales de Sistemas de Anclaje, S.A.	MEMBER OF THE BOARD

C.1.12 State and, if applicable, explain whether the company has established rules on the maximum number of company boards on which its directors may hold seats and, if so, indicate where it is regulated:

Yes
 No

C.1.13 Indicate the amounts of the following items comprising total remuneration of the board:

Remuneration accrued for the year by the board of directors (EUR thousands)	104
Cumulative amounts accrued by current directors in pension schemes (EUR thousands)	
Cumulative amounts accrued by former directors in pension schemes (EUR thousands)	

C.1.14 Identify senior management members who are not executive directors and indicate the total remuneration accrued by them throughout the year:

Name or company name	Cargo/s
Mr RAFAEL GARCÉS BERAMENDI	CHIEF INVESTMENTS MANAGER
Ms ANA ISABEL LÓPEZ PORTA	GENERAL MANAGER
Mr JAVIER CASTAÑO CRUZ	INTERNAL AUDITOR
Total remuneration of senior management (EUR thousands)	394

C.1.15 Indicate whether any amendment has been made to the regulations of the board during the year:

- Yes
 No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

In this respect, the Regulations of the Board of Directors establish the following:

Article 10.- Appointment and disqualification

The proposals for appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and the resolutions for appointments adopted by the Board by virtue of the co-optation authority legally granted thereto must first be proposed by the Appointments and Remuneration Committee, when independent Directors are involved, and the Board of Directors itself, in other cases.

In any case, the proposal shall be accompanied by a justifying report to the Board about the competence, experience and merits of the nominee proposed, which will be attached to the minutes of the General Meeting or of the Board. Furthermore, the proposal for appointment or reappointment of any non-independent directors must be preceded, moreover, of a report of the Appointments and Remuneration Committee. The provisions of this paragraph shall also apply to natural persons who are designated representatives of a legal entity counsellor. The proposal must be included into the report of the Appointments and Remuneration Committee.

The Directors shall observe the legally specified situation of disqualification.

Article 11.- Term of office

The Directors shall hold office for the term stated in the Articles of Association and may be reappointed according to the provisions of the Articles of Association.

The Directors appointed by co-optation shall hold office until the date of the first General Shareholders' Meeting held, which shall ratify the appointments or appoint the persons that must replace the Directors that are not ratified, unless it is decided to eliminate the vacancies.

Article 12.- Dismissal

The Directors shall step down from office once the period has elapsed for which they were appointed and in any other cases stipulated by law or the Articles of Association.

In any circumstances, they may make their office available to the Board of Directors and formalise their relevant dismissal in the following cases:

(i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.

(ii) When they are involved in any of the legally specified situations of disqualification or prohibition.

(iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.

(iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all his shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.

(v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.

(vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

In the case of a person acting on behalf of a company appointed as a Director in any of the aforementioned situations, such person shall be disqualified from exercising their proxies.

C.1.17 Explain to what extent the annual evaluation of the board of directors has brought about significant changes in the internal organisation of the board and the procedures applicable to its activities:

Description of the changes

The annual evaluation of the Board of Directors has served to discover the areas that need to be improved, however the issues were of rather formal nature which did not require significant changes of the internal organisation of the Board nor of the procedures applicable to its activities.

Describe the evaluation process and the assessed areas, conducted by the board of directors with possible assistance of an external advisor, regarding the performance and composition of the board and its committees as well as any other area or aspect subject to evaluation.

Description of the evaluation process and assessed areas

The Board, in collaboration with the non-director Secretary, conducted an evaluation of the organisation and activities, and drew up a report containing their conclusions in this respect. The evaluation concerned, among others, the following matters:

- Regarding the composition – whether or not the Board fulfils the criteria of independence and qualifications of the Directors, required under internal policies.
- Regarding the evaluation of actions and conducting the session – whether the Board was called correctly and efficiently, systematically, with sufficient notice and proper notification.
- Regarding the participation in sessions, involvement and active collaboration of all the Directors during the fiscal year – whether or not the following occurred:
 - debates and frequent speeches from the Directors;
 - systematic participation of all the directors, and
 - effective involvement.
- Analysis of actions and collaborations with the Audit Committee and the Appointments and Remuneration Committee.
- Actions conducted by the Directors (in particular, the company's strategy, business analysis, risk control, internal control over financial reporting, etc.).
- Actions conducted by the Chairman of the Board.

C.1.18 Specify, in those years in which the external advisor participated in the evaluation, the business relationships of the external advisor or any company of their group with the company or any company of its group.

N/A

C.1.19 Indicate the circumstances in which directors must resign.

As stated in section C.1.16 of this report, the directors must place their position at the disposal of the board and formalise the resignation in the following circumstances:

- (i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.
- (ii) When they are involved in any of the legally specified situations of disqualification or prohibition.
- (iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.
- (iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all his shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.

(v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.

(vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.20 Are qualified majorities other than those legally established required for any type of decision ?:

- Yes
 No

If so, describe the differences.

C.1.21 Indicate whether there are specific requirements other than those relating to directors in order to be appointed as chairman of the board:

- Yes
 No

C.1.22 Indicate whether the articles of association or the board regulations establish any age limit for directors:

- Yes
 No

C.1.23 Indicate whether the articles of association or the board regulations establish a limit for the term of office or other stricter requirements additional to those established by law for the independent directors:

- Yes
 No

C.1.24 Indicate whether the articles of association or the board regulations establish specific rules for delegating to other directors the rights to vote at the board meetings, how they are to be delegated and, particularly, the maximum number of delegations that a director may have, as well as if there is a limit established as to the categories subject to delegation, beyond the limits established by law. If so, briefly describe the rules.

In conformity with article 9 of the Regulations of the Board of Directors, the meeting of the Board is validly constituted when the majority of its members are present or represented thereat, and also, without the need for a prior call, when all its members are present and unanimously decide to constitute a meeting of the Board. Written ballots without a meeting shall only be permitted when no Director opposes such a procedure.

The power of representation to attend the meetings of the Board shall only be conferred upon another Director, and must be made expressly for each meeting, however non-executive directors can only appoint another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting in the absence of the Vice-Chairman, and shall not have the right to cast the deciding vote.

Each Director present or represented shall have the right to one vote.

C.1.25 Indicate the number of meetings that the board of directors has held over the year. Also indicate, where applicable, how many times the board has met without the chairman being present. When calculating the number, representations made with specific instructions shall be considered.

Number of meetings of the board	7
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Number of board meetings without the attendance of the chairman	0
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Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representations of any executive director:

Number of meetings	0
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Indicate the number of meetings held by the board committees over the year:

Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	1
Number of meetings of the Executive Committee	4

C.1.26 Indicate the number of meetings held by the board of directors during the year and provide information on member attendance:

Number of meetings with the in-person attendance of at least 80% of directors	7
% of in-person attendance over the total number of votes during the year	100.00
Number of meetings with the in-person attendance or proxies with specific instructions, of all directors	7
% of votes issued with in-person attendance and proxies with specific instructions, over the total number of votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the board for drawing up were previously certified:

- Yes
 No

Identify, if applicable, the person/s who certified the company’s individual and consolidated financial statements in order to be drawn up by the board:

C.1.28 Explain the measures, if any, established by the board of directors to prevent the individual and consolidated financial statements drawn up by the board from being submitted to the general meeting of shareholders with qualified opinion in the auditors’ report.

The Board of Directors has the Audit Committee which, according to article 7.3 of the Regulations of the Board of Directors, is competent for the following duties:

- (i) Informing the General Shareholders’ Meeting of the issues proposed thereto by the shareholders for items within its competence.
- (ii) Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- (iii) Supervising the preparation and submission of the required financial information.
- (iv) Proposing the appointment of the company’s auditors to the Board of Directors to be submitted for the approval, re-election or replacement of the General Shareholders’ Meeting, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in the exercise of their functions.

Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.

(v) Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.

(vi) To inform, in advance, to the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

C.1.29 Is the secretary of the board a director?

- Yes
- No

Fill in the following table if the secretary of the board is not a director:

Name or company name of the secretary	Representative
Ms NAIARA BUENO AYBAR	

C.1.30 Indicate the measures taken by the company to ensure the independence of the external auditors, as well as the measures, if any, to ensure the independence of the financial analysts, investments banks and rating agencies, including information on how legal provisions have been implemented in practice.

Article 20 of the Regulations of the Board of Directors stipulates:

Article 20.- Relationship with the Auditors

The Board of Directors shall establish an objective, professional and ongoing relationship of the Audit Committee with the company's external auditors appointed by the General Shareholders' Meeting. In all cases, it shall observe the independence of such auditors and ensure that they are provided with accurate information.

C.1.31 Indicate whether the company has changed its external auditor over the year. If so, identify the incoming and the outgoing auditor:

- Yes
 No

If there was a disagreement with the outgoing auditor, explain its content:

- Yes
 No

C.1.32 Indicate if the audit firm provides any non-auditing services to the company and/or its group and, if so, state the amount of the fees received for said services and the percentage of the fees invoiced to the company and/or its group:

- Yes
 No

	Company	Companies of the group	Total
Amount of fees for non-auditing services (EUR thousands)	90,400	25,000	115,400
Amount of fees for non-auditing services / Amount of fees for auditing services (%)	66.70	7.70	23.60

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given by the chairman of the audit committee to the shareholders in the General Meeting to explain the content and the extent of said qualified opinion or reservations.

- Yes
 No

C.1.34 Indicate how many years the current audit firm has been auditing, without interruption, the individual and/or consolidated financial statements of the company. Also indicate the percentage of the number of years audited by the current audit firm over the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2
	Individual	Consolidated
Nº of years audited by the current auditing firm / Nº of years when the company or the group has been audited	12.50	13.33

	Individual	Consolidated
(%)		

C.1.35 Indicate and, where applicable, specify the procedures for directors to obtain the information they need in sufficient time to prepare for the meetings of the governing bodies:

- Yes
 No

Details of procedure

Article 13 of the Regulations of the Board of Directors states that unless the Board of Directors had been called or had been exceptionally convened for reasons of urgency, the directors must receive the necessary information in advance and with sufficient time to prepare for the debate and the resolutions regarding on matters to be discussed. The Chairman of the Board, with the assistance of the Secretary, shall ensure compliance with this provision.

The directors are vested with the most wide-embracing authority to obtain information about any aspect affecting the Company, to examine its books, records, documents and other background information about the Company's transactions and to inspect all its facilities.

However, in order not to disrupt the Company's ordinary operations, exercising their rights to information shall be channelled through the Chairperson of the Board, if they are of an executive nature, otherwise through the Chief Executive Officer, who shall deal with the requests made by directors and provide them with information, offering them suitable spokespersons within the scope of the suitable organisation or provide the measures so that the procedures for examination and inspection can be carried out in situ.

C.1.36 Indicate and, where applicable, give details of whether the company has laid down rules that oblige the directors to report and, in cases that damage the company's name and reputation, resign:

- Yes
 No

Explain the rules

In this respect, article 16.4 of the Regulations of the Board of Directors establishes that the directors must notify any situation that affects them or could affect the name or reputation of the Company, in particular, criminal cases in which they are involved as defendants and any important legal difficulties. The Board, after examining the situation presented by the director, may require that the director be dismissed and this decision shall be binding for the director.

Furthermore, pursuant to point (iii) and (vi) of article 12 of the Regulations of the Board of Directors, the directors shall make their office available to the Board when they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities and when, due to events caused by the directors, their remaining as members of the Board would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.37 Indicate whether any member of the board of directors has informed the company that he/she has been prosecuted or hearings against them have been opened for any of the offences laid down in article 213 of the Corporate Enterprises Act:

- Yes
 No

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminated in the event of a change of control of the company due to a takeover bid, and their effects.

N/A

C.1.39 Identify individually when referred to directors and otherwise – collectively and provide details of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of operation.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
General Manager	The employment contract with the General Manager stipulates that in case of termination of the contract due to certain causes, a compensation will be provided exceeding the legally defined amount.

Indicate whether – beyond the cases stipulated by law – these contracts need to be communicated and/or approved by the governing bodies of the company or its group. If so, specify the procedures, anticipated events and the nature of the bodies responsible for the approval or communication :

	Board of Directors	General Meeting of Shareholders
Body authorising the clauses	√	
	Yes	No
Is the General Meeting of Shareholders informed of the clauses?		√

C.2. Committees of the board of directors

C.2.1 Provide details of all the committees of the board of directors and their composition and participation of executive, proprietary, independent and other external directors in the committees:

Audit Committee		
Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	CHAIRMAN	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	MEMBER	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67

% of other external directors	0.00
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Explain the duties attributed to this committee, including any additional duties beyond those stipulated by law, and describe the procedures and rules of organisation and activity of the committee. For each of those duties indicate the most important actions performed by the committee over the year and the way of exercising in practice each of the duties attributed by law, by articles of association or other resolutions of the company.

Pursuant to article 7.3 of the Regulations of the Board of Directors, the Board has set up an Audit Committee composed of 3 members, 2 of which are independent directors, in accordance with the regulations on its makeup and on the basis of a motion of the Appointments and Remuneration Committee, by the Board of Directors from among its non-executive members. At least two of the members of the Audit Committee shall be independent and one of them shall be appointed bearing in mind their knowledge and experience in accounting or auditing matters, or both.

The Chairperson of the Audit Committee shall be appointed by the Company's Board of Directors from among the independent directors comprising the Committee. The Audit Committee shall appoint also a Secretary. The duties of the Secretary of the Audit Committee shall be performed by the Secretary of the Board.

The members of the Audit Committee shall hold their posts for a maximum of four (4) years and may be reappointed. The Chairperson shall hold office for maximum term of four (4) years and for their reappointment to such position at least one year must have elapsed since they stepped down from office, notwithstanding their reappointment as a member of the Committee.

The Audit Committee shall, in any circumstances, be competent for the following duties:

- (i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders for items within its competence.
- (ii) Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- (iii) Supervising the preparation and submission of the required financial information.
- (iv) Presenting to the Board of Directors the motions to choose, appoint, reappoint and replace the external auditor and the terms of their engagement, as well as gathering from them information on the audit plan and its execution while preserving their independence in the exercise of their duties.
- (v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other related to the development of the audit process, as well as other communications included in auditing laws and the auditing standards. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.
- (vi) Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any circumstances, the assessment of the services rendered in addition to those mentioned in the above paragraph, considered individually and collectively, other than the statutory audit and in relation with the regulatory audit legislation.
- (vii) To inform the Board of Directors in advance about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax havens; and (c) related party transactions.

The Audit Committee shall hold a meeting at least four (4) times a year, one every quarter of the year, and in any circumstances, as often as may be deemed necessary by the Chairperson or when a meeting is requested by half of the Committee's members.

The meeting shall be considered validly held when the majority of the Committee's members attend to it personally or by proxy. In the case of a draw, the Chairperson shall hold the casting vote.

The Audit Committee shall submit a report about its activities during the year for the approval of the Board of Directors, to subsequently be made available to the shareholders and investors.

The Board of Directors may draw up all of the aforementioned rules in an appropriate document of Regulations of the Audit Committee, respecting in any case the independent nature of its activity.

At the discretion of the Chairperson or the majority of members of the Executive Committee, the resolutions of the Audit Committee whose importance so requires, may be submitted for subsequent ratification by the Board of Directors.

In the year 2018 the Audit Committee held five (5) meetings and duly fulfilled its duties.

Identify the directors, members of the audit committee, who have been appointed bearing in mind their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of the directors with experience	Mr JOSEP MARIA ECHARRI TORRES
Date of appointment of the chairman	14/11/2016

Appointments and Remuneration Committee		
Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	MEMBER	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	CHAIRMAN	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the duties attributed to this committee, including any additional duties beyond those stipulated by law, and describe the procedures and rules of organisation and activity of the committee. For each of those duties indicate the most important actions performed by the committee over the year and the way of exercising in practice each of the duties attributed by law, by articles of association or other resolutions of the company.

The Appointments and Remuneration Committee is made up of three (3) non-executive directors, two (2) of which are independent directors and have been appointed bearing in mind their knowledge, abilities and experience in accordance with the regulations of its composition.

The members of the Appointments and Remuneration Committee hold office for a maximum of four (4) years and may be reappointed. The Board of Directors appoints a Chairperson from among the independent members of the Committee. The office of the Chairperson shall be held for a maximum term of four (4) years and at least one (1) year must have elapsed since they stepped down from the office in order to be reappointed, notwithstanding their reappointment as member of the Committee. The office of the Secretary of the Appointments and Remuneration Committee is held by the Secretary of the Board.

The Board shall appoint a Chairperson from among the independent directors comprising the Committee. The office of Chairperson shall be held for a maximum period of four (4) years, and at least one (1) year must have elapsed since stepping down in order to be reappointed, notwithstanding the possibility of being re-elected as member of the Committee. The office of Secretary of the Appointments and Remuneration Committee shall be held by the Secretary of the Board of Directors.

Notwithstanding other duties that may be assigned thereto by the Board of Directors, the Appointments and Remuneration Committee shall perform the following basic duties:

- (i) Evaluate the skills, knowledge and experience necessary for the Board of Directors. For this purpose, it will define the roles and capabilities required of the candidates to fill each vacancy, and it will evaluate the time and commitment necessary for them to fulfil their duties effectively.

- (ii) Establish a goal of representation for the underrepresented sex on the Board of Directors and develop guidance on how to achieve that objective.
- (iii) Submit to the Board of Directors the proposals for appointment of independent directors to be appointed by co-optation or for submission to the decision of the General Meeting of Shareholders, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.
- (iv) Report on proposals for appointment of the remaining directors to be appointed by co-optation or for submission to the decision of the General Meeting, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.
- (v) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts.
- (vi) Examine and organise the succession of the Chairperson of the Board of Directors and the Company's Chief Executive Officer and, if appropriate, make suggestions to the Board of Directors in order to perform such succession in an orderly and planned manner.
- (vii) Suggest to the Board of Directors the remuneration policy for the directors and general managers or senior management under direct control of the Board, of the executive committees or of the managing directors, as well as the individual remuneration and other contractual terms of executive directors, ensuring compliance therewith.

As part of its duties, in the year 2018 the Appointments and Remuneration Committee formulated the reports regarding the annual assessment of the Appointments and Remuneration Committee and the Board of Directors. Furthermore, the Appointments and Remuneration Committee approved the proposal of the Annual Report on Remuneration of the Company's directors for the year 2017.

Executive Committee		
Name	Position	Category
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CHAIRMAN	Proprietary
Mr EDUARD ROMEU BARCELÓ	MEMBER	Proprietary
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	100.00
% of independent directors	0.00
% of other external directors	0.00

Explain the duties attributed to this committee, including any additional duties beyond those stipulated by law, and describe the procedures and rules of organisation and activity of the committee. For each of those duties indicate the most important actions performed by the committee over the year and the way of exercising in practice each of the duties attributed by law, by articles of association or other resolutions of the company.

The composition of the Executive Committee must reasonably reflect the structure of the Board of Directors and must observe the balance established between the different classes of Directors.

It shall be composed of a minimum of three (3) and a maximum of six (6) Directors, and shall hold a meeting at least once every three (3) months. The appointment of its members shall require votes in favour of at least two thirds (2/3) of the members of the Board of Directors. The persons holding the posts of Chairperson and the Secretary on the Board of Directors shall also act in such position on the Committee.

The Executive Committee shall be granted all the authority of the Board of Directors except the duties that, for legal or statutory reasons, cannot be delegated. In particular, as examples but not limited thereto, it may exercise the following duties:

- (a) To control the management of the Company.
- (b) To study and propose the guidelines that must define the corporate strategy and supervise its implementation, with special attention being paid to diversification actions.
- (c) To debate and inform of the following matters to be submitted to the Board of Directors: (i) The Company's budgets with a breakdown of the relevant forecasts for each business line; (ii) Important investment and alliances or agreements. (iii) Financial transactions; and (iv) Corporate transactions.

At the discretion of the Chairperson or the majority of the members of the Executive Committee, the resolutions whose importance so requires, may be submitted for subsequent ratification by the Board of Directors. In any circumstances, all the members of the Company's Board of Directors shall be allowed to access the minutes of the Executive Committee meetings.

At the meetings of the Executive Committee held in the year 2018 the members performed the control of the Company's management and analysed the corporate transactions and structural changes made by the Company, as well as studied the corporate strategy.

C.2.2 Complete the following table with the information relative to the number of female directors who were members of the board committees at the end of the past four years:

	Number of women directors							
	Year 2018		Year 2017		Year 2016		Year 2015	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00	0	0.00	0	0.00	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00
Executive Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, if applicable, the existence of committee regulations, the place where they are available for consultation and the amendments made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.

The regulations of the Executive Committee, Audit Committee and Appointments and Remuneration Committee are included in the Regulations of the Board of Directors (articles 7.2, 7.3 and 7.4, respectively), available on the company's website:

https://www.audaxrenovables.com/wp-content/uploads/2018/01/AUDAX_REN-Reglamento_Consejo_2017.pdf

Finally, it should be stated that the Board of Directors carried out an evaluation of the activity of each Committee.

D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1. Explain, if applicable, the procedure and the body competent for the approval of related party and intra-group transactions.

Pursuant to article 17 of the Regulations of the Board of Directors of Audax Renovables the Board of Directors, directly or through the Audit Committee, shall ensure that the transactions between the Company or the companies of its group with significant shareholders are carried out according to arm's length principle and observe the principle of equal treatment of the shareholders that are in the same situation.

For this purpose, the Board of Directors shall approve, subject to a report from the Audit Committee, of the transactions that the Company or the companies of its group perform with directors, on the terms established by article 229 and 230 of the Corporate Enterprises Act, or with shareholders who hold – individually or jointly – a significant stake, including shareholders represented in the Board of Directors of the Company or of other companies belonging to the same group with persons related to them, and the shareholders affected directly or the representatives of related shareholders shall abstain from voting.

The Annual Report on Corporate Governance of the Company shall include information on such transactions.

The transactions that meet simultaneously the following three criteria shall be exempt from the need for approval by the Board of Directors:

- (i) "carried out on standardised terms of contract applied generally to a large number of clients;
- (ii) carried out at prices or rates established universally by the entity acting as the provider of the goods or services in question; and
- (iii) their amount does not exceed one per cent of the annual income of the Company."

D.2. Specify the transactions that are significant because of their amount or important because of their subject matter, carried out between the company or the entities of its group and significant shareholders of the company:

Name or company name of significant shareholder	Name or company name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (EUR thousands)
ELECTRICA NURIEL, S.L.U.	AUDAX RENOVABLES, S.A.	Corporate	Provision of services	385
EXCELSIOR TIMES, S.L.U.	AUDAX RENOVABLES, S.A.	Contractual	Financing agreements - loans	54,996
EXCELSIOR TIMES, S.L.U.	AUDAX RENOVABLES, S.A.	Contractual	Charged interest	1,622

- D.3.** Specify the transactions that are significant because of their amount or important because of their subject matter, carried out between the company or the entities of its group and the company's directors or managers:

Name or company name of directors or managers	Name or company name of the related party	Relationship	Nature of the transaction	Amount (EUR thousands)
No data				N.A.

- D.4.** Report significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company's usual trading in terms of its subject matter and conditions.

In any case, report any intra-group transaction carried out with entities established in countries or territories considered to be tax havens:

Company name of the entity belonging to the group	Brief description of the transaction	Amount (EUR thousands)
AUDAX GREEN, S.L.U	Earnings for representation on the market and for HR services and others.	1,839
AUDAX GREEN, S.L.U	Expenses for purchase of energy.	7,272

- D.5.** Specify the significant transactions carried out between the company or companies of its group with other related parties, not reported in the previous paragraphs:

Company name of the related party	Brief description of the transaction	Amount (EUR thousands)
No data		N.A.

- D.6.** Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

Article 16.2 of the Regulations of the Board of Directors stipulates the following (without prejudice to the exemption rules established in article 16.3 thereof):

In order to avoid conflicts of interest [...] the Directors should abstain from:

- (i) Performing transactions with the Company, except for ordinary transactions carried out under standard conditions for customers and of little importance, defined as those for which information is not required to reflect a fair image of the equity, financial situation and the results of the Company.
- (ii) Using the name of the Company or their position of director to improperly influence the performance of private transactions.

(iii) Making use of the company's assets, including confidential information of the Company, for private purposes. This obligation includes the duty of each director to avoid using undisclosed information of the Company for their own benefit, either directly or disclosing it to third parties, and to abstain from performing and from suggesting to others to perform transactions on the securities of the Company or of its subsidiaries, associated or related companies about which they may have obtained, by virtue of their position, undisclosed information, all abovementioned without prejudice to the duties incumbent on directors under the regulations of the Securities Market and the rules of conduct stipulated in the Company's Internal Regulations for Conduct.

(iv) Taking advantage of the business opportunities of the Company. Accordingly, the directors must not perform, for their own benefit or for the benefit of associated persons, investments or transactions related to the Company's assets of which they have obtained information by virtue of their office, when the investment or transaction has been offered to the Company or the Company has interest in it, as long as the Company has not rejected the investment or transaction without the influence of the director and pertinent authorisation of the Board of Directors has been given to perform it.

For this purpose, business opportunities refer to any possibility of making an investment or commercial transaction which has arisen or has been discovered in connection with holding the position of director or by the use of means and information of the Company or under such circumstances that would reasonably imply the assumption that the third party's offer was in reality addressed to the Company.

(v) Obtaining advantages or remunerations from third parties other than the Company and its group, associated to holding the office, except for mere courtesy attentions.

(vi) Carrying out for their own account or as an employee activities involving effective competition, whether actual or potential, with the Company or activities that would put them anyway in permanent conflict with the Company's interests. Directors holding office in subsidiaries or investees of the Company are exempt from this prohibition.

The foregoing provisions shall also apply to the event when the beneficiary of the prohibited activities is a person associated to the director under the terms of article 231 of the Spanish Corporate Enterprises Act.

In any circumstances, the directors must inform the Board of Directors about any situation of direct or indirect conflict of interests between them or the persons associated to them, and the Company. The conflicts of interest incurred by the directors shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report.

D.7. Is more than one company of the Group listed on the stock market in Spain?

- Yes
 No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the company's Risk Control and Management System, including risks of a tax nature :

The Group, in general, considers risk to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives.

In this regard, the Group is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it to achieve its objectives and successfully implement its strategies. For that reason the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant risks to be correctly identified, managed and controlled. The joint project of merger, to which the Company has been submitted, has not altered these objectives, but it has made the Policy, through which these risks are properly managed (called "The Group's General Policy of Risk Control and Management"), to be internally reviewed by the Group and adapted to the new reality. The Policy should primarily allow :

- a) to achieve the defined strategic objectives;
- b) to provide the highest level of guarantees to the shareholders;
- c) to protect the results and the reputation of the Group;
- d) to defend the interests of shareholders, clients and other groups interested in the performance of the Company;
- e) to guarantee business stability and financial strength on a sustained basis throughout time;
- f) to separate the areas that assume risks besides those that control them;
- g) to apply the transparency and good governance practices; and,
- h) to act in compliance with the current legal regulations and the commitments established within the Corporate Responsibility framework.

In the fulfilment of this commitment the Board of Directors collaborates with the Audit Committee that, as a delegate and advisory body, supervises and informs about the adequacy of the system of evaluation and internal control of significant risks.

According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure:

- a) Integrate the risk-opportunity vision in the management and strategy of the Company.
- b) Implement an appropriate separation of duties to guarantee an adequate level of independence.
- c) Guarantee the proper use of risk hedging instruments.
- d) Inform about the risks for the Group and about the implemented systems to mitigate them.
- e) Align the Policy with all the specific policies that need to be developed in the matter of risk.
- f) Ensure the adequate compliance with the corporate governance rules.
- g) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

The Group's General Policy of Risk Control and Management which, as indicated above, is undergoing a review, is carried out through the procedures, methodologies and support tools and includes the following guidelines:

- a) The identification of the significant risks of corporate governance, market, credit, liquidity, capital management, business, regulation, operational, environmental, reputational and others.
- b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments as an essential element in the process of decision making in profitability-risk approach.
- c) The settlement of an internal structure of policies, guidelines and limits.
- d) The implementation and control of the compliance of policies, guidelines and limits through adequate procedures and systems, including the contingency plans necessary in order to mitigate the impact of risk materialisation.
- e) The measurement and control of risks.
- f) The information and internal control systems, which allow to carry out a regular and transparent evaluation and information of the results of monitoring risk control and management, including compliance with the policies and the limits.
- g) The constant evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations concerning risks from the perspective of their possible incorporation into the model.
- h) The review of the entire control system by the Internal Audit Committee of the Group.

The Group's General Policy of Risk Control and Management is developed and complemented by the corporate risk policies that are established in relation to the business lines and/or companies of the Group, which are set out below, and which are also subject to supervision by the Audit Committee and subsequent approval by the Board of Directors. It should be noted that, due to the joint project of merger, several of the policies that were previously implemented are now being adapted and reviewed for the purpose of their adequate implementation next year.

Corporate Policies and Procedures which have been approved and implemented:

- Corporate Code of Ethics and Conduct.
- Disciplinary Rules and Sanctions.

- Handbook and General Principles of Criminal Risk Prevention.
- Internal Regulations for Conduct in the Securities Markets.

Corporate Policies and Procedures which are undergoing a review:

- General Policy of Risk Control and Management.
- Delegation of Authority.
- Policy of Financial Risk Management.
- Investments, Purchases and Suppliers Policy.
- Guidelines for Accounting Policies.
- Guidelines for Information Security Systems.
- Project Finance Process and Projects' Status.
- Policies for Loan Granting and Terms of Loan Agreements.
- Acquisition and Disposal of Own Shares Procedure.
- Guidelines of the Regulated Information to Be Disclosed to the Market.
- System of Internal Control for Financial Information (ICFR).

E.2. Identify the bodies within the company responsible for designing and executing the Risk Control and Management System, including tax risk:

In order to adequate the impact of the risk, the Audit Committee, as a delegated and advisory Committee of the Board of Directors, apart from supervising the proposals of the Management and/or the Internal Audit Department, has the autonomous capacity to suggest to the Board of Directors for its approval the proposals of guidelines to regulate the limits of different risks, including tax risk, that are considered as acceptable for the Group.

AUDIT COMMITTEE

- Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.
- Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions.
- Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.
- Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.
- To inform, in advance, to the Board of Directors about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax heavens; and (c) related party transactions.

BOARD OF DIRECTORS

Within the scope of its competence, with the support of the Audit Committee, the Board of Directors should ensure that the necessary mechanisms are introduced to identify measure, manage and monitor relevant risks of any type, establish the Company's risk strategy and profile, and approve the Group's risk policies.

In particular, the Board of Directors shall approve and supervise the risk control and management policy, as well as the monitoring of the system of internal control over financial reporting.

E.3. Indicate the main risks, including tax risks, and – insofar as they are significant – the risks deriving from corruption (within the scope determined in the Royal Decree-Law 18/2017), which may affect the achievement of business objectives:

The Audax Renovables Group has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Group's General Policy of Risk Control and Management (currently undergoing a process of internal review due to the joint project of merger, which has brought about a new dimension to the group as well as new risks that need to be added because of the incorporation of new business lines), the risk factors are generally the following:

A) FINANCIAL RISKS:

- a) Credit risks: credit risk is the possibility that a counterparty to an agreement may fail to comply its contractual obligations bringing about an economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.
- b) Market risks: market risk present in the electricity sector is based on the complex process of price formation which affects the retailing activity as well as the energy generation activity.
- c) Commodity price volatility risk: in certain countries where the Group operates in the energy generation activity, the remuneration received by the Group has a regulatory component and a component which is linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile. Furthermore, it is impossible to ensure that the market prices will remain on such levels as to allow the collection of profit margins and desired levels for investments recovery.
- d) Liquidity risk: the management of that risk results from the demand for financing the Group's activities because of temporary differences between the needs and cash generation, and is based on maintaining a sufficient level of cash and securities, as well as the availability of financing through adequate amount of committed credit facilities and the appropriate ability to settle market positions.
- e) Interest rate risk: any rise in interest rates would increase the Group's financial expenses in relation to the portion of its debt at a floating rate, which would be mitigated by the interest rate hedging policy.
- f) Guarantee terms risk: In order for Audax Renovables to be able to carry out its activity as retailer, it has to provide the guarantees linked to the electricity purchase. The guarantees are provided in the form of bank guarantees, some of which are secured by the positive net liquidity position of the Group. Should the financial institutions that grant the guarantees decide to cancel them, the Group's activity would become severely limited, which could affect its own viability.
- g) Access to financing: in the division of energy generation the development of the facilities under construction, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

B) RISKS RELATED TO THE BUSINESS SECTOR:

- h) Regulatory risks: those resulting from regulatory changes established by the different regulators, such as the changes in the remuneration for the regulated activities or of the required conditions of supply, environmental regulations, tax regulations, labour regulations, among others.
- i) Competition risk: in the retailing activity it is possible to be exposed to a significant risk due to the existing market entry barriers and which could materialise in a decrease of the offered price.
- j) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of certain external events, including their economic, social and/or environmental impact, as well as the legal risk.
- l) Risk of exposition to the Spanish market: the Group's activity currently depends primarily on the Spanish market.
- m) Dependence and concentration of qualified providers risk: the energy generation activity requires the supply and assembly of numerous technical components, such as wind turbines, for the wind energy generation facilities, which can be provided only by a limited number of suppliers.
- k) Weather conditions risk: electricity generation from wind energy is subject to weather conditions of the location of the facilities and, particularly, wind conditions.

The Group may as well be affected by other risks of a different character, for instance:

- Reputational risks: potential negative impact of the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest groups: shareholders, clients, media, analysts, public administration, employees and people in general.
- Corporate governance risks: the Company assumes the need to secure the public interest and the strategy to boost in a sustainable manner the Company's economic value and its good performance in the long term, taking into consideration the legitimate interests, whether public or private, especially among the different interest groups.

E.4. Indicate whether the company has levels of risk tolerance, including tax risk:

The Group has not quantified a specific level of risk tolerance, adapting it to the different situations, taking into account the risk/opportunity combination.

Nevertheless, at the quality level, the risk map of Audax Renovables is the identification and valuation tool of all risks of the Group. All risks considered are evaluated considering probability and impact indicators and are constantly monitored.

In accordance with these parameters, risks are classified as:

- Non-significant risk: risks which impact is very low or out of control of the company. These risks are managed to reduce the frequency in which they are produced only if its management is economically feasible.
- Low risk (tolerable): risks that occur with little frequency and that have a low economic impact. These risks are monitored to check that they are still tolerable.

- Medium risk (severe): frequent risks with a very high impact. These risks are monitored and, where appropriate, regularly managed.
- Top risk (critical): occur with low frequency but the economic/strategic/reputational impact is really high.

It should be noted that until the year 2018 the Company had a Risk Map perfectly adapted to the reality in which the Group existed at that time. However, following the announcement of the joint project of merger by absorption, said Risk Map is now being reviewed through a process of adjustment to the Group's new situation, as all the risks and particularities related to the retail business need to be included and added to those related to the production business (the latter being those taken into consideration until the project of merger was announced).

E.5. Indicate which of the risks, including tax risks, have taken place over the year:

During the year 2018 the Group was affected by the events specified below, the most significant impacts being those related to the terms established in the joint project of merger of 28 June 2018; the milestones were the following:

In October 2018 Audax Energía, S.A. acquires two subsidiary companies (ADS Energía 8.0, S.L.U. and Eryx Investments 2017, S.L.) which already were under control of its group, through a non-monetary contribution of their shares to Audax Energía, S.A. The impact of both transactions involved a positive impact of EUR 1.3 million on net equity and a negative impact of EUR 3.1 million on the income statement for the year, respectively.

On 23 November, and as a consequence of the merger between the Company (as the acquiring company) and Audax Energía, S.A. (as the acquired company) the Company's objects were extended to include the energy retailing, purchase and sale of electricity, including import and export, sales of fuel for energy production, natural gas retailing, sales of CO2 emission rights and telecommunications retailing; as well as all additional activities necessary for the performance of the previous ones. Due to the signed transaction, the Company finds that different kinds of risk to which it is exposed have increased substantially, such as for instance the risk of guarantee terms, risks of market concentration, risks of lawsuits and complaints, new business risks in the retailing activity (product and price), to name only a few.

The abovementioned merger transaction involved the incorporation of the acquired company (Audax Energía) into the acquiring company (Audax Renovables) through a transfer en bloc of the assets of the first to the benefit of the latter, the dissolution without liquidation of the acquired company, the increase of the share capital of the acquiring company by the amount of EUR 210,201 thousand with a share premium of EUR 141,368 thousand, by issuing 300,287,276 shares equal to those already existing. Simultaneously, the framework of the restructuring process initiated by the merger described above involved the approval of a merger by absorption of the companies Orus Energía S.L. and A-Dos Energía S.L. by Audax Energía, S.A. As a consequence of that, on 1 January 2018 several national and foreign subsidiaries were incorporated into the Audax Renovables Group including the assets and liabilities as well as the equity of the incorporated companies.

The total impact of the restructuring transactions involved a reduction of the reserves by the amount of EUR 368 million.

Finally, it should be highlighted that the business performance in the year 2019 will be subject to the following risk factors:

- The probable acceleration of the withdrawal of the incentive programme of the Central European Bank, with the subsequent risk of the interest rate increase and, subsequently, of the financial expenses.
- The growing competition on the renewable energy tenders in different jurisdictions due to the appearance of new players with their aggressive bids, which may hinder the allocation of attractive and lucrative projects.
- The evolution of electricity and commodities prices in the countries where the Company operates.

E.6. Outline the plans of response to and control of the main risks faced by the company, including tax risks, and the procedures implemented by the company to ensure that the board of directors responds to the new and emerging challenges:

As pointed out in section E.4 above, until the year 2018 the Audax Group had a fully updated Risk Map which was used to identify any significant risks could negatively affect various aspects, such as: the operations, the economic profitability, financial solvency, information, corporate reputation and employee integrity, including fraud risk. However, as a result of the merger carried out with effect as of 31 December 2018 and retroactive accounting effect as of 1 January 2018, the Group is undergoing a process of adjustment to the company's new environment while simultaneously implementing the appropriate improvements in order to facilitate risk identification thereby ensuring a better adjustment to this new framework.

However, the Group's usual procedures regarding the plans of response to and control of the main risks faced by the company will not differ from its hitherto ways of operation. This means that the Group used to identify which of the existing risks could affect the Group in any way, and which mitigating measures should be put in place in order to ensure the best coverage of that risk and minimise its impact. Furthermore, regarding other risks whose impact remains not covered, an executive schedule will continue to apply (a new schedule, adapted to the new reality mentioned earlier), developed together with an action plan the appropriate measures which, where possible, will help avoid any significant impact of these risks on the Group.



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The implementation of these measures will be conducted by the Management of the Group, with the Audit Committee and, finally the Board of Directors being the two bodies responsible respectively for overseeing and approving of the implemented measures.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that constitute the risk control and management systems in relation to the financial reporting process (ICFR) of your company.

F.1. The entity's control environment.

Inform, indicating the main features, of at least:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter "ICFR") of the Audax Renovables Group is part of its general system of internal control and is arranged as a set of procedures carried out by the Board of Directors, the Audit Committee, the Management and the employees of the Group, at various levels, in order to provide reasonable security concerning the reliability of the financial information subject to disclosure.

The Board of Directors of the Audax Renovables Group is ultimate decision body of the Group, delegating the ordinary management to the executive bodies and the Management team, and thus concentrating its activity on supervising function which can be delegated to the Audit Committee; the Board of Directors has the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR system. It is also important to highlight that, since it cannot be otherwise, the Management of the Group is responsible for the adequate implementation of the ICFR system.

Among the direct responsibilities to be carried out by the Board of Directors, in terms of the internal control over financial reporting, without any prejudice to the effects that the delegations and powers granted may cause to third parties, and according to what is established in its own Regulations (article 4), there are, among others, the following duties:

- The determination of the risk control and management policy, including tax issues, and regular monitoring of the internal information and control systems.
- The determination of the corporate governance policy and of the Company and of the group being its dominant entity; its organization and operation and, in particular, the adoption and amendment of its own regulations.
- The approval of the financial information which the Company must regularly publish as a listed company.

Furthermore, article 7 section 3 of the Regulations of the Board of Directors specifies the activities and competence of the Audit Committee. For this purpose and in connection with the process of preparing and monitoring financial reporting, the Committee, under the Regulations of the Board of Directors, has the following duties:

- Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discussing with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.

It is also important to point out that the Audit Committee has available the function of Internal Audit which, together with the monitoring of the former, ensures the proper functioning of the information systems and internal control evaluating periodically the efficiency of the ICFR system and informing regularly the Audit Committee of the weaknesses detected during the performance of its job and the possible infringements of the internal control policy and the timetable for the implementation of the proposed correction measures.

The Management of the Group is responsible for performing the following functions in relation with the ICFR system:

- Revising and approving the policies and guidelines referring to the management of financial reporting;
- Establishing and spreading the needed procedure for the internal control over financial reporting;
- Establishing and carrying out the internal control over financial reporting in order to ensure its reliability and guarantee that the reports, facts, transactions and other relevant aspects are notified properly within the adequate time frame; and
- Monitoring and controlling the compliance of the internal control over financial reporting and of the internal controls and procedures aimed at spreading the information outside, as well as analysing and verifying the efficiency of the controls and their effectiveness.

Moreover, all the aspects related to the internal control over financial reporting are regulated in the corporate document ICFR Organisation and Supervision Model which is applicable to all the companies belonging to the Audax Renovables Group; the document establishes the functioning principles and the responsible bodies of the procedure. However, that document is currently undergoing a review aimed at adapting it to the new environment as a consequence of the joint project of merger in which the company has been immersed from mid-2018 till the beginning of 2019.

F.1.2 If the following elements exist, especially those connected with the financial reporting process:

- The departments and/or mechanisms that are in charge of: (i) design and review of the organisational structure; (ii) clear definition of the lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

The Board of Directors of Audax Renovables assigns to the Management of the Group the responsibility for designing and reviewing the organisational structure connected with the financial reporting process as well for its modification whenever it is deemed necessary. In this respect the appropriate guidelines of authority and responsibility have been developed for each business unit of the Group, documented in the form of models of dependence which define the tasks and functions of the units. On the other hand, the ICFR Organisation and Supervision Model, a document formally approved by the Audit Committee, refers to the functions connected with the ICFR.

In order to attain the priority goal of obtaining a correct and reliable financial information, the Group has developed and approved the ICFR Operation Model. This document, approved also by the Audit Committee and submitted to the Board of Directors, defines the process of preparing the financial information, functioning of the reports and the executive reporting (identification of key controls, formats and the persons responsible for conducting the evaluation and supervision) to be performed by the Internal Audit Department and the evaluation and supervision of the overall ICFR system.

Therefore, the responsibility for the internal control over financial reporting is formally determined and assigned.

On the other hand, the documents regarding the ICFR Operation Models are published in a portfolio generally accessible to all the staff.

Additionally, it should be highlighted that, as stated in previous sections, due to the joint project of merger carried out in the second half of the year 2018 and beginning of the year 2019, the two documents mentioned in this section ("Organisation and Supervision Model" and "Operation Model") are undergoing a review aimed at adapting them to the new dimension and business lines of the Group.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (stating whether there are specific references to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions:

The Audax Renovables Group has a Corporate Code of Ethics and Conduct, approved by the Board of Directors, which explains the ethic commitments and responsibilities in the management of the business and in corporate activities assumed by its professionals, regardless of their post, position within the company, geographical situation or function carried out. Also, complying with the Code is understood without prejudice to the complying with the company's corporate governance and, in particular, of the Internal Regulations for Conduct in the Securities Market.

The document is part of the welcome pack handed in to the new employees together with a letter of agreement with the Corporate Code of Ethics and Conduct, subject to acceptance and signature by all Group employees. The main principles and values defined in this document are: ethics and trust, customer orientation, innovation, excellence, respect for the environment, professional and personal development and concentration on positive economic results and financial soundness.

The Corporate Code of Ethics and Conduct is comprised of the following principles and rules:

- The general principles which regulate the relationship with the involved parties (employees, clients, providers, shareholders, administrations, etc...) and which define the reference values for the Group's activities, as well as respect for the fundamental rights;
- The principles of conduct in the relationship with each type of involved party, providing specific guidelines and standards that the contributors of the Audax Renovables Group must abide by so as to respect the general principles and prevent the risk of non-ethic performance; and
- The implementation mechanisms, which describe the duties of the Audit Committee (concerning dissemination, implementation and control of the Corporate Code of Ethics and Conduct), and of the Internal Audit Department (supervision and issuing of reports as well as improvement proposals), and of the Management (by spreading its communications as well as information to the Group's employees).

The Group applies the Regulation of disciplinary proceedings and sanctions system approved by the Board of Directors to complement the Corporate Code of Ethics in regulating the disciplinary procedures of the misdemeanours committed by the employees of the Group.

The body in charge of analysing such misconducts and proposing the sanctions and/or corrective measures is the Board of Directors or the Executive Committee, either from the beginning or by request of the Management and after receiving a non-binding report of the Audit Committee.

- Whistleblower channel that allows the communication to the Audit Committee of irregularities of financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities in the organisation informing, as the case may be, if it is of confidential nature:

The Audax Renovables Group has available a whistleblower channel, regulated in the Corporate Code of Ethics and of Conduct of the Group, which makes it possible for all the employees to notify, in a secure and confidential way, any behaviour that can imply an irregular or illegal act or conduct that can be contrary to the established rules. At the start point of the whistleblower channel all employees of the Group were informed about the implementation of such form of communication and about its functions. Moreover, as a consequence of the joint project of merger, the Company's staff of professional employees increased substantially. For this reason and due to this process the Management considered it adequate to inform all the employees about the substance of the Good Corporate Governance System and its existing mechanisms, one of them being the abovementioned whistleblower channel and the way it works.

Besides, all the employees of the Group used to be, and continue to be after the joint project of merger, reminded regularly (annually) about the aims and operating rules of the whistleblower channel.

Moreover, the established procedures for the use of this channel guarantee the total and strict confidentiality, given that the received information is managed directly by an independent third party, the Chairman of the Audit Committee of the Group. The responsibility of handling of the complaints made through the Channel of complaints lies with the Chairman of the Audit Committee.

- Training and regular updating programmes for the employees involved in the preparation and review of the financial statements, as well the evaluation of the ICFR, that cover at least accountable standards, auditing, internal control and risk management:

It is the Group's will to systematically update the knowledge of all the employees and management staff about the changes and novelties in preparing and publishing of the financial information. Likewise, the Group's intention is to systematically provide specialised courses about the matters related to ICFR to the employees engaged in preparing the financial statements of the Group. Constant communications with the external auditors and other independent professionals ensure this permanent update.

Additionally, as a consequence of such communications, the directors receive the information about novelties and participates also in the presentations and meetings organised by the external auditors, during which the main news related to the legal regulations, corporate governance and/or financial or tax matters are discussed.

F.2. Evaluation of the financial statements risk.

Inform, at least, of:

F.2.1 Which are the main characteristics of the process of risk identification, including risk of error or fraud, regarding:

- Whether the process exists and is documented:

The Audax Renovables Group implements General Policy of Risk Control and Management which, notwithstanding and as a consequence of the merger of the Company (as the acquiring company) with Audax Energía, S.A. (as the acquired company) carried out in the second half of the year 2018 and the beginning of the year 2019, the Management of the Group is reviewing and adapting to the new dimensions and new business model (now not only is it an energy producer, but also a retailer of electricity and gas). However, regardless of the internal review process that is being carried out in the year 2019 for the purpose of adapting it to the new situation of the Group, said Policy is intended to establish the basic principles and a general framework of action in terms of control and management of any kind of risk which the Group is exposed to. The policies are developed to supplement various systems of corporate policies regarding risk and specific risk policies which may be established for companies belonging to the Group. This way the Group has continued monitoring the main risks throughout the year 2018 as well as organising and implementing appropriate systems of internal control and information and supervising them.

This policy also aims at integrated management of financial risk within the borders of the Group's culture and its strategic goals with consideration given to the following goals:

- Identification, analysis, management and limiting of financial risk to which the Group is exposed due to the nature of business it conducts;
- Providing the organisation with a framework in order to enable conducting financial activities in a way that is controlled and consistent;
- Improving the decision making process and financial planning through complex and orderly knowledge of business activity;
- Contributing to a more effective use of resources within the Group;
- Limiting volatility within the financial areas of activities;
- Protecting financial assets;
- Developing and supporting persons and knowledge base of the organisation, and
- Optimising the operational effectiveness.

Moreover, the Audax Renovables Group has a Risk Map (also undergoing review during the year 2019 for the purpose of adapting it after the process of merger describe before) which aids in making some of the company's strategic decisions; the duty to upgrade and maintain said document rests with the Management and, ultimately, with the Board of Directors. This document states that a significant risk is defined as a risk which could negatively impact the operational activity, economical profitability, financial liquidity, information, corporate image, and the employees' integrity, including the risk of fraud. In regards to the latter, the Group, in collaboration with legal advisors and other external advisors, continually works on determining the means to limit potential dishonest behaviours. These means include various methods of action and tasks as well as developing necessary textbooks and procedures (Risk Map, textbooks, procedures, Corporate Code of Ethics and Conduct, norms, conflict of interest / related parties, compliance, complying with the regulations of criminal law, etc.) in order to mitigate the risk of fraud within the Group.

- Whether the process covers all the objectives of financial information, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and, if so, how often:

The Management of the Group has identified the control objectives for each risk, as well as the people responsible for them, according to the established methodology, taking into account the following potential mistakes in the financial information:

- Integrity.
- Validity.
- Register.
- Discontinuation of operations.
- Valuation.
- Accounting classification.
- Breakdown and comparability.

These objectives are updated at least once a year.

- The existence of a process of identification of the consolidation scope, taking into account, among other aspects, the possible existence of complex business structures, instrumental entities or of special purpose vehicles:

The consolidation scope of Audax Renovables is monthly determined by the Group's Management, together with the Accountancy Department, and under a supervision of an external auditor, in accordance with the criteria established by the International Accounting Standards (hereinafter, "IAS") 27, and other local accountancy regulations. The possible changes in the consolidation are communicated to all the Group's subsidiary companies. To this effect the Group conducts a constantly updated register of companies that covers the totality of shareholding, direct and indirect, as well as all the entities in which the Group has the possibility of exercising control, whichever the legal form in which such control may be assumed.

- Whether the process takes into account the effects of the other typologies of risks (operating, technological, financial, legal, tax, reputational, environmental, etc.) according to the extent by which they affect the financial statements:

Within the process of risk management relating to the financial reporting system, the Group applies the ICFR Procedures Manual which defines the methods and procedures to be applied in the management of specific risks in the financial reporting, describes the key processes (and identifies them through respective flowcharts), the risks present in the ICFR and the relevant controlling actions (including the identification of the "process owner" and "control owner"), in order to evaluate determined guidelines for its adequate implementation, functioning and supervision. In this respect the description of the processes, risks and controls contained in this document is updated at least once a year and periodically submitted to internal audit.

Nevertheless, and as it has been already stated in previous sections of this document, due to the joint project of merger in which the Group took part between the second half of 2018 and the beginning of 2019, the ICFR model applied before this operation is undergoing an internal process of adaptation to the new business dimension and model, certain improvements being made throughout the adaptation process.

Which governance body of the entity supervises the process:

The body responsible for the supervision of the internal control and risk management system is the Audit Committee of the Group with assistance of the Internal Audit Department.

F.3. Control activities.

Inform of the existence of at least the following elements indicating their main features:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, as well as documentation and flowcharts of activities and controls (including those related to risk of fraud) for the various types of transactions that may materially affect the financial statements, including the procedure for the closing of accounts and for the separate review of critical judgements, estimates, valuations and projections

The Audax Renovables Group applies the Manual of Regulated Information for Disclosure, duly approved by the Audit Committee and Management of the Group, in which all the obligatory communications are detailed, required by the regulator, and the risks and controls related to that process are identified.

In this way, the Management are in charge of referring quarterly, semi-annually and annually the mandatory financial information to the stock market (CNMV) in coordination with the Internal Audit Department and the Secretary of the Board with the previous review and approval by the Board of Directors. This financial information is elaborated through the different departments dependants of the Management. In said process the Accountancy Department is relevant, as, during the process of closure and consolidation of the accounting cycle, it undertakes different control activities that ensure the fairness of the disclosed information. Additionally, the Management Control Department analyses and supervises the information. Ultimately, the Management reviews and approves the general financial information as well as the specific information about the opinions, estimations, valuations, provisions and forecasts relevant for quantifying the assets, liabilities, income, expenses registered and/or disclosed in the Annual Accounts of the Group.

Simultaneously, the Audit Committee is responsible for supervising the process of preparing and presenting the relevant financial information as well as for supervising and ensuring the appropriate control framework of the Internal Control of Financial Reporting (ICFR) system. During the closures of the accounting cycle that fall on the end of half-year, the Audit Committee receives comments and conclusions provided by the external auditors of the Group based on the control results. Additionally, the Audit Committee (in reference to the half-year closures) informs the Board of Directors about its conclusions regarding the presented financial report, which, after being approved by this body, is forwarded to the stock markets.

As it was already mentioned, due to the merger of the Company (as the acquiring company) with Audax Energía, S.A. (as the acquired company) the ICFR model is being adapted to the new business dimension and model, with identified improvements being implemented as a consequence of said adaptation process. Due to this new situation, the Group works in two separate ways:

- On the one hand, reviewing, adapting and updating the processes which already existed in relation to the business line of electric power generation from renewable sources and which can materially affect the financial statements; it applies to the following processes (however, a closer review has been applied to the processes of "Sales" and "Cash and bank accounts"):

- Financial closing (accountancy closing and consolidation)
- Impairment test
- Hedging treatment
- Cash and bank accounts
- Operating income recognition
- Exchange rate differences
- Portfolio distribution

- On the other hand, in relation to the business segment that involves energy retailing (electricity and gas) the Group carries out a process of adaptation of the ICFR system model to this new dimension, identifying the most important processes that have the biggest impact on financial information, such as:

- Entity level (control environment)

- Sales process
- Purchase process
- Financial reporting process

It should be mentioned that, historically, the company has been undertaking over the recent years an effort to formulate key actions meant to prevent, mitigate or diminish the risks of fraud within the Group, such as drawing up the Corporate Code of Ethics and Conduct, establishing the Channel of Complaints, centrally managing the appointment of proxies, creating the Investments, Purchases and Suppliers' Management Policy, as well as the Accounting Policies Manual and the Information Security Systems Manual. In this respect, and due to the new framework in which the Group operates, those policies and procedures are also being reviewed and, if necessary, adapted to the new situation. We expect to complete this task throughout the year 2019.

Finally, it should be stated that since the year 2014 the Group used to have at its disposal the Criminal Risk Prevention Manual, verified and updated periodically and functioning as one of the important means of action aimed at preventing fraud and establishing the right internal control environment. Additionally, in the year 2016 the Group, on the basis of new requirements imposed by the reform of the Criminal Code (Organic Law no. 1/2015, of 30 March), has developed a Compliance Programme (also called "Corporate Defence") with the aim of executing a model of organisation and management involving the optimum supervisory measures which would prevent the commission of torts in the Group (the holding company and its subsidiaries). The aim of the Programme was to indicate the general principles of conduct and action which are expected of the Group's employees, and to indicate the Group's key values within the means to achieve business goals and for the purpose of preventing the occurrence of material threats within the company through avoiding situations of breach of law, and complying with current legal regulations. Therefore, and as a consequence of the joint project of merger in which the Group participated from the second half of the year 2018 till the beginning of 2019, the Group is currently reviewing the adjustment of the implemented model after adding the new business line (energy retailing), as it is exposed to different risks and different responsible bodies in comparison to the business of generating electricity from renewable sources.

- F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes of financial reporting.**

The Audax Renovables Group has been using information systems for the purpose of conducting a correct register and control of its operations and, subsequently, their correct functioning is a key element of special significance to the Group. Simultaneously the Group continually develops its information systems, creating and upgrading a map of individual applications and planned improvements through creating the right procedures and security devices. These guidelines and control environment – which, in some cases, are different depending on the geographic segment or type of solution and are undergoing a progressive homogenisation process – are applied above all to the information systems that support the important processes of generating financial information as well as to the necessary structure for their operation.

- F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services carried out by independent experts, when these may materially affect the financial statements.**

Usually evaluations, calculations or appraisals commissioned to third parties, which may have direct influence on financial reporting, are deemed to be necessary actions within the scope of generating financial information, which, in individual cases, lead to identification of the prioritised kinds of error risks, which requires designing internal controls related to them. These controls include analysis and internal approval of key assumptions which may be implemented, as well as verifying evaluations, calculations of appraisals conducted by external entities, through juxtaposing them with calculations carried out internally. Therefore, in such cases when the company enlists the services of an independent entity, it ascertains the entity's competences, authorisations, independence as well as technical and legal capabilities. In any case the results or reports of individual experts independent in the area of audit, tax or legal matters, are monitored by persons responsible from the Management or other departments for the purpose of confirming the conclusions drawn.

Based on the above, during the year 2018 the Audax Renovables Group did not outsource significant tasks with material impact on financial reporting and which were not supervised by the Group.

F.4. Information and communication.

Inform of the existence of at least the following elements indicating their main features:

- F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policy area or department) and settling doubts or disputes arising from the interpretation thereof, maintaining regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The responsibility for applying the accounting policies of the Audax Renovables Group is unified for all the geographical area of its activity and is centralised in the Financial Department. The functions of this Department, together with the active participation of the Accountancy Department of the Group, are the following:

- Draw up and update the Accountancy Policy Manual for the Audax Renovables Group;
- Analyse the operations and transactions undertaken or foreseen to be undertaken by the Group with the main aim of determining its suitable treatment in accordance with the accountancy policies;
- Monitor the new regulatory projects drawn up by the IASB, the new standards passed by this organisation, and the related approval process conducted by the European Union, so as to determine the impact of the implementation thereof on the consolidated accounts of the Group; and
- Answer any question which may arise in any of the subsidiary companies of the Group about the application of the accountancy policies.

Generally, and also in those cases when the application of the accountancy regulations is especially complex, the Financial Department of the Group informs its external auditors about the conclusions of the accountancy analysis conducted by the Group and requests them their opinion regarding the analysed conclusion for a better consensus. Subsequently, the information is conveyed to the Audit Committee for analysis and approval.

Historically, the Accountancy Policies of the Audax Renovables Group are developed in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS"), with an explicit document available (called "Accountancy Policies Manual of the Audax Renovables Group") approved at the time by the Management and by the Audit Committee, and subsequently submitted to the Board, as well as supervised by the external auditor. The Group, through the Accountancy Department, and under the supervision of the Financial Management, developed and formalized during the year 2011 said Manual, which collects the accounting principles and criteria of the companies of the Group, determining the registry and valuation guidelines so as to homogenize the accountancy in all the subsidiary companies of the Group, thus making sure of the uniformity of the accountancy and financial information. The document details the sufficient information which the Accounting Department and the Management have deemed necessary and relevant, thus ensuring that both the subsidiaries and the holdings have an adequate knowledge thereof. Such Policies include a general framework and detailed policies, such as those referring to impairment tests, policies and methods of capitalization of costs, swaps calculations, and dismantling provisions.

However, as a consequence of the merger between the Company (as the acquiring company) and Audax Energía, S.A. (as the acquired company) and due to the new dimension of the Group resulting from this operation as well as the extension of its business model, said Accountancy Policies Manual is undergoing an internal analysis of review, update and formal approval, with the Group aiming to complete this process in the year 2019.

- F.4.2 Mechanisms for the capture and preparation of financial information in standard format, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.

As a consequence of the merger between the Company (as the acquiring company) and Audax Energía, S.A. (as the acquired company), the Company has experienced a significant increase in its turnover due to the incorporation of a new business line (energy retailing – electricity and gas) to the one previously existing (energy generation from renewable sources).

From the point of view of the ERP system of drafting and reporting financial information, until the moment before the beginning of the merger project, each company and also each business line was managed with a different ERP for each company. The situation changed after the merger, when the merged companies (Audax Renovables and Audax Energía, prevailing the former) begin to be managed by a common ERP (the one used before by Audax Energía, due to the number of transactions which is much larger than that of the "former" Audax Renovables). The main feature of the ERP system of drafting and reporting accounting and financial information is that it has a uniform chart of accounts. The ERP satisfies, on the one hand, the needs of reporting of the individual financial statements and enables, on the other, the consolidation process and the subsequent analysis and review. The integrity and reliability of the information systems is confirmed by means of general control described in section F.3.2.

For the purpose of forwarding information to compile the monthly consolidated financial statements of the Audax Renovables Group, as well as the information which needs to be taken into consideration in the subsequent closing reports (quarter- or half-yearly) which are handed in to the Audit Committee and the Board of Directors, there is a standard reporting template. Moreover, for the subsidiaries, the ERPs differ depending on the subsidiary and the country of its origin. However, the financial managers of those subsidiaries report to the Financial Department of the Group through a reporting package adapted to the needs of the holding company, sent under the IFRS format according to the local accounting regulations of the country of origin.

Lastly, it needs to be pointed out that the Group used to have, through the appropriate formal approval by the Management and the Audit Committee, an ICFR "Organisation and Supervision Model" and an "Operation Model", which detail the functioning of the reports related to the ICFR system (identification of the key controls, format, responsibility for the evaluation and supervision), as well as the executive reporting drawn up by the Internal Audit Department and the assessment and control over the ICFR as a whole. As it has been already stated before, and on the basis of those documents, during the year 2019 a review is being carried out to adapt to the new business dimension and model after the merger, as well as the implementation of identified improvements to the reviewed procedure.

F.5. Monitoring the system.

Inform of the existence of at least the following elements indicating their main features:

The activities of supervision of the internal control over financial reporting system (ICFR) performed by the audit committee, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the internal control over financial reporting system. Information is also to be provided concerning the scope of the assessment of the internal control over financial reporting system performed during the financial year and on the procedure whereby the person or division charged with performing the assessment informs of the results thereof, whether the entity has an action plan in place of describing possible corrective measures, and whether the impact thereof on financial information has been considered.

The Audax Renovables Group has an Internal Audit Department, subject, in terms of functioning, to the Audit Committee, and its main task is to effectively monitor, analyse and evaluate the system of internal control and management of risks significant to the company and the Group. This department conducts independent and periodic controls of the structure and actions of the internal control system, identifies shortcomings, and formulates recommendations regarding improvement actions included in the reports handed over to the Audit Committee during periodic meetings. The reports are presented to the Committee along with a plan of mitigation measures undertaken by the managers of every area and the Management of the Group, when appropriate.

In regards to the above, the Internal Audit Department keeps constant oversight of the plans and actions agreed upon with individual departments for the purpose of correcting identified weaknesses and implementing recommendations. The Internal Audit Department carries out periodic controls of all the processes involved with formulating financial information, regarded as relevant in individual companies belonging to the Group and within the corporate finance area, at the closing of quarterly, half-yearly and yearly periods.

From the beginning, the weaknesses and/or aspects that require improvement identified during the verification process caused the need to formulate a plan of detailed actions in regards to each of them, based on which the Internal Audit Department conducted the monitoring, controls and reports, until they were fully removed or rectified.

It should be pointed out that the Company, by virtue of the merger between the Company (as the acquiring company) and Audax Energía, S.A. (as the acquired company), is carrying out a process of adaptation of the ICFR model to its dimension and business model implementing the identified improvements resulting from the adaptation process. This process is expected to be completed in the year 2019, and is being redefined by the Management with the assistance of the Internal Audit Department and monitored by the Audit Committee of the Group.

Whether there is a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the international audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall be also provided on whether there is an action plan to seek to correct or mitigate the weaknesses found.

The discussion procedure about the improvements and identified significant weaknesses of the internal control is based, generally, on regular meetings held by the intervening parties. The Internal Audit department informs periodically the General Management and the Audit Committee about

about the conclusions related to the internal control of the ICFR system and the internal audits carried out during the year, as well as about the situation regarding the implementation of the action plans established in order to mitigate weaknesses.

Specifically, in accordance with the provisions of its Regulations (scope of competence), the Audit Committee has, among others, the task to analyse, together with the accounting auditors, significant weaknesses of the internal control system detected during the audit process.

The auditor of the Group has direct contact with the Financial Department and the General Management through necessary periodic meetings (for referring half-yearly information, before preparing the annual accounts, to expose the incidences detected and before beginning the audit, to explain the scope thereof), both in order to obtain necessary information for the performance of the work and to communicate the control weaknesses detected. Moreover, every six months the auditor reports to the Audit Committee the conclusions of the half-yearly / yearly audit of the Group, including all the aspects considered as important.

Furthermore, the Accounting Department, responsible for the preparation of the consolidated financial statements, holds frequent meetings with the external auditors and the Internal Audit area and the Management, both for the half-year and year closure, in order to discuss relevant matters related to the financial reporting.

F.6. Other important information.

There is no other important information to detail.

F.7. External auditor report.

Report on:

F.7.1 Whether the ICFR information disclosed to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons therefor.

Until the year 2018 Audax Renovables used to submit for review by the external auditor the ICFR information included in the ACGR. After the merger between the Company (as the acquiring company) with Audax Energía, S.A. (as the acquired company), the resulting company, Audax Renovables, is carrying out a process of adaptation and implementation of the ICFR system to its new dimension and business model, implementing identified improvements as a result of the adaptation process. For this reason the ICFR information disclosed at the end of the year 2018 has not been submitted to the external auditor's review.

G. COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons in order to furnish the shareholders, investors and the market in general sufficient information to assess the company's course of action. General explanation will not be accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchase on the market.

Complies [] Explain []

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on :

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies [] Complies in part [] Explain [] Not applicable []

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:

- a) Regarding the changes made since the previous annual general meeting.
- b) Regarding the specific reasons for which the company does not follow certain recommendations of the Good Governance Code and, possibly, which alternative procedures are implemented instead.

Complies [] Complies in part [] Explain []

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies [] Complies in part [] Explain []

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies [X] Complies in part [] Explain []

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:
- Report on auditor's independence.
 - Reviews of the operation of the audit committee and the nomination and remuneration committee.
 - Audit committee report on related party transactions.
 - Report on corporate social responsibility policy.

Complies [] Complies in part [X] Explain []

During the financial year 2018 the company published on its website well in advance of the ordinary general meeting of shareholders the reports specified above except for the report of the appointments and remuneration committee and the report on related party transactions.

7. The company should broadcast its general meetings live on the corporate website.

Complies [] Explain [X]

Due to the company's size and the profile of the majority of its shareholders there is no need to hold a broadcast, through the website, of the annual general meeting of shareholders. Also, none of the shareholders has expressed such a wish.

It should be noted that in the consolidated texts of the Articles of Association and the Regulations of the General Meeting of Shareholders a provision was made for the possibility of participation in the General Meeting and voting on resolutions by proxy or personally by a shareholder via post or electronic correspondence or via other means of communication, insofar as they enable sufficient identification of the person participating in the debates or vote, and ensure the security of electronic communication.

However, during the conducted General Meetings of Shareholders there has not been noted any interest in aforementioned electronic media on the part of the shareholders. However the Company nevertheless was duty bound to purchase certain services for the purpose of creating the possibility of making them available for the shareholders who might potentially want to make use of them.

Since the legislation did not require making available of such electronic media to the shareholders, and the matter was supposed to be regulated in a discretionary way based solely on the Articles of Association, it was deemed appropriate for the Board to determine each time when calling a General Meeting of Shareholders, whether electronic media would be made available, due to which both the Articles of Association and the Regulations of the General Meeting of Shareholders had been altered in this area in 2014. It was meant to serve, on the one hand, to eliminate the necessity to run such media each time, and on the other, to consider the possibility that the Board might decide to run them in regards to a particular General Meeting, in case in the future it was decided that the Company's shareholders are interested in making use of such kind of media (which interest, as mentioned before, has not been noted so far).

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies [] Complies in part [] Explain []

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies [] Complies in part [] Explain []

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [] Complies in part [] Explain [] Not applicable []

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [] Complies in part [] Explain [] Not applicable []

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies [] Complies in part [] Explain []

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies [] Explain []

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [] Complies in part [] Explain []

Although in regards to the selection and appointment of directors the aforementioned criteria and goals are implemented, the analysis of the company's situation and needs is conducted in reference to a particular situation in which the appointment or reappointment of a director is supposed to occur, and not in an abstract and general way.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies Complies in part Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

The criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies Explain

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company and any options on the same.

Complies Complies in part Explain

[The information on the website refers to points c, d and e.]

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies [] Complies in part [] Explain [] Not applicable []

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies [] Complies in part [] Explain [] Not applicable []

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies [] Explain []

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in particular, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [] Complies in part [] Explain []

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation also apply to the secretary of the board, even if she or he is not a director.

Complies [] Complies in part [] Explain [] Not applicable []

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Complies [] Complies in part [] Explain [] Not applicable []

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies [] Complies in part [] Explain []

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies [] Complies in part [] Explain []

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies [] Complies in part [] Explain []

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book at the request of the person expressing them.

Complies [] Complies in part [] Explain [] Not applicable []

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies [] Complies in part [] Explain []

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies [] Explain [] Not applicable []

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded, of the majority of directors present.

Complies [] Complies in part [] Explain []

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies [] Complies in part [] Explain []

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies [] Complies in part [] Explain []

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies [] Complies in part [] Explain [] Not applicable []

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [] Explain []

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. The facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies [] Complies in part [] Explain []

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should act as secretary to the executive committee.

Complies [] Complies in part [] Explain [] Not applicable []

The Executive Committee of the Company is comprised of the following directors: Mr Francisco José Elías Navarro, Mr Eduard Romeu Barceló and Mr Rafael Garcés Beramendi, all of them proprietary, and the secretary of the committee is the secretary of the Board of Directors, Ms Naiara Bueno Aybar.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies [] Complies in part [] Explain [] Not applicable []

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies [] Complies in part [] Explain []

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies [] Complies in part [] Explain []

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [] Complies in part [] Explain [] Not applicable []

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration paid to the external auditor for their services does not compromise the quality of such services or the independence of the auditor.
- c) Ensure that the company notifies any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefor.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X]

Complies in part []

Explain []

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X]

Complies in part []

Explain []

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Complies in part [] Explain [] Not applicable []

45. Control and risk management policy should specify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [X] Complies in part [] Explain []

46. Companies should establish a risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, manager and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies [] Complies in part [X] Explain []

These functions, right now, are assumed and carried out by the Internal Audit Department of the Audax Renovables Group and the Audit Committee is appropriately informed.

47. Appointees to the nomination and remuneration committee – or the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies [X] Complies in part [] Explain []

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies [] Explain [] Not applicable []

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies [] Complies in part [] Explain []

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to the directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officer's pay contained in corporate documents, including the annual director's remuneration statement.

Complies [] Complies in part [] Explain []

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [] Complies in part [] Explain []

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:
- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
 - b) Committees should be chaired by an independent director.
 - c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
 - d) They may engage external advice, when they feel it necessary for the discharge of their functions.
 - e) Meeting proceedings should be recorded and a copy made available to all board members.

Complies []

Complies in part []

Explain []

Not applicable []

53. The task of supervising compliance with corporate governance rules, internal code of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at least the following functions:
- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
 - b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
 - c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, for the legitimate interests of remaining shareholders.
 - d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
 - e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
 - f) Monitor and evaluate the company's interaction with its stakeholder groups.
 - g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
 - h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X]

Complies in part []

Explain []

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
- a) The goals of its corporate social responsibility policy and the support instruments to be developed.
 - b) The corporate strategy with regard to sustainability, the environment and social issues.
 - c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
 - d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 - e) The mechanisms for supervising non-financial risk, ethics and business conduct.
 - f) The channels for stakeholders communication, participation and dialogue.
 - g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [] Complies in part [] Explain []

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies [] Complies in part [] Explain []

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [] Explain []

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [] Complies in part [] Explain []

Not applicable. The directors' remuneration system is per diem and attendance-based.

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies [] Complies in part [] Explain [] Not applicable [X]

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [] Complies in part [] Explain [] Not applicable [X]

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies [] Complies in part [] Explain [] Not applicable [X]

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [] Complies in part [] Explain [] Not applicable [X]

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [] Complies in part [] Explain [] Not applicable [X]

63. Contractual agreements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies [] Complies in part [] Explain [] Not applicable [X]

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [] Complies in part [] Explain [] Not applicable [X]

H. OTHER USEFUL INFORMATION

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report to the extent they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, indicate whether the company adheres to the Code of Best Tax Practices of 20 July 2010:

3. Audax Renovables, S.A. is a signatory entity in the UN Global Compact since 7 August 2013, and has joined it voluntarily. By this agreement, Audax Renovables recognizes its commitment to comply with the ten (10) Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

This annual corporate governance report has been approved by the Board of Directors of the Company at its meeting on :

[15/03/2019]

State whether any directors voted against or abstained from voting in the approval of this Report.

[] Yes
[v] No

AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2019



Audax Renovables, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of Audax Renovables, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Audax Renovables, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

See note 5 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2019 the Group has recognised goodwill totalling Euros 137,945 thousand.</p> <p>At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment.</p> <p>As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2019.</p> <p>This recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors in the use of estimates.</p> <p>The valuation process for goodwill from business combinations has been considered as a key audit matter insofar as the valuation techniques used often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill,- evaluating the criteria used by the Directors and management of the Group in identifying indications of impairment,- assessing the methodology and assumptions used to estimate the recoverable amount, through value in use or fair value less costs to sell based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists.- comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained,- contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans.- evaluating the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the expected future growth rate and future cash flows. <p>We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.</p>



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Recognition of revenue from unbilled energy supplied See note 19 to the consolidated annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Recognition of revenues of the energy trading segment is a significant area due to its amount and because it is subject to material misstatement, particularly at the reporting date as regards the appropriate timing of recognition based on the commercial terms agreed with customers.</p> <p>At 31 December 2019 trade and other receivables include Euros 63,814 thousand in unbilled energy supplied, corresponding to the period from the last meter reading to year end.</p> <p>Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - analysis of the design and implementation and operating effectiveness of the key controls related to the estimation of revenue from unbilled energy supplied, - retrospective analysis of the estimates made at the previous years' closes and actual consumption, - verification of the reasonableness of the volume of unbilled energy through an analysis of historical consumption, - verification of the tariffs applied by comparing them with the data contained in the contracts, - analysis of the control and monitoring systems established by the Group in relation to future legislation and regulations that could have an impact on recognised revenue. <p>We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.</p>

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

- a) A specific level applicable to the non-financial information statement, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, that the directors' report makes reference



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to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the non-financial information mentioned in section a) above has been provided in a separate report, the "Non-financial information statement 2019", to which the directors' report makes reference; that the information from the ACGR, mentioned above, is included in the directors' report; that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019; and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.



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In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.



(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Conclude on the appropriateness of the Parent's Directors' 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 Group'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 consolidated annual accounts 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 the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent _____

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 27 February 2020.



(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 29 June 2017 for a period of three years, from the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Alejandro Núñez Pérez
On the Spanish Official Register of Auditors ("ROAC") with No. 15732
27 February 2020

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Audax Renovables, S.A. and subsidiaries
Consolidated Balance Sheet
(EUR thousands)

<u>Assets</u>	<u>Note</u>	<u>31.12.19</u>	<u>31.12.18</u> <u>restated *</u>	<u>01.01.18 **</u> <u>restated*</u>
Goodwill	5	137,945	138,564	98,468
Other intangible assets	5	106,280	111,510	81,784
Property, plant and equipment	6	75,347	166,597	167,907
Investments as per equity accounting method	7	6,905	6,992	6,931
Financial assets	8	76,306	99,355	33,022
Deferred tax assets	18	7,390	5,461	1,103
Total non-current assets		410,173	528,479	389,215
Inventory		1,812	4,513	56
Trade and other receivables	10	148,336	136,076	127,213
Current tax assets		666	1,432	378
Financial assets	8	36,241	44,460	64,918
Time period adjustments and other current assets	10	26,241	19,626	12,899
Cash and other cash equivalents	11	150,784	98,313	50,258
Total current assets		364,080	304,420	255,722
Total assets		774,253	832,899	644,937
<u>Net Equity and Liabilities</u>	<u>Note</u>	<u>31.12.19</u>	<u>31.12.18</u> <u>restated *</u>	<u>01.01.18 **</u> <u>restated*</u>
Capital		44,029	308,204	98,003
Share premium account		420,316	420,316	278,948
Reserves		(364,322)	(637,245)	(334,161)
Profit (loss) for the year attributable to the parent company		25,417	8,412	8,250
Translation differences		1,682	1,717	(151)
Other comprehensive income		(4,901)	4,904	7,009
Equity attributed to the parent company		122,221	106,308	57,898
Non-controlling interests		33,493	33,258	13,132
Total net equity	12	155,714	139,566	71,030
Provisions	13	1,211	2,670	1,762
Bonds and other negotiable securities issuance liabilities	14	143,184	96,938	85,128
Financial liabilities to credit institutions	14	46,554	129,873	162,009
Lease liabilities	2 & 14	8,267	-	-
Derivative financial instruments	9	4,009	11,373	10,633
Other financial liabilities	14	19,605	34,409	22,333
Subsidies	15	5,675	5,869	6,381
Other non-current liabilities		4,636	26,492	14,033
Deferred tax liabilities	18	17,637	29,755	18,391
Total non-current liabilities		250,778	337,379	320,670
Liabilities related to assets held for sale		-		
Provisions		1,270	949	324
Bonds and other negotiable securities issuance liabilities	14	67,534	67,985	28,941
Financial liabilities to credit institutions	14	71,121	103,713	69,126
Lease liabilities	2 & 14	1,362	-	-
Derivative financial instruments	9	4,060	462	-
Other financial liabilities	14	28,934	16,495	38,333
Trade and other payables	16	93,820	93,313	68,885
Current tax liabilities		2,267	1,994	157
Other current liabilities	16	97,393	71,043	47,471
Total current liabilities		367,761	355,954	253,237
Total net equity and liabilities		774,253	832,899	644,937

The attached notes are an integral part of the consolidated annual accounts.

* Restated figures (Note 2.3) ** Not audited

Audax Renovables, S.A. and subsidiaries
Consolidated Income Statement
(EUR thousands)

	Note	31.12.19	31.12.18 restated*
Ordinary income	19	1,040,969	984,354
Procurements	19	(917,218)	(883,246)
Other operating income		2,820	2,593
Wages and salaries	19	(20,994)	(19,360)
Other operating expenses	19	(37,274)	(39,521)
Amortisation and depreciation	5 & 6	(26,228)	(25,079)
Impairment and profit (loss) on disposal of fixed assets	5	4,947	8,575
Operating profit (loss)		47,022	28,316
Financial income		4,005	4,124
Financial expenses		(19,490)	(20,831)
Profit (loss) on disposal and change in value of financial instruments		1,687	(291)
Exchange differences		(106)	(94)
Financial profit (loss)	20	(13,904)	(17,092)
Profit (loss) of companies consolidated by equity accounting	7	(87)	(48)
Profit (loss) before tax from continuing activities		33,031	11,176
Income tax expense	18	(1,693)	(1,772)
Profit (loss) after tax from continuing activities		31,338	9,404
Profit (loss) for the year from discontinued operations		-	-
Consolidated profit (loss) for the year		31,338	9,404
Profit (loss) attributable to the parent company		25,417	8,412
Profit (loss) attributable to non-controlling interests	12	5,921	992
		2,019	2,018*
Profit (loss) per share			
Basic		0.058	0.049
Diluted		0.058	0.049

The attached notes are an integral part of the consolidated annual accounts.

* Restated figures (Note 2.3)

Audax Renovables, S.A. and subsidiaries
Consolidated Statement of Comprehensive Income
(EUR thousands)

	31.12.19	31.12.18 restated *
Consolidated profit (loss) for the year	31,338	9,404
Other comprehensive income		
Items to be reclassified to profit and loss statement		
Cash flow hedges	(12,650)	(2,105)
Translation differences of financial statements of businesses abroad	(35)	1,868
Other comprehensive income for the year, after tax	(12,685)	(237)
	-	-
Total comprehensive income for the year	18,653	9,167
Total comprehensive income attributable to the parent company	15,577	8,175
Total comprehensive income attributable to non-controlling interests	3,076	992

The attached notes are an integral part of the consolidated annual accounts.

* Restated figures (Note 2.3)

Audax Renovables, S.A. and subsidiaries
Consolidated Statement of Changes in Net Equity
(EUR thousands)

<i>In EUR</i>	Capital	Share premium	Reserves	Profit (loss) attributable to Parent Company	Translation differences	Other Comprehensive Income	Equity attributed to Parent Company	Non-controlling interests	Net equity
Balance at 31 December 2017	98,003	278,948	(320,128)	8,250	(151)	7,009	71,931	13,132	85,063
Restatement (Note 2.3)			(14,033)				(14,033)	-	(14,033)
Balance at 01 January 2018	98,003	278,948	(334,161)	8,250	(151)	7,009	57,898	13,132	71,030
First application IFRS	-	-	(2,543)	-	-	-	(2,543)	-	(2,543)
Dividends	-	-	(973)	-	-	-	(973)	(167)	(1,140)
Profit (loss) for the year	-	-	-	8,412	1,868	(2,105)	8,175	992	9,167
Capital increase due to merger	210,201	141,368	(354,529)	-	-	-	(2,960)	(49)	(3,009)
Business combinations	-	-	46,711	-	-	-	46,711	19,350	66,061
Reserves	-	-	8,250	(8,250)	-	-	-	-	-
Balance at 31 December 2018	308,204	420,316	(637,245)	8,412	1,717	4,904	106,308	33,258	139,566
Profit (loss) for the year	-	-	-	25,417	(35)	(9,805)	15,577	3,076	18,653
Dividends	-	-	-	-	-	-	-	(1,727)	(1,727)
Reduction of share capital (Note 12)	(264,175)	-	264,175	-	-	-	-	-	-
Other movements	-	-	336	-	-	-	336	(1,114)	(778)
Reserves	-	-	8,412	(8,412)	-	-	-	-	-
Balance at 31 December 2019	44,029	420,316	(364,322)	25,417	1,682	(4,901)	122,221	33,493	155,714

The attached notes are an integral part of the consolidated annual accounts.

Audax Renovables, S.A. and subsidiaries
Consolidated Cash Flow Statement
(EUR thousands)

		2019	2018*
<i>Cash flows from operating activities</i>			
Profit (loss) for the year before tax	Note	33,031	11,176
Adjustments to results		38,471	38,520
Amortisation and depreciation	5.6	26,228	25,079
Valuation adjustments due to impairment	5.6	5,304	6,426
Changes in provisions		(3,468)	(6,993)
Profit (loss) on derecognition and disposal of fixed assets		(4,947)	-
Profit (loss) on derecognition and disposal of financial instruments		(27)	(61)
Financial income	20	(4,005)	(4,124)
Financial expenses	20	19,490	20,831
Exchange differences		106	932
Changes in fair value of financial instruments		(25)	(3,058)
Other income and expenses		(185)	(512)
Changes in working capital		629	23,371
Inventory		2,701	(4,457)
Accounts receivable		(17,578)	11,946
Other current assets		(6,763)	(6,687)
Accounts payable		2,223	24,428
Other current liabilities		21,239	-
Other non-current assets and liabilities		(1,193)	(1,859)
Other cash flows from operating activities		(16,132)	(17,176)
Payments of interest		(19,699)	(20,246)
Collections of interest		3,567	4,124
Income tax payments		-	(1,054)
Cash flows from operating activities		55,999	55,891
<i>Cash flows from investment activities</i>			
Payments of investments		(63,462)	(79,189)
Intangible assets		(25,753)	(2,522)
Property, plant and equipment	6	(7,754)	(590)
Group and associated companies			
Other financial assets		(22,960)	(10,647)
Other assets		(6,995)	(65,430)
Collection on divestments		76,445	35,266
Intangible assets	5	-	297
Property, plant and equipment	6	-	119
Collections from sale of subsidiaries, net of cash and equivalents		39,249	-
Other financial assets		35,795	34,850
Business unit	2.5	-	9,973
Cash flows from investment activities		12,983	(33,950)
<i>Cash flows from financing activities</i>			
Collections and payments for financial liability instruments		(14,785)	27,254
Issuing			
Bonds and other negotiable securities	14	63,146	60,817
Amounts owed to credit institutions.	14	15,520	141,534
Payables to group companies and associates		13,000	-
Repayment			
Bonds and other negotiable securities		(16,460)	-
Amounts owed to credit institutions.	14	(61,650)	(175,097)
Payables to group companies and associates		(28,341)	-
Dividends		(1,727)	(1,140)
Cash flows from financing activities		(16,512)	26,114
Net increase/decrease in cash or equivalents		52,471	48,055
Cash and equivalents at the beginning of the year	11	98,313	50,258
Cash and equivalents at the end of the year	11	150,784	98,313

The attached notes are an integral part of the consolidated annual accounts.

* Restated figures (Note 2.3)

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP FOR THE YEAR 2019

NOTE 1 – GENERAL INFORMATION

Audax Renovables, S.A., (hereinafter: the Parent Company, the Company or Audax Renovables) was incorporated in Barcelona on 10 July 2000 as a joint stock company for an unlimited duration.

Its registered address is Avenida Navarra, nº 14, Badalona, Barcelona, Spain.

It is mainly engaged in all types of activities related to the development of electricity generation from renewable sources, for which purpose it can set up, acquire and hold shares, bonds, participations and rights in companies whose corporate objects are the development, construction and exploitation of facilities for the generation of electricity from renewable energy sources.

Moreover, the Company's objects include energy retailing, purchase and sale of electricity, including export and import, fuel retailing for energy production, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as all the necessary additional activities.

Additionally, the Company may acquire, hold, administer and dispose of all types of titles, securities, financial assets, rights, interests or shares in individual or social enterprises, on its own behalf, excluding intermediaries, and under the applicable legislation on Stock Exchange and Collective Investment Institutions.

Audax Renovables, S.A. is a holding company, the parent of a Group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources and in energy and gas retailing and that make up the Audax Renovables Group (hereinafter: the Audax Renovables Group or the Group).

Moreover, the Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona, Barcelona, Spain. The Excelsior Group's consolidated annual accounts for the year 2018, formulated on 29 March 2019, have been submitted to the Commercial Register in Barcelona.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The annual accounts of Audax Renovables S.A. and the consolidated annual accounts of the Audax Renovables Group as at 31 December 2018 were approved by the General Meeting of Shareholders on 29 April 2019 and were submitted to the Commercial Register in Barcelona.

The consolidated annual accounts of the Group for the year 2019 were formulated by the Directors of the Parent Company on 27 February 2020 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November between Audax Renovables, S.A. as the absorbing company, and Audax Energía, S.A. as the absorbed company. The effect of this transaction has already been featured in the Group's consolidated annual accounts for the year ended on 31 December 2018.

The figures presented in these consolidated annual accounts are stated in thousand euros, except for the figures of profit per share, unless specifically noted otherwise.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

NOTE 2 - BASES OF PRESENTATION, ACCOUNTING POLICIES AND VALUATION STANDARDS

2.1 Application of International Financial Reporting Standards adopted by the European Union (IFRS-EU)

The consolidated annual accounts of the Audax Renovables Group for the year 2019 have been drawn up by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as per the Regulations (CE) n° 1606/2002 of the European Parliament and the Council. All the accounting principles and standards and the mandatory valuation criteria, along with the Commercial Code, the Spanish Companies Act, the Stock Exchange Market Law and any other applicable commercial legislation have also been taken into consideration. The Group adopted the IFRS-EU on 31 December 2016 and applied on that date the IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

The consolidated annual accounts of the Audax Renovables Group have been drawn up on the basis of the financial statements of Audax Renovables, S.A. and of the companies belonging to the Group. Each company draws up its financial statements in compliance with the accounting principles of the country where it operates. The adjustments and reclassifications necessary in order to harmonise these principles and criteria and bring them into line with IFRS-EU have been carried out in the consolidation process. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure the consistency with the accounting policies adopted by the Audax Renovables Group.

The accounting policies applied for the preparation of the consolidated annual accounts coincide with those used and described in the Consolidated Annual Accounts for the year ended on 31 December 2018, except for the new IFRS-EU standards and interpretations applied from 1 January 2019.

The information set out in these consolidated annual accounts is the responsibility of the Directors of the Parent Company.

New IFRS-EU accounting standards and IFRIC interpretations

a) New IFRS-EU accounting standards and IFRIC interpretations

New standards, amendments and interpretations	Mandatory application for annual periods beginning on
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation	1 January 2019
Amendment to IAS 28 Investments in associates and joint ventures	1 January 2019
Amendment to IAS 19 Plan amendment, curtailment or settlement	1 January 2019
Improvements to the IFRS 3, IFRS 11, IAS 12, IAS 23 (in 2015-2017 period)	1 January 2019

The Group applies the standards and interpretations specified above from the date of their entry into force, with no significant impact on the accounting policies implemented by the Group, except for what is indicated hereinafter in relation to the application of the IFRS 16.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

IFRS 16 Leases

The Group made the transition to the IFRS 16 applying the retrospective approach, under which it is not necessary to restate the comparative period, but to register the impact of the initial application of the IFRS 16 on 1 January 2019 (date of the initial application) so that in the lease contracts where the Group acts as a lessee the lease liability is measured at present value of the lease payments payable over lease term discounted at a discount rate at the date of initial application.

The Group has implemented the following policies, estimates and criteria:

- The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000, approximately EUR 4,500) and short term (lease term of 12 months or less).
- The practical expedient indicated in point C3 of appendix C to IFRS 16 which stipulates that there is no need of a new assessment whether the contract is, or contains, a lease on the date of initial application.
- The Group has elected not to separate the non-lease components from lease components, in relation to the classes of assets where relative importance of those components is small regarding the total value of the lease.
- The Group has elected to measure the right-of-use asset at the amount of lease liability at 1 January 2019 for all lease contracts.

An incremental effective interest rate has been applied per homogeneous lease portfolio, country and lease term.

In order to determine the lease term the initial term of every contract has been considered as a non-cancellable period, except for the cases where the Group has a unilateral option to extend or terminate the contract and is reasonably certain, on the grounds of the lifetime of the installed assets, that this option will be exercised, in which case a relevant term of extension or early termination will be considered.

As at 31 December 2019, the term of the lease contracts of the land where operating power generation facilities are located is similar or longer than the estimated lifetime of the installed asset. In order to carry out an assessment of the IFRS 16, the Group has determined the useful life of an asset as the limit for considering the lifetime of the leases, estimating early termination of the contracts as well as the dismantling of the farm.

Right-of-use assets and lease liabilities

From the lessee's point of view, the IFRS 16 eliminates the previous classification between operating lease and finance lease based on the assessment of the risk and reward transfer, and establishes that, in relation to the lease contracts, the lessee shall recognise in the Statement of financial position a right-of-use asset and a liability at the present value of the lease payments payable over the lease term.

The initial value of the lease liability is measured at the value of future lease payments discounted, as a rule, at incremental rate. Lease payments include:

- Fixed payments or in-substance fixed payments specified in the lease contract less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- The amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of a purchase option that the lessee is reasonably certain to exercise; and
- Payments for terminating the lease if the lease term includes early termination.

Contingent rents subject to the occurrence of a specific event and variable payments that depend on

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

the income or on the use of the underlying asset are measured at the moment when they are incurred under the 'External services' heading of the Consolidated income statement instead of being part of the lease liabilities.

Subsequently, lease liability is increased in order to reflect the financial expense and is reduced by the amount of the payments made. Financial adjustment is recorded under the 'Financial expenses' heading of the Consolidated income statement. Lease liability is remeasured to reflect changes in the index or rate, in the estimated amounts payable under residual value guarantees, when there is reasonable certainty of exercising extension options or when there is reasonable certainty that termination options will not be exercised.

The right-of-use asset is measured initially at cost, which includes:

- The amount of the measurement at recognition of the lease liability;
- Any lease payment made on or before the commencement date, less the incentives received;
- The initial direct costs incurred in lease; and
- The estimated cost to be incurred by the lessee in dismantling and restoring the asset.

After the initial recognition, the right-of-use asset is measured at cost less accumulated amortisation and impairment loss. The amortisation of the right-of-use asset is entered under the 'Amortisation, depreciation and provisions' heading of the Consolidated income statement over the useful life of the underlying asset or the lease term if the latter is shorter. If the ownership is transferred to the lessee or when it is quite certain that the lessee will exercise the purchase option, the amortisation is recorded over the useful life of the asset.

The lease contracts subject to this regulation, where the Audax Renovables Group acts as a lessee, have been measured for each lease at present value of the future payments, discounted at an average discount rate of 4%.

Presentation

In the Consolidated Annual Accounts of the Audax Renovables Group, the Group has recognised the right-of-use assets and lease liabilities under the new headings 'Right-of-use assets', 'Non-current lease liabilities' and 'Current lease liabilities' of the consolidated balance sheet, respectively.

As at 31 December 2018, the Group used to recognise the cost of the leases affected by this standard, which are leases of the land where power generation facilities are located (mainly wind farms), as operating lease in the income statement.

IFRS 16 application impact:

The Group conducted an analysis in order to determine whether a contract was or contained a lease at the date of the initial application in accordance with the definition and the terms established in the IFRS 16.

The Group leases various kinds of assets, mainly offices and land where power plants are installed. Previously, these leases were recognised as operating leases under IAS 17.

The Group leases information technology equipment with contract terms of one to three years. These leases are short-term and/or leases of goods of low value. The Group opted to not recognise the right-of-use assets and lease liabilities of these leases.

Below there is information on the leases where the Group is a lessee.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

Right to use goods

The right-of-use assets related to the leases are presented as intangible assets (Note 5). The operations throughout 2019 have been as follows:

	EUR thousands
Recognition for initial application	10,911
Depreciation charge	(1,278)
Additions to good with right to use	3,289
Derecognitions for sale of companies (Note 2)	(3,370)
Balance at 31.12.19	9,552

The Group recorded the following impact of the application of the IFRS 16 at 1 January 2019:

	<u>EUR thousands</u>
Right-of-use assets	10,911
Non-current lease liabilities	(9,316)
Current lease liabilities	(1,595)

The reconciliation of the operating lease commitments specified in Note 14 of the Consolidated Annual Accounts as at 31 December 2018, and liabilities recognised at 1 January 2019 in the initial application of IFRS 16 is as follows:

	01 January 2019
Operating lease commitments at 31 December 2018	14,721
Recognition exemptions	(369)
Discounted at incremental borrowing interest rate at 1 January 2019	(3,441)
Lease liabilities recognised at 1 January 2019	10,911

Impact of the application of IFRS 16 on the Consolidated Income Statement as at 31 December 2019

Below there is the effect on the Consolidated Income Statement for the year 2019, resulting from the application of the IFRS 16, detailed above:

	<u>EUR thousands</u>
Increase under the heading 'Financial expense'	412
Increase under the heading of amortisation and depreciation	1,262

The application of the IFRS 16 meant, in the Consolidated Income Statement as at 31 December 2019, an increase of EUR 1,262 thousand in amortisation and a financial income reduced by EUR 412 thousand, to compensate the reduction of operating lease cost as a consequence of the IFRS 16 application. The impact on the basic and diluted earnings per share is not significant.

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Extension options

Some of the lease contracts for lease of goods contain extension options, which may be exercised by the Group until one year before the end of the term of a non-cancellable contract. Whenever possible, the Group tries to include extension options in new lease contracts in order to ensure operating flexibility. The extension options that are maintained may be exercised only by the Group, and not by the lessors. At the initial date of a lease, the Group assesses whether it is reasonably secure to exercise the extension options.

The Group assesses again whether it is reasonably secure to exercise the extension options if there is a change in significant facts or circumstances that are under its control.

Operating lease

In Note 14 of these Consolidated Annual Accounts there is an analysis of the lease payments maturities, where undiscounted lease payments are specified.

Impact of the application of IFRS 16 on the Consolidated Cash Flow Statement as at 31 December 2019

The application of the IFRS 16 meant, in the Consolidated Cash Flow Statement as at 31 December 2019, a decrease of EUR 1,262 thousand in cash flows from operating activities, which is compensated by a reduction in operating lease cost as a consequence of the IFRS 16 application. Moreover, due to a reduction of EUR 412 thousand in cash flows from financing activities corresponding to the reimbursement of the main part of the new lease liabilities, cash generation has not been affected.

IFRIC 23 “Uncertainty over income tax treatments”

IFRIC 23 “Uncertainty over income tax treatments” explains how to apply the recognition and measurement requirements under IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

An uncertain tax treatment is every tax treatment applied by an entity where there is uncertainty whether such approach will be accepted by the taxation authority, therefore the interpretation analyses:

- how to determine the appropriate account unit and whether each uncertain tax treatment should be considered individually or collectively, depending on which method provides better predictions of the resolution of the uncertainty.
- that the entity is to assume that a taxation authority will examine uncertain tax treatments and will have full knowledge of all relevant information, i.e. the detection risk should be ignored.
- that the entity is to reflect the effect of the uncertainty in its accounting for the income tax when it is not likely that taxation authorities will accept the treatment.
- that the impact of the uncertainty is to be measured using the most likely amount or the expected value method, depending on which method provides better predictions of the resolution of the uncertainty, and that all judgements and estimates should be reassessed if there is a change of circumstances or new information that affects the judgements.

In such situation the entity is to reflect the effect of the uncertainty when determining the tax profit, tax bases, unused tax losses, unused tax credits and tax rates.

The Group has analysed possible uncertain tax treatments and the application of this interpretation has not proved to have significant effect on the Consolidated Annual Accounts.

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Standards that will enter into force on 1 January 2020 and beyond

The following is a list of standards, amendments and interpretations that will enter into force for the fiscal years beginning after 1 January 2020 and later:

Standards adopted by the European Union	Mandatory application for annual periods beginning on
IAS 1 and IAS 8 (amendments) Definition of "Material"	01 January 2020
References to the Conceptual Framework in IFRS Standards (Amendments)	01 January 2020
IBOR reform. The entity shall apply the standard in its first IFRS financial statements	01 January 2020
Standards issued by the IASB and not yet adopted by the European Union	Mandatory application for annual periods beginning on
IFRS 3 Business Combinations (amendments)	01 January 2020
IFRS 9, IAS 39 and IFRS 7 (amendments) Interest Rate Benchmark Reform	01 January 2020
IFRS 17 Insurance contracts	01 January 2021
Classification of liabilities as current or non-current	01 January 2022

On the grounds of the analyses carried out to date, the Group estimates that the adoption of the standards and amendments that have been issued but are not yet effective will have no significant impact on the consolidated annual accounts for the period of initial application. The following is a brief description of the most important amendments and interpretations:

- Changes to the definition of material under IAS 1 and IAS 8.
- The Group has hedging instruments related to IBOR indices (mainly EURIBOR). The Commission Regulation (EU) 2020/34 introduces amendments to IFRS 7, IFRS 9 and IAS 39 from 1 January 2020. The Group did not opt for early application of those amendments. In this respect, and for the purpose of the entry into force in 2020, the Group considers that there is no uncertainty which could compromise the continuity of hedge accounting.
- Changes to the definition of a business under IFRS 3.
- New information requirements in connection with insurance contracts, IFRS 17.

2.2 Fair view, accounting principles and going concern

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2019, and the consolidated results of its operations, the changes in the statement of comprehensive income, changes in consolidated net equity and consolidated cash flows that have taken place in the Audax Renovables Group in the year then ended.

The consolidated annual accounts for the year 2019 of the Audax Renovables Group have been prepared on the basis of the accounting records of Audax Renovables, S.A. and the other companies in the Group. Each company prepares its annual accounts under the accounting principles and standards in force in the country in which it carries out its operations, and, accordingly, the adjustments

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and reclassifications necessary have been introduced during the consolidation process in order to harmonise these principles and criteria and bring them into line with IFRS-EU. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure their consistency with the accounting policies adopted by the Audax Renovables Group.

The information set out in these consolidated annual accounts is the responsibility of the Directors of the Parent Company, Audax Renovables, S.A.

As at 31 December 2019, the Group presents negative working capital of EUR 3,681 thousand. This situation is primarily a consequence of the normal business evolution, as well as of financing the investments made in recent years (Note 2). Despite this negative working capital, the Group has sufficient capability to fulfil its obligations through its own cash generation as well as, among other factors, its financial resources.

In this respect and on the grounds of the above information, the Directors consider that there is no doubt about the application of the going concern principle.

2.3 Bases of preparation and comparison of the information

The Consolidated annual accounts have been prepared according to the principle of historical cost, with the following exception of derivative financial instruments, financial assets at fair value with changes in comprehensive income and financial assets at fair value with changes in other comprehensive income.

The Consolidated annual accounts for 2019 are not comparable to those for the year 2018 because, according to the information in Note 2.1, the Group has applied the standard IFRS 16 with modified retrospective approach and, therefore, the comparative information has not been restated, while information is provided following IAS 7 and IFRIC 4 on detailed accounting policies under these standards if they differ from those of IFRS 16. For comparative purposes, the effect of the application of IFRS 16 and IFRIC 23 should be taken into consideration.

The Consolidated annual accounts present, for comparative purposes, with each heading of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows, and of the notes to the consolidated annual accounts, together with the figures for the year 2019, the figures for the previous year, which were included in consolidated annual accounts for the year 2018 and which differ from those approved by the General Meeting of Shareholders of 29 April 2019 because of the adjustment specified below:

On 29 March 2017 the Company (then under the name of Audax Energía, S.A.U.) and the non-controlling shareholders of the Dutch subgroup whose parent company is Audax Netherlands B.V. signed a cross option agreement, which involved free of charge reciprocal granting of put and call options over their shares between Audax Energía, S.A.U. and the non-controlling shareholders of said Dutch subgroup. The agreement stipulates that the purchase price of the shares of Audax Netherlands BV is calculated as a rate over the normalised consolidated EBITDA of the Dutch subgroup less net financial liabilities at the date of the consolidated annual accounts of said Dutch subgroup.

In the year 2018 that agreement was not accounted for correctly by the Group. In accordance with the applicable accounting treatment, a financial liability should have been recorded at the initial moment at the estimated purchase price of the non-controlling interests, following the calculation method indicated in the shareholders' agreement. Therefore, the Directors of the Company have restated the comparative figures for the year 2018. The accounting impact on the comparative figures is specified below:

- The estimated amount of the above mentioned financial liability payable in short term as at 31 December 2019 is EUR 15,227 thousand. The financial liability was discounted financially as at 1 January 2018 and was recorded under the heading of other non-current liabilities at the amount of EUR 14,033 thousand charged to reserves.

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- The financial adjustment of the financial liabilities has been recorded as financial expense in the consolidated income statement for the year 2018 at the amount of EUR 585 thousand.

The following is a breakdown of the impact on the main accounts of the financial statements as at 1 January 2018:

Net Equity and Liabilities	1.1.2018	Adjustment	1.1.2018 Adjusted
Capital	308,204		308,204
Share premium account	420,316		420,316
Reserves	(623,212)	(14,033)	(637,245)
Profit (loss) for the year attributable to the parent company	8,997		8,997
Translation differences	1,717		1,717
Other comprehensive income	4,904		4,904
Equity attributed to the parent company	120,926		106,893
Non-controlling interests	33,258		33,258
Total net equity	154,184		140,151
Provisions	2,670		2,670
Financial liabilities from issuance of bonds and other negotiable securities	96,938		96,938
Financial liabilities to credit institutions	129,873		129,873
Financial liabilities from finance lease	-		-
Derivative financial instruments	11,373		11,373
Other financial liabilities	34,409		34,409
Subsidies	5,869		5,869
Other non-current liabilities	11,874	14,033	25,907
Deferred tax liabilities	29,755		29,755
Total non-current liabilities	322,761		336,794
Provisions	949		949
Financial liabilities from issuance of bonds and other negotiable securities	67,985		67,985
Financial liabilities to credit institutions	103,713		103,713
Financial liabilities from finance lease	-		-
Derivative financial instruments	462		462
Other financial liabilities	16,495		16,495
Trade and other payables	93,313		93,313
Current tax liabilities	1,994		1,994
Other current liabilities	71,043		71,043
Total current liabilities	355,954		355,954
Total net equity and liabilities	832,899		832,899

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The following is a breakdown of the impact on the accounts of the consolidated income statement for 2018:

	31/12/2018	Adjustment	31.12.2018 Adjusted
Ordinary income	984,354		984,354
Procurements	(883,246)		(883,246)
Other operating income	2,593		2,593
Wages and salaries	(19,360)		(19,360)
Other operating expenses	(39,521)		(39,521)
Amortisation and depreciation	(25,079)		(25,079)
Impairment and profit (loss) on disposal of fixed assets	8,575		8,575
Operating profit (loss)	28,316		28,316
Financial income	4,124		4,124
Financial expenses	(20,246)	(585)	(20,831)
Profit (loss) on disposal and change in value of financial instruments	(291)		(291)
Exchange differences	(94)		(94)
Financial profit (loss)	(16,507)	(585)	(17,092)
Profit (loss) of companies consolidated by equity accounting	(48)		(48)
Profit (loss) before tax from continuing activities	11,761	(585)	11,176
Income tax expense	(1,772)		(1,772)
Profit (loss) after tax from continuing activities	9,989	(585)	9,404
Profit (loss) for the year from discontinued operations			
Consolidated profit (loss) for the year	9,989	(585)	9,404
Profit (loss) attributable to non-controlling interests	992	-	992
Profit (loss) attributable to the parent company	8,997	(585)	8,412

The impact on the earnings per share, both basic and diluted, is as follows:

	2018	2018 restated
Profit (loss) per share		
Basic	0.0525	0.049
Diluted	0.0525	0.049

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The following is a breakdown of the impact on the accounts of the equity and on the consolidated liabilities as at 31 December 2018:

<u>Net Equity and Liabilities</u>	31.12.18	Adjustment	31.12.18 Adjusted
Capital	308,204		308,204
Share premium account	420,316		420,316
Reserves	(623,212)	(14,033)	(637,245)
Profit (loss) for the year attributable to the parent company	8,997	(585)	8,412
Translation differences	1,717		1,717
Other comprehensive income	4,904		4,904
Equity attributed to the parent company	120,926		106,308
Non-controlling interests	33,258		33,258
Total net equity	154,184		139,566
Provisions	2,670		2,670
Financial liabilities from issuance of bonds and other negotiable securities	96,938		96,938
Financial liabilities to credit institutions	129,873		129,873
Lease liabilities	-		-
Derivative financial instruments	11,373		11,373
Other financial liabilities	34,409		34,409
Subsidies	5,869		5,869
Other non-current liabilities	11,874	14,618	26,492
Deferred tax liabilities	29,755		29,755
Total non-current liabilities	322,761		337,379
Liabilities related to assets held for sale			
Provisions	949		949
Financial liabilities from issuance of bonds and other negotiable securities	67,985		67,985
Financial liabilities to credit institutions	103,713		103,713
Lease liabilities	-		-
Derivative financial instruments	462		462
Other financial liabilities	16,495		16,495
Trade and other payables	93,313		93,313
Current tax liabilities	1,994		1,994
Other current liabilities	71,043		71,043
Total current liabilities	355,954		355,954
Total net equity and liabilities	832,899		832,899

The impact on the consolidated cash flow statement for the year 2018 is the following:

	2018	Adjustment	2018 adjusted
Profit (loss) for the year before tax	11,761	(585)	11,176
Adjustments to results	37,935	585	38,520
Financial expenses	20,246	585	20,831
Cash flows from operating activities	55,891	-	55,891

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Additionally, the impact is duly reflected in the consolidated statement of changes in net equity.

As at the date of preparation of these consolidated annual accounts and after the end of the fiscal year 2019, the aforementioned non-controlling shareholders of the Dutch subgroup announced formally their intention to exercise certain sale options over the entirety of their shares (see Note 28).

2.4 Relative importance

So as to determine the information that needs to be broken down in the consolidated notes for each of the different accounting items, the Group has considered its relative importance in relation to the current consolidated annual accounts for the year 2019 and 2018.

2.5 Consolidation principles and standards

a) Consolidation methods

The consolidated companies are listed in the Appendix I to these consolidated annual accounts. In its consolidation the Group has applied the full consolidation method to the subsidiary companies and the equity method to its associates and joint ventures.

Full consolidation method – Subsidiary Companies

The subsidiary companies have been fully consolidated, and all their assets, liabilities, income, expenses and cash flows have been integrated in the consolidated annual accounts after making the respective adjustments and de-recognitions for intra-group operations. The Appendix I sets out the list of companies consolidated by this method.

The consolidation process eliminates the transactions, balances and unrealised gains between Group companies. The unrealised losses are eliminated, unless the transactions provide proof of an impairment loss of the asset transferred.

The acquisition method is used to book the acquisition of subsidiaries. The cost of acquisition is the fair value of the assets handed over, the net equity instruments issued and the liabilities incurred or assumed on the swap date. Any contingent consideration to be transferred by the Group is recognised at its fair value at the acquisition date. Subsequent variations to the fair value of contingent consideration which are considered to be an asset or liability are recognised in accordance with IFRS 9 in net income or as a change in other global net income. Any contingent consideration which is classified as net equity is not revalued and its subsequent payment is booked in net equity. The costs directly attributable to the acquisition are booked directly in the income statement.

The results of subsidiary companies acquired or sold during the year are integrated into consolidated profit or loss, respectively, from and to the effective date of the transaction.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. For each business combination, the Group may opt to recognise any non-controlling interest in the acquired company at its fair value or at the proportional part of the recognised amounts of the subsidiary's identifiable net assets corresponding to the non-controlling interest.

The participation of third parties in net equity and the net income of the group companies is presented under "Non-controlling interest" on the consolidated balance sheet and under "Net income attributable to non-controlling interest" in the consolidated income statement. In the case of acquisition of minority interests, the overprice paid in relation to the net book value is recognised directly in net equity.

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Transactions with non-controlling interests which do not result in a loss of control are recognised as net equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between the fair value of the amount paid and the corresponding acquired proportion of the book value of the subsidiary's net assets is recorded in net equity. Gains or losses from disposals of non-controlling interests are also recorded in net equity.

Equity accounting method – Associated companies

The equity accounting method has been used to consolidate the associates. These are companies in which the Company usually has a direct or indirect stake of between 20% and 50% of share capital. The Appendix I sets out the list of companies consolidated by this method.

A significant influence is understood to exist when the Group has a stake in the associate and can intervene in the decisions regarding the associate's financial and operating policies but does not control the associate.

Investments in associates are recorded using equity accounting method. The share in the gains or losses after the acquisition of an associate is recognised in the consolidated income statement and the share in the net equity movements after acquisition is recognised in reserves.

If the stake in an associate is reduced but the Company continues to have a significant influence on its management, only the stake in proportion to the amounts previously recognised in other global net income are reclassified to net income when this is appropriate.

Dilution gains and losses generated in investments in associates are recognised in the consolidated income statement.

An investor will stop applying the equity accounting method from the date on which it stops having a significant influence on an associate's management. If a significant influence on the associate's management is lost, the investor will value the investment which it holds in the former associate at fair value.

b) Changes in the consolidation scope and business combinations

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which have been included in the consolidation scope as at 31 December 2019 and 2018.

Below there is a specification of the main transactions carried out which involved significant changes in the consolidation scope:

Year 2019:

Purchase of photovoltaic projects

On 8 May 2019 Audax Renovables reached an agreement with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group) for the purchase of 100% of shares of the companies Audax Solar SPV III S.L.U., Audax Solar SPV IV S.L.U., Audax Solar SPV V S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U. for the total amount of EUR 16,384 thousand. The main object of the acquired companies involves development of PV projects. The market price for the purchase of these companies was endorsed by an independent expert.

The agreement contains certain conditions subsequent under which the buyer, i.e. Audax Renovables, may terminate the purchase. In this respect, on 20 December 2019, both parties concluded a novation of this purchase and sale agreement, in which they limit the purchase of 100% of shares to the companies Audax Solar SPV IV S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U.,

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Aznalcollar Solar S.A.U. for a total amount of EUR 10,678 thousand. As at the date of preparation of these consolidated annual accounts the payments of this amount has not yet been carried out, because the parties agreed a new term of payment, which has been recorded in current payables with group companies in Other current liabilities (Note 14).

The breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the group is as follows:

	EUR thousands
Intangible assets	9,543
Tangible assets	1,661
Other assets	7
Total assets	11,211
Other net liabilities	533
Total liabilities	533
Total acquired net assets	10,678

On the grounds of the analysis carried out, the Group considers that the transaction does not fulfil the requirements to be classified as a business combination under IFRS 3, therefore it was recognised as a purchase of assets. Other net liabilities correspond mainly to payables to related parties (Note 17).

On 8 May 2019 Audax Renovables, S.A. and Audax Fotovoltaica, S.L. signed an agreement for the assignment of contracts for the purchase and sale of shares for the amount of EUR 3,464 thousand. Under this agreement, Audax Renovables assumes the rights and obligations of Audax Fotovoltaica, S.L. in the contracts for the purchase and sale of shares which the latter concluded for the purchase of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L. and Elogia Calañas, S.L, and which were subject to the fulfilment of certain conditions precedent.

On 2 August 2019, Audax Renovables signed an agreement with the company Energy Pool España S.L. for the purchase of 100% of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L. The total cost of the acquisition of these companies, including the purchase right, amounted to EUR 15,652 thousand. The main object of the acquired companies involves development of PV projects. As at the date of preparation of these consolidated annual accounts, the payment of the amount of EUR 14,299 thousand is pending, recognised in Other current liabilities (Note 16).

The breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the group is as follows:

	EUR thousands
Intangible assets	12,977
Tangible assets	4,390
Other assets	445
Total assets	17,812
Accounts payable	2,160
Total liabilities	2,160
Total acquired net assets	15,652

Additionally, on 18 December 2019, Audax Renovables signed an agreement with the company Ruiz Velasco, S.A. and Juan Ruiz Velasco Coca, for the purchase of 100% of shares of the company Elogia

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Calañas, S.L. The total cost of the acquisition of this company, including the right to purchase from Audax Fotovoltaica, was of EUR 609 thousand. The main object of the acquired company involves development of PV projects. As at the date of preparation of these consolidated annual accounts, the payment of the amount of EUR 347 thousand is pending.

The breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the group is as follows:

	EUR thousands
Intangible assets	601
Tangible assets	33
Other assets	11
Total assets	645
Accounts payable	36
Total liabilities	36
Total acquired net assets	609

On the grounds of the analysis carried out, the Group considers that the transactions do not fulfil the requirements to be classified as business combinations under IFRS 3, as none of the acquired assets and liabilities meet the definition of a business established in that standard.

Divestments

In the first half year 2019, Audax Renovables S.A. reached an agreement for the sale of 100% of shares of the company Parc Eòlic Mudefer, S.L.U. to a third and non-related company, Helia Renovables II F.C.R.; the agreement is subject to certain conditions precedent. Finally, on 31 July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant profit before tax amounting to EUR 5,606 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	11,299
Property, plant and equipment	59,294
Long-term financial investments	4
Deferred tax assets	1,500
Trade and other receivables	2,938
Short-term financial investments	3,850
Time period adjustments of current assets	44
Cash and other cash equivalents	3,817
Total assets	82,746
long-term provisions	569
Long-term debts	50,659
Deferred tax liabilities	2,639
Short-term debts	5,071
Trade and other payables	1,339
Total liabilities	60,277
Total net assets	22,469

Moreover, in the first half year 2019, Audax Renovables S.A. secured another agreement for the sale

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of its shares in Gestora Fotovoltaica de Castellón, S.L., which correspond to 76% of the shares of that company, to a third non-related company, Minerva Renovables S.A. The agreement was subject to certain conditions precedent. Finally, in July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant loss before tax amounting to EUR 890 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	62
Property, plant and equipment	5,019
Deferred tax assets	46
Trade and other receivables	321
Time period adjustments of current assets	1
Cash and other cash equivalents	66
Total assets	5,515
Non-controlling interests	386
Long-term debts	1,670
Non-current payables to associated companies	203
Short-term debts	592
Current payables to associated companies	6
Trade and other payables	128
Total liabilities	2,985
Total net assets	2,530

Additionally, on 21 November 2019, Audax Renovables S.A, carried out the sale of 100% of its shares of Parque Eólico Hinojal, S.L., to a third non-related company Green Swell, S.L. The impact of the sale meant loss before tax amounting to EUR 1,398 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets". As at the date of preparation of these consolidated annual accounts the collection of the amount of EUR 2,800 has not yet been paid, pending the fulfilment of certain conditions.

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Goodwill	634
Intangible assets	15,197
Property, plant and equipment	24,284
Long-term financial investments	71
Deferred tax assets	254
Trade and other receivables	1,476
Short-term financial investments	1,784
Time period adjustments of current assets	54
Cash and other cash equivalents	4,611
Total assets	48,365
Long-term provisions	407
Long-term debts	20,179
Deferred tax liabilities	2,983
Short-term debts	3,014
Trade and other payables	716
Total liabilities	27,299
Total net assets	21,066

Finally, on 20 December 2019, Audax Renovables, S.A. signed an agreement for the sale of the entirety of its shares of Fercom Eólica, S.L.U, and Parc Eólic Coll de Som, S.L.U. to a third non-related company

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Nearco Renovables, S.L. The impact of this sale meant profit before tax amounting to EUR 1,546 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets" As at the date of preparation of these consolidated annual accounts, the amount of EUR 1,175 thousand has not yet been collected.

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	59
Property, plant and equipment	79
Long-term financial investments	3,046
Deferred tax assets	27
Cash and other cash equivalents	3
Total assets	3,214
Short-term debts	53
Total liabilities	53
Total net assets	3,161

As a consequence of all these transactions, the Audax Renovables Group has ceased to hold shares directly or indirectly in the following companies: Berta Energies Renovables, S.L., Aprofitament d'Energies Renovables de l'Ebre, S.L, Subestación y Linea 2004, A.I.E, and Comunidad de Terra Alta.

Other transactions

In 2019 the company Fox Energía, S.A., a subsidiary of Unieléctrica Energía, S.A., acquired 77% of the shares of the company Cima Energía Comercializadora, S.L. Moreover, the company Nabalia Energía 2000, S.A., also a subsidiary of Unieléctrica Energía, S.A, acquireed 100% of the shares of Ahorre Luz Servicios Online, S.L. The cost of acquisition of these companies amounted to EUR 27 thousand. The purchase of these companies generated goodwill amounting to EUR 15 thousand.

Lastly, in December 2019, a merger between the Dutch companies Audax Netherlands, B.V. and Main Energie, B.V. was carried out. This transaction did not have any significant impact on these consolidated annual accounts.

Year 2018:

During the year 2018 the mergers by absorption between Audax Energía, S.A.U. as the acquiring entity and Orus Energía, S.L. and A-DOS Energía S.L. as the acquired entities were carried out as well as the non-cash contributions of ADS Energía 8.0, S.L.U. and Eryx Investments, S.L.

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These transactions were defined as transactions between companies under joint control (all the involved companies before and after the transactions were part of the Excelsior Group) and are not subject to IFRS 3 Business Combinations. It was necessary therefore to analyse the applicable treatment from among the reasonably possible ones and make a policy choice. In this regard, there were two options: to apply the acquisition method of IFRS 3 or to apply the pooling of interests method.

The Directors of Audax Renovables, S.A., due to the fact that the merger with Audax Energía, S.A. (Note 1) itself was actually a business combination to which the pooling of interests method was applied retroactively, decided to apply that criterion to said transactions under joint control, incorporating the net assets at their predecessor value.

Thus the accounting effects of these transactions were recorded from the date on which the companies involved in the transactions became subject to the joint control of the Excelsior Group, with the limit at the beginning of the year for which the comparative information is presented, which in this case is 6 April 2018 for Unieléctrica, and 1 January 2017 for the rest.

The breakdown of the assets and liabilities incorporated at the date of their incorporation to the Audax Energía group and subsidiaries is as follows:

	Audax Energía, S.A. and subsidiaries*
Goodwill	2,582
Intangible assets	3,980
Tangible assets	1,850
Other non-current assets	12,974
Current assets	110,122
Total assets	124,946
Non-current debt	64,323
Current liabilities	71,235
Total liabilities	135,558
Total acquired net assets	(10,612)

*does not include the net value of the Audax Renovables Group's assets

Merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L.

On 28 June 2018 the General Meeting of Shareholders of the Audax Energía, S.A. company approved the merger by absorption of the companies Orus Energía, S.L. and A-Dos Energía S.L. on the terms established in the joint project of merger of 28 June 2018. The merger implied a transfer en bloc of the equity of the acquired companies (Orus Energía, S.L. and A-Dos Energía, S.L.) to the acquiring company (Audax Energía, S.A.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were owned directly by the same sole shareholder.

According to what has been stated before in this note, it was considered that both companies would be incorporated into the group on 1 January 2017. The breakdown of the assets and liabilities incorporated on that date is as follows:

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	Orus Energía, S.L.	A-DOS Energía S.L.
Intangible assets	19	302
Tangible assets	240	-
Other non-current assets	4,284	52
Current assets	3,344	3,904
Total assets	7,887	4,258
Non-current debt	49	775
Non-current assets	5,353	3,262
Total liabilities	5,402	4,037
Total acquired net assets	2,485	221

Non-cash contribution of ADS Energy 8.0 S.L.U. and Eryx Investments, S.L.

On 19 October 2018 Audax Energía, S.A.U. carried out a non-cash increase of capital of Audax Energía, S.A. for the amount of EUR 352 thousand, with a share premium account of EUR 68,574 thousand. The increase was wholly subscribed and paid by the sole shareholder of Audax Energía, S.A.U. through the contribution of 258,240 shares in the company ADS Energy 8.0, S.L.U. representing 100% of share capital of that company and of 3,000 shares in the company Eryx Investments 2017, S.L. representing 80% of share capital of that company. Eryx Investments 2017, S.L., which from April 2018 holds in turn 100% of shares of the company Unielectrica Energía S.A, which is the parent company of a group of companies (Unielectrica Group). Both companies are engaged in energy retailing in Spain.

Eryx Investments S.L., was established in 2017 and corresponds exclusively to a special purpose vehicle for a future purchase of Unielectrica Energía S.A.

The breakdown of assets and liabilities incorporated at the date of their incorporation into the group of ADS Energy 8.0, S.LU and Eryx Investments 2017, S.L, was as follows:

	ADS Energia 8.0 SLU*	Eryx Investments 2017, S.L**
Goodwill	-	40,002
Intangible assets	-	42,319
Tangible assets	6	973
Other non-current assets	356	846
Current assets	2,407	37,108
Total assets	2,769	121,248
Non-controlling interest		19,350
Non-current debt	1,160	29,756
Current liabilities	1,551	25,431
Total liabilities	2,711	74,537
Total acquired net assets	58	46,711

* incorporated at 1 January 2017

** includes Unielectrica, incorporated at the moment of acquisition (April 2018)

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The breakdown of assets and liabilities incorporated only by Unieléctrica Energía S.A. to the consolidated accounts was as follows:

	Unielectrica Energía S.A.
Goodwill	40,002
Intangible assets	42,319
Tangible assets	973
Other non-current assets	846
Current assets	37,108
Total assets	121,248
Non-controlling interest	3,673
Non-current debt	8,296
Deferred income taxes	10,558
Current liabilities	21,460
Total liabilities	43,987
Total acquired net assets	77,261

As a consequence of the integration of Eryx Investments 2017 S.L. to the consolidated group, the non-controlling interest increased by EUR 15,677 thousand and current and non-current liabilities increased by EUR 14,873 thousand, as a consequence of the measurement at the date of the acquisition of the outstanding payment for the acquisition of that company. Therefore, the amount of net assets incorporated to the group by both companies to the consolidated accounts amounts to EUR 46,711 thousand.

The most important factors that contributed to the recognition of the consolidation goodwill were the following:

- Fair value of the expected synergies and other benefits of the business combination. Those synergies are unique for each business combination, and different business combinations create different kinds of synergies and, therefore, different values.
- The workforce, the acquisition of the "Know How" of one of the competitors and other intangible assets which do not meet the criteria of identifiability.
- Additional benefits, which the Group will be able to obtain from the acquired business, beyond those that other market players would have been able to obtain.
- The benefits brought about by the corporate management of the retail of a greater number of megawatts.
- Gaining a more advantageous position on the national electricity market by improving the corporate position through an acquisition of a direct competitor of the Group. All this, in a sector constantly evolving and affected by diverse corporate transactions.

The accounting for the business combination was considered as definitive.

The fair value of the total acquisition of Unielectrica S.A. by Eryx Investments, SL. in 2017 amounts to EUR 77,261 thousand.

The purchase price of Unieléctrica Energía S.A. included a postponed payment amounting as at 31

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December 2018 to EUR 15,196 thousand, of which EUR 3,971 thousand are considered as current liabilities. Those payments are not connected with contingent considerations.

As at 31 December 2019, the postponed payment amounts to EUR 7,233 thousand, of which EUR 3,500 thousand is considered as current payable. The recorded values correspond to the present value of the agreed fixed payments.

Both businesses generated income and expenses for the group during the period comprised between the date of acquisition to the end of the financial year.

In 2018 the contribution of ADS Energy 8.0, S.LU generated for the Group an increase in ordinary income and the result attributed to the Parent Company of EUR 9,701 thousand and EUR 193 thousand of loss, respectively.

In 2018 the contribution of Eryx Investments 2017, S.L and Unielectrica Energía S.A. generated for the Group an increase in ordinary income and the result attributed to the Parent Company during the period comprised between the date of acquisition (6 April 2018) and the end of the financial year amounting to EUR 232,809 thousand and EUR 1,946 thousand, respectively. If the incorporation of those companies had been carried out on 1 January 2018, the generation of ordinary income and the result attributed to the Parent Company would have amounted to EUR 296,761 thousand and EUR 2,659 thousand, respectively.

The non-financial assets measured at fair value, which was different from the historical book value, are as follows:

- Customer relations for the amount of EUR 21,417 thousand.
- Trademarks for the amount of EUR 20,816 thousand.

Within the fair value hierarchy, the valuation of non-financial assets was allocated to level 3.

The following main features and valuation methods were used:

For the valuation of customer relations the earnings method (MEEM) was used. The value of the assets was estimated by the sum of future "excess earnings" discounted at present value, less charges for contributed assets, the main assumptions used in order to determine the value were as follows:

- Sales attributable to customer relations: taking into account the difference between various typologies (Home, SME, Industrial) and assuming an average incremental sales factor of around 1%.
- Analysis of the customer churn rate and useful life: a customer churn rate based on the historical observed sales volume decrease was taken into account, concluding with useful life according to the customer typology (Home, SME, Industrial) of between 2 and 5 years.
- EBITDA margin calculated on the basis of an analysis of profitability according to customer typology.
- Other assumptions used: tax rate, charges for contributed assets, discount rate, tax benefit arising from repayment.

For the valuation of trademarks, the income approach was used, specifically the "Royalty Relief" (also known as "Relief from Royalties") method was applied, which is one of the most accepted valuation methods when different trademarks are to be measured. The main valuation parameters were as follows:

- Attributable sales: identifying different trademarks of the group and assigning a percentage of the total of the business attributed to each of them.

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- Useful life analysis: assuming indefinite useful life, according to the report of an independent expert, as there is no calculable limit of time when the asset is going to generate cash flows.
- Royalty rate: based on comparable market rates, this rate was established at between 0.5% and 1% depending on trademark.
- Other assumptions used: tax rate, discount rate, tax benefit arising from repayment.

There were no non-financial liabilities whose fair value would be different from their previous book value.

On 21 February 2019, Ernst & Young Servicios Corporativos S.L., as an independent expert, issued a valuation report for the measurement at fair value of certain assets and liabilities (Purchase Price Allocation) resulting from the acquisition of Grupo Unieléctrica by Eryx Investments 2017, S.L. on 6 April 2018. The reference date for the valuation was 31 March 2018. The report was issued as a usual instance of this kind of valuation works and does not include any reservations or objections.

Cash and cash equivalents at the date of the acquisition of the companies in 2018 amounted to EUR 9,973 thousand.

If the acquisition of the companies had been carried out on 1 January 2018, the Group's income statement for that year would have been as follows:

	<u>2018</u>
Ordinary income	1,048,317
Procurements	(944,171)
Other operating income	2,593
Wages and salaries	(19,820)
Other operating expenses	(41,035)
Amortisation and depreciation	(25,079)
Impairment and profit (loss) on disposal of fixed assets	8,575
Operating profit (loss)	29,380
Financial income	4,124
Financial expenses	-20,898
Impairment and profit (loss) on disposal of financial instruments	(291)
Exchange differences	(94)
Financial profit (loss)	(17,159)
Profit (loss) of companies consolidated by equity accounting	(48)
Profit (loss) before tax from continuing activities	12,173
Income tax expense	(1,969)
Profit (loss) after tax from continuing activities	10,204
Consolidated profit (loss) for the year	10,204
Profit (loss) attributable to the parent company	9,141
Profit (loss) attributable to non-controlling interests	1,063

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c) Homogenisation of the accounts of the companies in the consolidation scope.

The criteria applied in the homogenisation have been as follows:

- Temporary homogenisation: the accounts of the companies in the consolidation scope are referred to 31 December 2019 and 2018.
- Measurement homogenisation: the measurement criteria applied by the subsidiary companies to the assets, liabilities, income and expenses coincide basically with the criteria applied by the Parent Company.
- Homogenisation for internal transactions.
- Aggregation homogenisation: for consolidation purposes, the necessary reclassifications have been made to adapt the structures of the subsidiary companies accounts to that of the Parent Company and to IFRS-EU.

2.6 Transactions in foreign currency

The items included in the consolidated annual accounts of each entity in the Audax Renovables Group are stated using the currency of the main economic environment in which the entity operates (functional currency). The consolidated annual accounts are presented in thousand euros, which is the presentation currency of the Audax Renovables Group.

The transactions in foreign currency are translated into the functional currency using the exchange rates in force on the transaction dates. The gains and losses in foreign currency from the settlement of these transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the consolidated income statement.

The net income and financial position of all the companies in the Audax Renovables Group (none of which are trading in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The assets and liabilities of each balance sheet presented are translated at the exchange rate in force at the balance sheet date.
- The income and expenses of each income statement are translated at monthly average exchange rates, unless this measure does not reasonably reflect the accumulated impact of the exchange rates on the transaction dates, in which case the income and expenses are translated at the date of the transactions.
- All the exchange differences are recognised as separate components in net equity (translation differences).

The adjustments to goodwill and fair value arising from the acquisition of a foreign entity are treated as the assets and liabilities of the foreign entity and translated at the year-end exchange rate.

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The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2019 and 2018 were as follows:

	31 December 2019		31 December 2018	
	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.1081	1.1202	1.1450	1.1809
Polish zloty	4.2792	4.3009	4.3014	4.2614

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal information reported to Group Management in compliance with the IFRS 8 (see Note 4). The operating segments are the components of the Group that involve business activities from which revenue is obtained and expenses are incurred, including ordinary income and expenses from transactions with other components of the same Group. With regards to these segments, the financial information is separated and operating results are reviewed regularly by Management in order to decide what resources must be assigned to the segment and to evaluate its performance.

2.8 Intangible assets

a) Goodwill

Goodwill represents the surplus, on the acquisition date, of the costs of the business combination over the fair value of the net identifiable assets of the subsidiary, joint venture or associate acquired in the operation. The goodwill related to the acquisitions of subsidiaries or joint ventures are included under intangible assets and that related to acquisitions of associated is included under investments consolidated by equity accounting.

Prior to the entry into force of the International Financial Reporting Standards, and as per IFRS 1, goodwill arising from the acquisitions before 1 January 2004 was recorded in the amount recognised as such in the consolidated annual accounts at 31 December 2003 prepared under Spanish accounting principles.

The cost of the combination is determined by the aggregation of:

- The fair value of the transferred assets on the acquisition date, the liabilities incurred or assumed and the equity instruments emitted.
- The fair value of any of the contingent considerations depends on the future events or the compliance with the predetermined conditions.

Costs related with the emission of equity instruments or financial liabilities exchanged for the acquired assets are not part of the combination costs.

Additionally, fees paid to legal advisors or other professionals that have intervened in the combination, and of course those costs generated internally with the same nature, are not considered part of the combination costs. Instead, these costs are directly attributed to the income statement.

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If the business combination is done in different stages, in such a way that before the acquisition date (obtaining the effective control) it already existed an investment, goodwill or the negative difference will be obtained by computing the difference between:

- The cost of the business combination, plus the fair value on the acquisition date of any previous share of the acquiring company in the acquired company, and
- The value of the identifiable acquired assets minus the liabilities assumed, determined according to what was indicated previously.

Any profit or loss incurred as a consequence of the valuation at fair value on the date in which effective control is obtained over the shares of the acquired company, will be recognized in the consolidated income statement. If the investment has been valued previously according to its fair value, the valuation adjustments pending to be included in the year's result will be transferred into the income statement. On the other hand, it is presumed that the cost of the business combination is the best reference point to estimate the fair value on the acquisition date of any previously issued share.

Any goodwill coming from the acquisition of a company whose functional currency is not the Euro, will be valued in that distinct currency. The Euro conversion will take place on the balance sheet date.

Goodwill is not amortized and needs to be revised annually so as to check if any impairment needs to be done. The ending value of goodwill will be its cost value minus the accumulated impairment value. Any impairment loss is considered an immediate expense and cannot be reversed in the future.

If the combination difference happened to be negative, it would be registered in the income statement as an income.

If at the closing date of the year in which the combination takes place the valuation processes needed to apply the acquisition method described above had not been concluded, this accounting entry would be considered provisional, thus future adjustments on the provisional values would be allowed during the period it took to acquire the required information, which under no circumstances can be more than a year. The effects of the adjustments done during this period will be accounted for retroactively, modifying the comparative information if needed.

The subsequent changes in the fair value of the contingent consideration will be adjusted against results, unless such consideration has been classified as net equity in which case its further changes on fair value will not be recognized.

If after taking the efficient control sales transactions take place or subsidiary shares are bought without losing it, the impact of these transactions without changes in control will be accounted as net equity and will not modify the value of the consolidated goodwill.

b) Computer software

Computer software purchased and developed by the company itself, including the cost of the development of websites, is recognised correspondingly to the fulfilment of the conditions established for the development expenses. The maintenance cost of computer software is expensed as incurred. These costs are amortised by straight-line amortisation during its estimated useful life (between 3 and 4 years).

The expenses related to the maintenance of computer software are recognised as cost when incurred. Cost related directly to the production of unique and identifiable software controlled by the Company, and when it is probable that it will generate economic profit exceeding the cost during more than one year, is recognised as intangible asset. Direct costs include staff costs of software developers and a suitable percentage of general costs.

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c) Trademarks and Client portfolio

Client portfolio corresponds primarily to the ones acquired through business combination in the year 2017 of the company Audax Netherlands B.V. and the company Eryx Investments 2017, S.L. (Unieléctrica Group) during the year 2018.

The client portfolios are amortised by the straight-line amortisation method during their useful life which is estimated to be between 2 and 8 years and is determined according to the drop ratio based on historical data.

Trademarks are the ones acquired through business combinations referred to in the previous paragraph. Some trademarks have indefinite useful life, as there is no estimable limit to the period in which the asset will generate cash inflows, whereas others are amortised depending on their estimated useful life, mainly between 2 and 10 years.

d) Right-of-use assets

Right-of-use assets are recognised on the lease commencement date.

The cost of the right-of-use asset includes the amount of the measurement at recognition of the lease liability, any lease payment made on or before the commencement date, less the incentives received, the initial direct costs incurred in lease, and the estimated cost to be incurred in dismantling and restoring the asset.

After the initial recognition, the right-of-use asset is measured at cost less accumulated amortisation and impairment loss. The amortisation of the right-of-use asset begins on the lease commencement date and is carried out over the useful life of the underlying asset or the lease term if the latter is shorter. If the ownership is transferred to the lessee or when it is quite certain that the lessee will exercise the purchase option, the amortisation is recorded over the useful life of the asset.

The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000) and short term (lease term of 12 months or less). In these cases the lease payments are recognised as operating expenses applying the straight-line method over the lease term.

e) Other intangible assets and Licences

Intangible assets are recorded at acquisition cost, or at fair value when they are acquired through business combinations, less accumulated amortisation initiated when the asset is available to be used and less any impairment when it occurs.

These assets arise mainly from measuring at fair value, in business combinations, certain milestones in the development and implementation of, for example, a wind farm, such as the finding of ideal sites for the farm, wind measurements, obtaining licenses and authorisation from official bodies for the construction of a wind farm, etc. They include own work capitalised (basically staff costs) under intangible assets when the requirements of IAS 38 are met. These intangible assets are amortised on a straight-line basis over the farm's useful life, which begins when the assets are put into operation.

The net book value of the intangible assets is tested for possible impairment before their amortisation begins and if changes or events indicate that their net book value cannot be recovered.

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2.9 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or cost of production minus their accumulated depreciation and accumulated recognised impairment losses. This account also includes own work capitalised (basically staff costs) for property, plant and equipment when the requirements of its recognition are met. The provisions for dismantling, under contract, which are recorded upon start up at their current value as property, plant and equipment (with a counter-entry under provisions), form part of the cost and are depreciated over the useful life of the wind farm.

The net financial expenses, and other expenses directly attributable to property, plant and equipment, are included in the acquisition cost until they are brought into use.

The costs of extension, modernisation or improvement of property, plant and equipment are capitalised only when they represent an increase in their capacity, productivity or a lengthening of their useful life, and as long as it is possible to know or estimate the carrying value of the assets that are written off inventories when replaced.

The costs of major repairs are capitalised and depreciated over their estimated useful lives while recurrent maintenance expenses are taken to income statement during the year in which they are incurred.

The depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated on a straight-line basis according to their estimated useful lives, taking into account ordinary wear and tear. The estimated useful lives are as follows:

	Depreciation method	Years of estimated useful life
Constructions	Straight-line	33 - 50
Plant and machinery	Straight-line	8 – 25
Other plants, facilities and equipment	Straight-line	5 – 20
Other property, plant and equipment	Straight-line	4 – 14

The residual value and useful life of assets are reviewed, and adjusted if needed, at each consolidated balance sheet date.

When the book value of an asset is greater than its estimated recoverable value, it is immediately written down to the recoverable value.

The profit and loss on the sale of property, plant and equipment is calculated by comparing the income obtained from the sale against book value and then taken to the income statement.

2.10 Impairment of non-financial assets

The Group applies the method of assessing the existence of indications which might imply possible impairment of non-financial assets subject to amortisation or depreciation, in order to verify if the carrying amount of said assets exceeds the recoverable amount.

Moreover, regardless of whether there are any indications of impairment, the Group examines at least once a year the possible impairment that could affect the goodwill and the intangible assets of indefinite useful life, as well as intangible assets that are not yet available for use.

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The recoverable amount of an asset is whichever is higher between its fair value less costs of disposal or its value in use. The value in use of an asset is determined according to the future cash flows expected to be derived from the use of the asset, the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows related to the asset.

Negative differences resulting from the comparison between the carrying amount and the recoverable amount of the assets are recognised in profit and loss.

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU (Cash-Generating Unit) to which it belongs.

Impairment loss of a CGU initially reduces the goodwill allocated to that CGU and, later on, to the other assets of the CGU pro rata the carrying amount of each one of the assets, with the limit for each one of them of whichever is the higher between its fair value less cost of sale or other disposal, its value in use, and zero.

The Group assesses at each balance sheet date whether there is an indication that an impairment loss recognised in previous years does not exist anymore or may have decreased. Reversal of impairment loss for goodwill is not possible. Impairment loss for the rest of assets may be only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

Reversal of the impairment loss is recognised in the profit or loss. However, the increased carrying amount due to reversal should not be more than what its depreciated historical cost would have been if the impairment had not been recognised.

2.11 Leases

Policy applicable from 1 January 2019.

Identification of a lease

At the beginning of a contract, the Group assesses if the contract contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period in which the Group uses an asset includes consecutive and non-consecutive periods. The Group reassesses the conditions only when the contract is amended.

Lessee accounting

In the contracts which contain one or more lease components and non-lease components, the Group assigns consideration of the contract to each lease component according to the selling stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

The payments made by the Group which do not involve transfer of goods or services to the Group by the lessor are not a component separate from the lease, but form part of the total consideration of the contract.

The Group decided to not apply the accounting policies specified below for short-term leases and those where the value of the underlying asset is lower than EUR 4 thousand. (IFRS 16.8 and B3-B8).

For this kind of contracts, the Group recognises the payments on a straight-line basis over the lease term.

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At the beginning of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset consists of the amount of the lease liability, any lease payment made on or before the commencement date, less the incentives received, the initial direct costs incurred in lease and the estimated cost to be incurred in dismantling and restoring the asset, as indicated in the provisions accounting policy.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts the lease payments using the adequate incremental rate, except for when it is possible to credibly determine the lessor's interest rate implicit in the lease.

The unpaid lease payments consist of fixed payments, less any lease incentives receivable, variable payments that depend on an index or a rate, initially measured using the index or rate applicable at the commencement date, the amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and the payments of penalties for terminating the lease if the lease term reflects the exercising of an option to terminate the lease.

The Group measures the right-of-use assets, less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract conveys the ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the purchase option price, depreciation is carried out applying the criteria indicated in the property, plant and equipment paragraph from the lease commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the criteria of the impairment of non-current assets indicated in Note 5 to the right-of-use assets.

The Group measures the lease liability incrementing it by the accrued financial expense, reducing it by the payments made and remeasuring the book value due to amendments to the lease or in order to reflect the adjustments of the in-substance fixed payments.

The Group recognises variable payments that were not included in the initial measurement of the liability in profit or loss for the period in which the circumstance occurred which triggered the payment.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset until it is reduced to zero and later in profit or loss.

The Group remeasures the lease liability by discounting the lease payments using a revised discount rate if there is a change in the lease term or a change to the assessment of the option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under residual value guarantee or a change to the index or rate used to determine the payments, including a change to reflect the changes in the market rental rates following a market rent review.

The Group recognises a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification is not accounted for as a separate lease, at the date of the modification, the Group allocates the consideration in the modified contract in the way indicated above, determines again the lease term and remeasures the lease liability by discounting the revised payments using a revised

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discount rate. The Group decreases the book value of the right-of-use asset to reflect the partial or full termination of the lease in the modifications that decrease the scope of the lease, and recognises in profit or loss the relevant gain or loss. For all other lease modifications, the Group adjusts the book value of the right-of-use asset.

Lessor accounting

In the contracts which contain one or more lease components and non-lease components, the Group allocates the consideration of the lease contract applying the accounting policy of Revenue from Contracts with Customers.

The Group classifies as finance lease the contracts which initially transfer substantially to the lessee all the risk and rewards incidental to ownership of the underlying assets. Where this is not the case, they are classified as operating leases.

Finance leases

The Group recognises a receivable at the present value of the lease receivable plus the unguaranteed residual value, discounted using the interest rate implicit in the lease (net investment in the lease). Initial direct costs are included in the initial measurement of the receivable and decrease the amount of the recognised income over the lease term. Financial income is allocated to the income statement using the method of the effective interest rate.

At the commencement date, the Group recognises in the lease receivable account the amounts to be collected related to the fixed payments, less the incentives payable, variable payments that depend on an index or rate, measured using the index or rate applicable at that date, any amount under residual value guarantees paid to the lessor by the lessee, its related party or any third party not related to the lessor with financial capacity to fulfil the obligation, the exercise price of a purchase option if it is reasonably certain that it will be exercised by the lessee and the payments of penalties for terminating the lease if the lease term reflects that the lessee is going to exercise the option to terminate the lease.

The Group recognises a finance lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification is not accounted for as a separate lease and the lease would have been classified as an operating lease, had the modification occurred at the commencement of the lease, the Group accounts for the modification as a new lease from the effective date of the modification and measures the book value of the underlying asset as a net investment in the lease immediately before the effective date of the modification. Otherwise, the Group applies the modification requirements indicated in the accounting policy for financial instruments.

The Group reviews regularly the unguaranteed residual values. If there is a reduction, the income allocation over the lease term is revised and any reduction in respect of the amounts accrued is recognised immediately in profit or loss.

Operating leases

The Group presents the assets leased to third parties under operating lease contracts according to the nature of the assets applying accounting principles.

The Group recognises income from operating leases, less the incentives granted, as income on a straight-line basis over the lease term, except for when another systematic base if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

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The initial direct costs of the lease are added to the carrying amount of the underlying asset and are recognised as expense over the lease term on the same basis as the lease income.

The Group recognises variable payments as income when it is probable that they will be receivable, which generally is when circumstances occur that trigger the payment.

The Group recognises an operating lease modification as a new lease from the effective date of the modification, considering any prepayment or deferred payment for the original lease as a part of the lease payments of the new lease.

Policy applicable before 1 January 2019.

In the case of contracts concluded before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of the following circumstances:

- fulfilment of the arrangement depended on the use of a specific asset or assets; and
- the arrangement conveyed the right to use the asset. The arrangement conveyed the right to use the asset if one of the following conditions was met:
 - the purchaser had the ability or the right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or the right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - the facts and the circumstances indicated that it was remote that other parties would take more than an insignificant amount, and the unit price was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In this case the leased assets were measured initially at fair value of the asset or, if lower, at present value of the minimum lease payments. The minimum lease payments were the payments that the lessee should pay over the lease term, excluding any contingent payment. After the initial recognition, the assets were accounted for according to the policy applicable to the asset.

The assets kept under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. The payments made under the operating leases were recognised in the profit or loss on a straight-line basis over the lease term. The received lease incentives were recognised as an integral part of the total expense of the lease over its term.

As a lessor

When the Group acted as a lessor, it determined at the commencement of the lease whether each lease was a finance lease or an operating lease.

In order to classify each lease, the Group carried out a general assessment whether a lease transferred substantially all the risk and rewards incidental to ownership of the underlying asset. If that was the case, the lease was a finance lease; otherwise, it was an operating lease. As a part of this assessment, the Group considered certain indicators, such as whether the lease was for the major part of the economic life of the asset.

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2.12 Impairment losses on non-financial assets

The Group applies the method of assessing the existence of indications which might imply possible impairment of non-financial assets subject to amortisation or depreciation, in order to verify if the carrying amount of said assets exceeds the recoverable amount.

Moreover, regardless of whether there are any indications of impairment, the Group examines at least once a year the possible impairment that could affect the goodwill and the intangible assets of indefinite useful life, as well as intangible assets that are not yet available for use.

The recoverable amount of an asset is whichever is higher between its fair value less costs of disposal or its value in use. The value in use of an asset is determined according to the future cash flows expected to be derived from the use of the asset, the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows related to the asset.

Negative differences resulting from the comparison between the carrying amount and the recoverable amount of the assets are recognised in profit and loss.

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU (Cash-Generating Unit) to which it belongs.

Impairment loss of a CGU initially reduces the goodwill allocated to that CGU and, later on, to the other assets of the CGU pro rata the carrying amount of each one of the assets, with the limit for each one of them of whichever is the higher between its fair value less cost of sale or other disposal, its value in use, and zero.

The Group assesses at each balance sheet date whether there is an indication that an impairment loss recognised in previous years does not exist any more or may have decreased. Reversal of impairment loss for goodwill is not possible. Impairment loss for the rest of assets may be only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

Reversal of the impairment loss is recognised in the profit or loss. However, the increased carrying amount due to reversal should not be more than what its depreciated historical cost would have been if the impairment had not been recognised.

2.13 Financial Instruments

1) Recognition and classification of financial instruments

Financial instruments are classified at the moment of their initial recognition as a financial asset, a financial liability or an equity instrument, according to the substance of the contract and to the definitions of financial asset, financial liability or equity instrument developed in IAS 32 "Financial Instruments: Presentation".

The Group classifies a financial asset or financial liability as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- In the initial recognition it is part of a portfolio of identified financial instruments that are managed as a set and for which there is an evidence of a recent pattern of short-term profit taking;

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- It is a derivative, except for a derivative designated as hedging instrument and meets the requirements to be efficient and a derivative which is a financial guarantee contract
- It is a commitment to provide financial assets obtained by borrowing and that are not owned.

The Group classifies a financial asset at amortised cost if it is held within the framework of business model whose objective is 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 (SPPI)

The Group classifies a financial asset at fair value through other comprehensive income if it is held within the framework of business model whose objective is reached by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The business model is determined by the key personnel of the Group and on a level which reflects the way in which the groups of financial assets are collectively managed in order to attain specific business objective. The Group's business model represents the way in which the Group manages its financial assets for the purpose of generating cash flows.

The financial assets within the business model whose objective is to hold assets in order to collect contractual cash flows are managed for the purpose of generating cash flows in the form of contractual amounts collected over the life of the instrument. The Group manages the assets held in the portfolio for collection of those specific contractual cash flows. In order to determine whether the cash flows are collected through the reception of contractual cash flows from financial assets, the Group evaluates the frequency, the value and schedule of sales in previous years, the reasons for those sales and the expectations concerning future sale activities. However, the sales as such do not determine the business model and, therefore, should not be considered separately. It is the data on previous sales and on the expectations concerning future sales that provides the information indicative of the method of attaining the Group's declared objective regarding the management of financial assets and, more specifically, the method of collecting cash flows. The Group evaluates the data on previous sales in the context of the reasons for those sales and of the conditions existing at that moment and compared to the current ones. For this purpose, the Group considers that trade receivables and accounts receivable which will be the subject of transfer to third parties and which will not involve their derecognition, are held within this business model.

Although the objective of the Group's business model is to hold financial assets in order to collect contractual cash flows, the Group holds all the instruments until maturity. Therefore, the Group's business model is to hold financial assets in order to collect contractual cash flows even in the event of a sale or an expected future sale of these assets. The Group considers this requirement as fulfilled, provided that the sale occurred due to an increased credit risk of the financial assets. In other circumstances, on an individual and collective level, the sales must be of little significance, even if they are frequent or infrequent, even if they are significant.

The financial assets which are belong to the business model whose objective is to hold assets in order to collect contractual cash flows and sell them are managed for the purpose of generating cash flows in the form of contractual amounts collected and selling them according to various needs of the Group. In this kind of business model the Group's key management personnel has decided that in order to fulfil this objective the collection of contractual cash flows is as essential as the sale of the financial assets. In order to attain this objective the Group collects contractual cash flows as well as sells financial assets. In comparison to the previous business model, in this one the Group usually carries out the sale of the assets that are more frequent and of a higher value.

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The contractual cash flows that are SPPI, are consistent with the basic lending arrangement. In a basic lending arrangement the most significant element of the interest is generally the compensation for the time value of money as well as the credit risk. However, in an arrangement of this kind the interest also includes the compensation for other risks, such as liquidity, and costs, such as the administrative costs of a basic loan linked to holding the financial asset during a specific period. Furthermore, the interest may include a profit margin consistent with a basic lending arrangement.

As indicated in note 9, the Group has designed certain equity instruments as measured at fair value through other comprehensive income.

The Group designates a financial asset initially at fair value through profit and loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The rest of financial assets are classified at fair value through profit and loss.

The Group designates a financial liability at the moment of its initial recognition as at fair value through profit and loss if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value bases, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies the rest of financial liabilities, except for the financial guarantee contracts, loan commitments at an interest rate below the market rate and the financial liabilities resulting from a transfer of financial assets that do not meet the requirements for their derecognition or are accounted for using the continued involvement approach as financial liabilities at amortised cost.

i) Principles of compensation

A financial asset and a financial liability are subject to compensation only when the Group has the legal right actually enforceable to compensate the recognised amounts and has the intention to settle for differences or realise the asset and cancel the liability simultaneously. In order for the Group to have the legal right actually enforceable, it should not be contingent to a future event and should be legally enforceable in the ordinary course of business, in case of insolvency or legally declared liquidation and in case of default.

ii) Financial assets and liabilities at fair value through profit and loss

Financial assets and financial liabilities at fair value through profit and loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issuance are recognised as expenses in the amount they are incurred.

The fair value of a financial instrument at the initial recognition moment is usually the price of the transaction, except for when that price contains elements that are different from the instrument, in which case the Group determines its fair value. If the Group establishes that the fair value of an instrument differs from the price of the transaction, it records the difference in profit or loss, in proportion to the value obtained by reference to a price quoted on an active market or of an identical asset or liability or obtained by a measurement method using only observable data. In other cases the Group recognises the difference in profit or loss when there is a change in a factor that the market participants would consider in determining the price of the asset or liability. (IFRS 7.28 a)

Subsequently to the initial recognition, they are recognised at fair value recording the differences in profit or loss. The changes of the fair value include the component of interest and dividends. The fair value is not reduced by the transaction costs which may be incurred by the sale or other disposal.

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The Group determines the change in the fair value attributable to the credit risk calculating initially the internal return rate at the beginning of the period using the fair value and the contractual cash flows and discounts from said rate the reference interest rate in order to determine the specific kind of component of the credit risk, provided that the change in the reference interest rate is not significant and there are no other factors which might involve important changes in the fair value. On every balance sheet date the Group discounts the contractual cash flows at a rate established as the sum of the reference rate of the date plus a specific rate of the credit risk component. The difference between the fair value at the balance sheet date and the previous amount represents the change linked to the credit risk.

iii) Financial assets and liabilities at amortised cost

The financial assets and financial liabilities at amortised cost are initially recognised at their fair value, plus or minus incurred transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

iv) Financial assets at fair value with changes in other comprehensive income

The financial assets at fair value with changes in other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the purchase.

Subsequently to the initial recognition the financial assets classified into this category are measured at fair value with recognition of loss or gain in other comprehensive income, except for the loss or gain due to exchange rate, as explained in section 2.6 (foreign currency transactions) and expected credit loss. The amounts recognised in other comprehensive income are recognised in profit or loss at the moment of derecognition of the financial assets. However, the interests calculated using the effective interest rate method are recognised in profit or loss.

As indicated above, the Group has designed certain equity instruments as measured at fair value with changes in other comprehensive income. Subsequently to the initial recognition, the equity instruments are measured at fair value with recognition of loss or profit in other comprehensive income. The amounts recognised in other comprehensive income are not subject to reclassification to profit or loss, without prejudice of being reclassified to reserves at the moment of derecognition of the instruments.

v) Financial assets measured at cost

The investments in equity instruments for which there is no sufficient information to measure their fair value or when there is a wide range of measurements and derivative instruments that are linked to them which should be settled for providing those investments, are measured at cost. However, if the Group may obtain at any moment a credible measurement of the asset or of the contract, it will recognise them at that moment at fair value recording the gain or loss in profit or loss or in other comprehensive income if the instrument is designated at fair value with changes in other comprehensive income.

vi) Reclassifications of financial instruments

The Group reclassifies financial assets when it modifies the business model for the management of that assets. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with changes in profit or loss, it recognised the difference between the fair value and the carrying amount in the profit or loss. From that moment on, the Group does not record financial asset interests separately.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at amortised cost, the fair value at the date of the reclassification is considered to be the new gross carrying amount for the purpose of applying the effective interest rate approach and of recording credit losses.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with

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changes in other comprehensive income, it recognises the difference between the fair value and the carrying amount in other comprehensive income. The effective interest rate and the expected credit loss record are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is registered against other comprehensive income and is itemised in the notes.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at amortised cost, it is reclassified at its fair value. The amount of the difference in equity is adjusted to the carrying amount of the asset. The effective interest rate and the expected credit loss record are not adjusted by the reclassification.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at fair value with changes in other comprehensive income, the effective interest rate and expected credit loss are determined at the date of the reclassification at the fair value of that moment.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at fair value with changes in profit or loss, the amount of the difference in equity is reclassified to profit or loss. From that moment on, the Group does not record financial asset interest separately.

vii) Financial guarantee contracts

The Group recognises financial guarantee contracts initially at the premium received. If the Group collects the premium in instalments in arm's length terms, the financial guarantee is recognised at zero net amount. Subsequently to the initial recognition, the financial guarantee contracts are measured at the amount of the expected credit loss or the amount initially recognised, depending on which of them is higher, less the accumulated amount of recognised income according to the indicated in the income from contracts with clients section.

If the financial guarantee is issued without compensation, its counterparty is recognised as cost in the profit and loss account.

However, if the financial guarantee arises from a transfer of financial assets which does not fulfil the requirements for derecognition from the balance sheet, it is recognised pursuant to section 2.11 (derecognition of financial assets).

viii) Impairment

The Group recognises in profit or loss a loss allowance due to expected credit loss of the financial assets measured at amortised cost, fair value with changes in other comprehensive income, finance lease accounts receivable, contract assets, lending commitments and financial guarantees.

For financial assets measured at fair value with changes in other comprehensive income the expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

The Group measures on every balance sheet date the loss allowance by an amount equal to the expected credit loss in the following twelve months, for the financial assets for which the credit risk has not increased significantly since the date of the initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

The Group determines on every balance sheet date whether the credit risk of an instrument considered individually or of a group of instruments considered collectively has increased significantly since the initial recognition. For the purpose of collective evaluation the Group has grouped the instruments according to shared risk features.

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In order to determine whether for an instrument or a group of instruments the credit risk has increased significantly the Group uses the change in the risk of a default during the expected lifetime of the instrument instead of changes in the amount of the expected credit losses. Therefore the Group evaluates the change in the risk of a default at every balance sheet date comparing it to the initial recognition. For this purpose the Group considers that a default occurs when there are justified doubts concerning recovery.

For the purpose of determining whether there is a significant increase in the credit risk the Group evaluates all the reasonable and justifiable prospective information, in particular:

- Internal and external credit risk ratings;
- Current or expected adverse changes in the business, financial or economic situation which may give rise to a significant change in the borrower's ability to fulfil their obligations;
- Current or expected significant changes in the borrower's operating income;
- Significant increase in the credit risk of other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Macroeconomic information such as interest rates, growth, unemployment rates, GDP of the region, real property market prices or rents.
- The Group considers that the credit risk has increased significantly since the initial recognition when its maturity period is extended.

If there has been a significant increase in the credit risk of an instrument or a group of instruments since the initial recognition, the expected credit loss covers the entire expected life of the instrument. For the financial assets acquired or originated with incurred losses the Group recognises at every balance sheet date only the positive or negative changes in the expectations of loss since the initial recognition as a loss or profit from impairment, regardless of whether the profit exceeds the initially estimated amount of the incurred credit loss.

For the financial assets renegotiated or modified and which have not implied derecognition of the original financial asset the Group evaluates the significant increase in credit risk comparing the risk of a default at the date of the balance sheet according to the new conditions with the risk of a default at the date of the initial recognition according to the original conditions. The Group considers that the credit loss of modified financial assets should not be estimated during the lifetime for the instrument only when there is evidence of the borrower's fulfilment of the modified obligations.

If the modified financial asset has implied derecognition of the previous financial asset and the recognition of a new one, the Group determines the expected credit loss at that moment. For this purpose the Group determines the expected credit loss in the subsequent twelve months, except for when the financial asset originated with incurred loss.

Notwithstanding the above, the Group recognises the expected credit loss during the life of the instruments for trade receivables or contract assets and finance lease receivables.

The Group determines the expected credit loss considering the unbiased and probability-weighted amount, effective interest rate or effective interest rate adjusted by the original credit risk and reasonable and justifiable information about past events, current conditions and forecasts of future economic conditions.

The maximum term considered by the Group to measure the expected credit loss is the contractual period, including novation options, during which the Group is exposed to credit risk. However, the Group

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determines credit losses during the period in which the Group is exposed to credit risk and the credit losses would not be mitigated by credit risk management actions, even if this period exceeds the maximum contractual period for the instruments that include a loan and an undrawn commitment and the ability to demand repayment and cancel the commitment would not limit the Group's credit risk to the contractual notice period.

Separate expected credit losses represent the difference between the contractual and the expected cash flows, in the amount as well as in the term.

Regarding financial guarantees, the Group considers the changes in the risk that the debtor will default on the contract. The Group determines credit losses as expected payments to be made to reimburse the holder for the loss it incurs less any amount that the Group expects to receive from the holder, the debtor or any third party. For this purpose the Group does not consider the amount of the premiums to collect when they are collected in instalments. If the asset is entirely guaranteed, the estimate of the credit loss would be consistent with the estimates of credit losses of the asset subject to the guarantee.

To the financial guarantees and loan commitments for which it is not possible to determine the interest rate in a reliable manner, the Group applies a market interest rate, adjusted by the risks not considered in discounted cash flows.

For loan commitments and financial guarantees the expected credit loss is recognised as a provision. If a financial instrument includes a loan and an undrawn commitment and the Group cannot identify separately the credit loss attributable to each component, the credit loss of the commitment is recognised together with the credit loss of the financial asset. If the credit loss exceeds the carrying amount of the financial asset, the surplus is recognised as a provision.

For finance lease receivables the Group determines the credit loss in a way that is consistent with the cash flows used to measure accounts receivable. For this purpose it uses the implicit interest rate of the contract.

The Group has determined the impairment of cash and cash equivalents due to expected credit losses during the next twelve months. The Group considers that cash and cash equivalents have a low credit risk according to the credit ratings of the financial entities where the deposits or cash are deposited.

For trade receivables the Group determines the expected credit loss during the life of the financial assets collectively, grouped by different collectives according to their maturity dates, allocating a percentage of default to each of them.

The percentage of default is calculated according to the probability of an account receivable to be moving through the subsequent stages of default until its definitive derecognition. The percentages are calculated separately for each collective. The percentages are based on the current experience of default in recent years and are adjusted by the differences between current and historical economic conditions and considering the forecast information that is reasonably available.

ix) Extinguishment of financial assets

The Group applies the financial assets derecognition criteria to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or to a group of similar financial assets.

Derecognition of financial assets is carried out when the rights to collect cash flows connected with those assets have expired or have been transferred and the Group has transferred substantially the risks and profits derived from their ownership.

Derecognition of a financial asset in its entirety implies a recognition of profit or loss for the difference between its carrying amount and the sum of the received compensation, less transaction costs, including the assets obtained or the liabilities assumed and any loss or gain recognised in other

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comprehensive income, except for the equity instruments designated at fair value with changes in other comprehensive income.

The Group reduces directly the accounting amount of a financial asset when it reasonably expects to recover it entirely or partly.

x) Interests and dividends

The Group recognises interests applying the effective interest rate method, which is an update rate that equalises the carrying amount of a financial asset with the expected cash flows during the expected life of the instrument on the basis of its contractual terms and without considering the expected credit loss, except for the financial assets acquired or originated with incurred losses.

The interests are recognised at gross carrying amount of the financial assets, except for the financial assets acquired or originated with incurred credit losses and financial assets with credit impairment. For the former, the Group recognises the interests according to the effective interest rate adjusted by the initial credit risk and for the latter, the Group recognises the interests at amortised cost.

The changes of estimates in cash flows are discounted at the effective interest rate or an interest rate adjusted by the original credit risk and are recognised in profit or loss.

The income on dividends from investments in equity instruments is recognised in profit or loss when right for the Group arise to collect the dividends, the collection of economic profit is probable and the amount can be reliably calculated.

The dividends from equity instruments classified at fair value with changes in other comprehensive income are recognised in profit or loss, except when they represent a return on investment, in which case they are recognised in other comprehensive income.

The Group recognises as financial income and expenses the late-payment interest in commercial transactions according to the legal and contractual conditions. If eventually the interest is compensated or cancelled, the Group recognises the transaction according to its substance. The Group recognises the legal right to the compensation of incurred collection management costs when its collection is probable. The Group recognises the management collection costs claim according to the rules of the provision accounting policy.

xi) Derecognition and modification of financial liabilities

The Group derecognises a financial liability or a part of it when the obligation specified in the contract is fulfilled or when the Group is legally exempted from the principal responsibility contained in the liability whether through a court proceeding or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of the liabilities initially recognised are accounted for as an extinguishment of the original financial liability and recognition of a new financial liability, provided that the terms of the instruments are substantially different.

The Group considers that the terms are substantially different if the current value of the discounted cash flows under the new terms, including any commission paid less any commission received, and using for the discount the original effective interest rate, differs by at least 10 per cent from the discounted current value of the cash flows which still remain from the original financial liability.

If the exchange is recorded as an extinguishment of the original financial liability, the costs or commissions are recognised in profit or loss as a part of its result. Otherwise, the modified cash flows are discounted at the original effective interest rate and any difference from the previous carrying amount of the liability is recognised in profit or loss. Likewise, the costs or commissions adjust the

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carrying amount of the financial assets and they are amortised by the amortised cost method during the remaining life of the modified liability.

The Group recognises in profit or loss the difference between the carrying amount of a financial liability or a part of it that is extinguished or transferred to a third party and the compensation that was paid, including any transferred asset other than cash or assumed liability.

Contracts for purchase and sale of non-financial assets

The Group signs forward contracts for the purchase/sale of energy according to its production requirements. The Group assesses at the moment of signing and also periodically if the contracts should be recognised as derivative financial instruments. For this purpose the Group carries out control and a separate register of those contracts which meet the conditions for not being classified as derivative financial instruments and those which must be considered as trading.

The Group recognises as obligations the contracts for purchase or sale of a non-financial account in line with the terms of the contract and if it is held for delivery or reception according to the usage, purchase or sale requirements.

The transaction costs of the contracts classified as obligations are recognised according to the general criteria applicable to the costs related to purchase and sale transactions.

However, the Group recognises as derivative financial instruments those contracts or groups of similar contracts for which the Group keeps applying a past practice of net cash settlement or those that are held by the Group for the purpose of obtaining profit from trading margin.

In the case of contracts for the purchase or sale of non-financial assets classified as trading and which are going to be settled with physical delivery at a fixed price, the Group applies the cash flow hedge policy.

The Group evaluates the existence of implicit derivatives in the contracts for purchase or sale of non-financial assets in foreign currency. Although the contract is not accounted for as a financial instrument, the implicit derivative is recognised according to the criteria indicated above.

The Group considers that the implicit derivative is closely connected with the main contract when it is not leveraged, does not include options and the payments are made in the functional currency of one of the main parties to the contract or the usual currency of commercial transactions for the underlying non-financial asset or the usual currency of contracts for the purchase or sale of the non-financial asset concluded in the economic environment in which the transaction takes place.

2.14 Derivatives and other financial instruments

Financial derivatives are recognised at fair value on the contract date and are successively recalculated at fair value. The method for recognising the gain or loss depends on whether the derivative is classified as a hedging instrument, and if so, the nature of the asset hedged.

The Audax Renovables Group documents the relationship between the hedging instruments and the assets or liabilities hedged at the beginning of the transaction, as well as the purpose of the risk management and hedging strategy.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument.

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Types of hedges:

a) Cash flow hedges:

For these derivatives, the effective part of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised in net equity. The gain or loss relating to the non-effective part is recognised immediately in the consolidated income statement. The amounts accumulated in net equity are released to the consolidated income statement in the year in which the hedged items affects profit or loss.

b) Fair value hedge:

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges are posted in the consolidated income statement, together with any change in the fair value of the asset or liability hedged that is attributable to the risk hedged.

2.15 Share capital

Share capital is represented by ordinary shares.

The cost of the issue of new shares or options, net of tax, is subtracted from net equity.

The dividends from ordinary shares are recognised as less net equity when approved by the Parent Company's shareholders.

2.16 Provisions and contingent liabilities

The Directors of the Parent Company have established a difference in the consolidated annual accounts between:

- a) Provisions: credit balances that cover current obligations related with past events. Its settlement is likely to originate an outflow of cash, however the amount and/or the moment of the settlement cannot be determined.
- b) Contingent liabilities: possible obligations arising as a consequence of past events whose future materialization is subject to whether or not one or more than one of these events ends up taking place. These events are independent of the Groups' will.

Provisions are recognised when the Audax Renovables Group has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated. No provisions are recognised for future operating losses.

Provisions are recorded when the unavoidable costs of meeting the liabilities in an onerous contract for valuable consideration exceed the profits expected to be obtained from them.

Provisions are stated at current value of the amount necessary to settle the liability at the balance sheet date, according to the best estimation available.

When it is expected that part of the disbursement necessary to settle the provision is refundable by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically assured.

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2.17 Corporate income tax

The corporate income tax accrued expenses include the expense for the deferred tax and the expense for the current tax understood as the amount payable (or refundable) relating to the tax profit (or loss) for the year.

The Group incorporates the uncertainty effect into the tax treatment when determining the tax profit, tax bases, unused tax losses, unused tax credits and tax rates.

The current tax is the amount that the Group pays as a consequence of the fiscal liquidations arising from Corporate Income Taxes for the year. Deductions and other fiscal advantages affecting the amount of taxes payable, excluding any account retention or payment, as well as fiscal losses that can be compensated from past years and that are effectively applicable during the current year, give rise to a lower amount of current taxes payable.

The deferred tax is recorded by comparing the temporary differences that arise between the taxable income from the assets and liabilities and the accounting profit on the consolidated annual accounts using the tax rates that are expected to be in force when the assets and liabilities are realised.

Liabilities arising from deferred taxes are recognized for all the temporary differences on tax bases, except for those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect neither the fiscal result nor the accounting result and that is not included in a business combination.

The deferred tax arising from charges or credits made directly in the net equity accounts are also recorded as charges or credits to net equity.

Additionally, any difference that might exist between the consolidated value of an acquired company and its fiscal base will also be considered at a consolidated level. In general these differences arise from the accumulated results generated after the acquisition date, from fiscal deductions associated with the investment and from the exchange difference, in the case where the acquired company uses a currency that is not the euro. Deferred tax assets and liabilities originated from these differences can be recognized except for, and in the case of taxable differences, those in which the investor has control over the moment of reverting the difference and in the case of the deductible differences, if it can be expected that such difference has consequences on the foreseeable future and if it is likely that the company has a tax profit of a sufficient amount.

The deferred tax assets are recognised to the extent that it is probable that there will be future tax profits with which to offset the temporary differences.

In every closure of the accounting cycle the assets registered as deferred taxes receivable are reconsidered and the needed corrections are done in the cases where doubts exist about their future payment.

When there is a change in tax rates, the amounts of the deferred tax in assets and liabilities are remeasured. These amounts are charged or allocated through consolidated profit and loss or through the "Other comprehensive income for the year" account of the Consolidated Statement of Comprehensive Income, depending on the account to which the original amount was charged or allocated.

Moreover, in every closure, the assets that have not been registered as deferred taxes in the balance sheet are evaluated and recognized if their future recoverability in the form of future tax profits is likely.

Measurement of deferred tax assets and liabilities

The deferred tax assets and liabilities are measured according to the tax rates that will be applicable in the years when the assets are expected to be realised and the liabilities are expected to be settled, on

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the basis of the regulations and types that are approved or are soon to be approved and after considering the tax implications of the form in which the Group expects to recover the assets or settle the liabilities. For this purpose, the Group has considered the deduction from the reversal of temporary measures, established in the 37th transitional provision of the Law 27/2014 of 27 November 2014 on Corporate Income Tax, as an adjustment to the tax rate applicable to the temporary deductible difference associated with the non-deductibility of the amortisations and depreciations recorded in the years 2013 and 2014 and updating the balance sheets under the Law 16/2012 of 27 December 2012.

The Group revises, at the date of the financial year end, the carrying value of the deferred tax assets in order to reduce that value when it is not probable that there will be sufficient taxable profit in the future to compensate them.

The deferred tax assets which do not meet the conditions specified above, are not recognised in the consolidated statement of financial position. The Group reassesses, at the year end, if the conditions are met in order to recognise the deferred tax assets which previously were not recognised.

Tax uncertainties

If the Group establishes that it is not probable that the tax authority will accept an uncertain tax treatment or a group of uncertain tax treatments, it takes such uncertainty into consideration for the establishment of the taxable income, tax bases, credits for tax losses carried forward, deductions or tax rates. The Group determines the effect of the uncertainty in the corporate income tax return applying the expected value method when the range of possible outcomes is very wide, or the most-likely amount method when the outcome is binary or is concentrated on a value. In those cases where the tax asset or tax liability calculated using these criteria exceeds the amount presented in the tax return self-assessments, it is presented as current or non-current in the consolidated statement of financial position according to the expected date of recover or settlement, recording in the income statement, when appropriate, the amount of the relevant late-payment interest over the liability as it accrues. The Group records the changes in facts and circumstances related to the uncertainties as a change in the accounting estimate.

The Group recognises and presents the sanctions in accordance with the accounting policy indicated for provisions.

Compensation and classification

The Group only compensates the current tax assets and liabilities if there is legal authorisation from the tax authorities and the Group intends to settle the resulting debt in its net amount or to realise the assets and settle the debt simultaneously.

The Group only compensates deferred tax assets and liabilities if there is legal authorisation from the tax authorities to compensate and the assets and liabilities belong to the same tax authority and to the same taxable person or to different taxable persons that intend to settle or realise the current tax assets and liabilities at their net amount or to realise the assets and settle the liabilities simultaneously, in every future fiscal year in which it is expected that significant amounts of deferred tax assets or liabilities will be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, regardless of the expected date of the realisation or settlement.

2.18 Recognition of income from energy retailing

Income from contracts with customers is recognised according to the fulfilment of the performance obligations towards the customers.

Ordinary income represent the transfer of goods or services to the customer for an amount which reflects the consideration that the Group expects to receive in exchange for that goods or services.

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There are five steps for the recognition of income:

1. Identifying the contract or contracts with a customer.
 2. Identifying the performance obligations.
 3. Determining the transaction price
 4. Allocating the transaction price to different performance obligations.
 5. Recognition of income according to the fulfilment of each obligation.
- The expenses are recognised when they accrue, or immediately - in the case of outlays that are not going to generate future economic profit or when they do not meet the necessary requirements to be recognised in books as assets.

Sales are measured net of tax and discounts, and transactions between Group companies are excluded.

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Audax Renovables Group's normal course of business, minus returns, price reductions, discounts and value added tax.

Electricity sales are recognised as income at the moment of delivery to the customer according to the quantities supplied during the period, before being invoiced. Therefore, sales figures include the estimated volume of supplied electricity, which has not yet been read on the customer's meter.

The sales of goods are recognised when the products have been delivered to the customer, when the customer has accepted them, even if they have not been invoiced, or as the case may be, the services have been provided and the collection of the respective accounts receivable is reasonably assured. The sales for the year include the estimate of the energy supply that has not yet been invoiced.

Note 3 describes the basic features of the regulations in the electricity sector that are applicable.

The interest income is recognised using the effective interest rate method.

2.19 Cash flow statement

The consolidated cash flows statement has been prepared using the indirect method, and, using the following expressions with the meaning set out below:

- a) Operating activities: activities that make up the ordinary group revenues, and other activities that cannot qualify as investment or financing.
- b) Investment activities: investment, sale or disposal by other means of long-term assets and other investments not included under cash and cash equivalents.
- c) Financing activities: activities that cause changes to the volume and composition of net equity and the liabilities that do not form part of the operating activities.

When it is possible to identify a tax flow in individual operations, such as, for example, Value Added Tax, which give rise to receipts and payments classified as investment and financing activities, these will be classified the same as the transaction to which it refers.

The cash flow statement does not list existing cash flows between restricted and non-restricted funds.

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2.20 Profit or loss per share

Basic profit or loss per share is calculated using consolidated profit or loss for the year attributable to the Parent Company between the average number of ordinary shares in circulation during this period, excluding the average number of treasury shares held by the Group.

Diluted profit or loss per share is calculated using the consolidated profit or loss for the year attributable to the ordinary shareholders adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average number of ordinary shares in circulation during this period, adjusted by the average weighted number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the Parent Company.

2.21 Cash and other cash equivalents

Cash and cash equivalents include cash in hand and bank deposits payable on demand in credit institutions. Also included within this concept are other short-term investments of high liquidity, if they are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Therefore the account includes investments with maturity of less than three months from the date of purchase.

Investments in investment funds are considered as cash and cash equivalents only if the underlying assets of the fund meet the criteria specified above.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from borrowings from credit institutions.

The Group classifies as financing the cash flows related to the interest collected and paid and the dividends collected and paid.

2.22 Significant accounting estimates and assumptions.

The preparation of consolidated financial statements in compliance with the IFRS-EU requires the application of important accounting estimates and the formulation of judgements, estimates and assumptions in the process of application of the accounting policies of the Group. Therefore, we set out below the aspects that imply a higher degree of judgement, complexity or where the assumptions and estimates are significant for the preparation of the consolidated annual accounts:

a) Impairment of non-financial assets

The Group verifies whether goodwill, the remaining intangible assets and property, plant and equipment have suffered a loss for impairment of assets in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs have been calculated on the basis of the calculations of fair value from discounted cash flows based on the Group's assumptions. These calculations require the use of judgements, which, amongst others, mainly include the discount rate, the production hours and sales prices of electricity (Note 5). In addition, the Group's activities are subject to existing regulation whose amendments may affect the valuation of the assets. Consequently, if the real data differs from the estimates and judgements used, the recoverable amounts resulting from the various CGUs may vary and, consequently, require a higher or lower impairment of assets. To be able to report how sensitive this calculation of impairment is, Note 5 sets out a sensitivity analysis for reasonable variations of key judgements which has been established by Group Management.

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b) *Provisions*

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Audax Renovables Group makes an estimate of the amounts to be settled in the future, including additional amounts relating to corporate income tax, contractual obligations, the settlement of outstanding litigation, and other liabilities. These estimations are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects. Among the most significant provisions there are the toll costs and the costs of energy purchase that have not yet been invoiced.

c) *Corporate income tax expenses calculation and deferred income tax assets recoverability*

The calculation of the corporate income tax expense requires interpretations of tax legislation in the jurisdictions in which the Audax Renovables Group operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgments.

The Audax Renovables Group evaluates the recoverability of the deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient tax profits during the periods in which these deferred taxes are deductible.

d) *Income recognition*

Income from energy sales is recognized when the electricity is delivered to the customer on the basis of estimated energy production.

Historically, no material adjustments have been made to the amounts recorded as income for the estimate of the energy produced pending invoicing and no adjustments are expected in the future.

Energy supplied to the customers that has not yet been measured on the meters. As the usual date of meter readings does not coincide with the balance sheet date of the financial year, the Management of the Group makes an estimate for the sales that have not yet been invoiced (Note 3 and 10).

e) *Fair value of derivatives*

The fair value of the financial instruments that are traded on active markets is based on market price at the balance sheet date. The quoted market price used for the financial assets is the current bid price.

The fair value of the financial instruments that are not traded on active markets is determined using valuation methods. The fair value of interest rate swaps is calculated as the present value of the future estimated cash flows.

f) *Useful life of property, plant and equipment and intangible assets*

The accounting treatment of investments in property, plant and equipment and intangible assets includes estimates for determining their useful lives for depreciation and amortisation purposes, and for determining the fair value at the acquisition date, for assets acquired in business combinations.

The determination of useful life requires estimates of their degree of use, maintenance as well as expected technological evolution. The assumptions regarding the degree of use, technological framework and future development involve a significant degree of judgement, insofar as the timing and nature of future events are difficult to foresee.

The Audax Renovables Group estimates a useful life of its wind farms of 25 years (depreciation period).

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g) *Financial instruments*

The fair value of the financial instruments that are traded on active markets is based on market price at the balance sheet date. The quoted market price used for the financial assets is the current bid price.

The fair value of the financial instruments that are not traded on active markets is determined using valuation methods. The fair value of interest rate swaps is calculated as the present value of the future estimated cash flows.

h) *Impairment of receivables*

In compliance with the IFRS 9 standard, the Group applies a criterion of expected loss, calculated on the basis of expected losses for the next 12 months or for the whole life of the instrument, depending on significant increase in risk.

In this regard the Group has established a procedure by which receivables are not only impaired when they are no longer recoverable (incurred loss), but possible expected loss is considered based on the evolution of specific credit risk related to the client, sector and country. The Group has applied the simplified approach to the receivables and the general approach to the rest of the financial assets.

2.23 Actions causing an impact on the environment

The payments carried out in order to comply with the legal requirements connected with the natural environment protection are recorded on an annual basis as expenses or as investments, according to their nature. Amounts registered as an investment are depreciated according to their useful life.

No provision for liabilities and charges related to natural environment has been considered, given that there are no significant contingencies related to the environment protection.

2.24 Related party transactions

The Group carries out its transactions with related parties at arm's length. Additionally, the transfer prices are adequately justified so it is estimated that no significant risks exist, thus none of them is expected to generate any future obligation that needs to be considered.

2.25 Customer acquisition costs

The incremental costs incurred directly in acquiring new customer contracts, which correspond primarily to the commission paid for the acquisition of contracts for power supply signed with those customers, are recorded as Prepaid Expenses and are transferred to the profit and loss account under the heading of external services, linearly during the expected average life of the contract which ranges between 1 and 2 years.

The customer acquisition costs recognised as assets are amortised systematically in the Consolidated Profit and Loss Account under the heading of external services during the expected average life of contracts with customers which ranges between 1 and 2 years.

2.26 Cash and other cash equivalents

Cash and cash equivalents include cash in hand and in financial institutions, deposits payable on demand in credit institutions and other short-term investments of high liquidity with original maturity not exceeding three months from the purchase date.

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NOTE 3 – REGULATORY FRAMEWORK

We describe below the main features of the regulation to which the business of the Audax Renovables Group is subject in the main countries in which it operates.

a) Energy retailing segment

a.1) Electricity market

Spain

The energy sector regulations are mainly featured in Electricity Sector Law 24/2013, of 26 December, which, from said date onwards, repealed and replaced the previous Law 54/1997, of 27 November, which until then featured the basic regulations concerning this sector. The most significant aspects regulated by Law 24/2013 and its implementing rules, are as follows:

- The electricity production is conducted under the rules of free competition.
- Transmission, distribution, as well as economic and technical management of the system constitute regulated activities.
- The electricity supply is completely liberalised and each customer must sign an electricity supply agreement with a retailer. Since 1 July 2009, the customers who fulfil certain criteria may choose to enter into an agreement with a Supplier of Last Resort (SoLR) to which the Tariff of Last Resort (hereinafter: ToLR) applies. The Law 24/2013 replaced the term ToLR with the term “Voluntary Price for the Small Consumer” (PVPC), and the term SoLR with the term “Reference Retailer”, and the term ToLR was reserved for the reduced tariff applicable to vulnerable consumers or for the de-incentivising tariff applicable to the consumers who temporarily have no retailer. Under the Royal Decree-Law 17/2013 “CESUR” tenders are removed from their role as a fixing mechanism of energy price component for the last resort tariffs (currently PVPC).
- The access tolls are equal nationwide and are collected by the distributors who act as collecting agents of the electricity system.

Moreover, on 25 September 2010 Royal Decree 1202/2010, of 24 September, was promulgated, establishing the terms of revision of access tolls to the electricity transmission and distribution networks. Under this Royal Decree the revision of access tolls will be conducted annually, although the Ministry of Industry, Tourism and Commerce may revise them with quarterly regularity in some circumstances:

- Possible temporary differences due to imbalance in settlement of regulated activities in the electricity sector.
- Regulatory changes in the regulated costs.
- Exceptionally, when there are special circumstances affecting the regulated costs or the parameters used to calculate costs.

Electricity tariff for 2019:

Order TEC/1366/2018, of 22 December, establishes access tolls from 1 January 2019 onwards and updates the remuneration of the system operator and market operator.

On 6 April 2019 the Royal Decree 244/2019 was published in the BOE (Official State Gazette), under which technical and economic administrative conditions of own use of electrical energy became regulated and the tax known as sun tax was repealed.

On the other hand, this year the MIBEL market has been integrated at operational level into the XIBD (Cross-border Intraday European Project) and is currently in the process of joining other European energy platforms deriving from "Clean Energy Package" established by the EU.

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Italy

The reform of the Italian electricity system began in 1999, when Legislative Decree no. 79/1999 (“the Bersani Law”) was promulgated with the aim of implementing the European directive 96/92/EC on internal electricity market. To this end, “Gestore dei Mercati Energetici S.p.A” (GME) was incorporated, a company controlled by “Gestore dei Servizi Energetici S.p.A.” (GSE), whose duties involve the organisation and management of the electricity and natural gas market (law no. 99/2009).

On 1 April 2004 the IPEX (Italian Power Exchange) began operating and calculating for the Italian consumers a weighted single price, however remunerations for the producers are based on regional prices. The consolidated text of the Disciplina del Mercato Elettrico (Electricity Market Regulation) and the relevant appendices were updated by the ministerial decree of 21 September 2016 which establishes that:

- The distribution, measurement and sale of gas and electricity are subject to the current legal provisions and to the regulation by the “Autorità di Regolazione per Energia Reti e Ambiente” (ARERA) (Law no. 481, 14/11/1995 with amendments).
- The transmission and stabilisation of energy flows constitute activities regulated by Terna Spa. (Legislative Decree of 20/04/2005, amended by LD of 15/12/2010).

The process of market liberalisation ended in July 2007, when each kind of client, domestic as well as non-domestic, could choose freely their own supplier. The new law of 4 August 2017, no. 124, "Legge annuale per il mercato e la concorrenza" establishes on 1 July 2019 the end of the protection of prices provided by ARERA. From that date on, the Authority will stop fixing and updating quarterly the economic conditions for the supply of electricity and natural gas for domestic clients and small enterprises, due to the disappearance of “Servizio di Maggior Tutela”.

the Netherlands

The regulation of the electricity sector in the Netherlands is reflected basically in the Electricity Law of 1998 and the Law on Gas. The principal aspects regulated by the law are as follows:

- Rules of production, transport, retailing and supply of electricity and gas:

On 1 July 2018 the Law of 9 April 2018 entered into force amending the Electricity Law of 1998 and the Law on Gas (progress of energy transition). The aim of the law is to eliminate the existing obstacles to the energy transition so as to make the Electricity Law of 1998 and the Law on Gas feasible in future.

Since 1 July 2004 the energy market has been liberalised. The Dutch government has liberalised the energy market in order to promote the competition among the suppliers and grant liberty to the consumers to choose their own energy provider. The Dutch wholesale electricity is also a liberalised market where each client is free to choose their provider.

The supply of electricity or gas on the retail market (including consumers) with an electricity connection of up to 3x80A and a gas connection of a maximum capacity of 40m³ (n) / hour is only permitted with an energy licence from the Authority for Consumers and Markets (ACM). No licence is necessary for wholesale delivery.

The energy licence holders are required to comply with certain rules, such as delivery obligation, reliable delivery, reasonable tariffs and terms, reporting obligation with ACM, supply model contract, complaint procedure and electricity label.

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Poland

The Polish electricity market has undergone transformation in the last decades due to the political changes and the subsequent accession to the European Union in 2004, which particularly forced the energy sector to comply with the European regulations in this regard.

In order to adapt, the Polish government carried out a consolidation of the sector, first horizontal and then vertical, in order to make the Polish companies strong enough to confront the international competition in view of the changes that were necessary to attain compliance with the European regulations. The regulatory competences belong to the Ministry of Energy and the URE as the regulatory body of the energy sector.

The deregulation process of the Polish electricity sector began in 1997 (Polish Energy Act of 1997) by the separation of the activities of generation, transmission, distribution and retail and new business activities appearing in the sector, like energy trading.

Regarding the energy purchase and trading possibilities, the Polish regulated market (Polish Power Exchange - POLPX) is operated by Towarowa Gielda Energii SA – TGE, established in 1999 and followed by the launch, six months later, of the Day-Ahead Market.

In 2019 the Polish government has been working towards introducing measures to avoid the impact of the price increase expected in 2019 on end consumers (Act amending the Act on Excise Duty and selected other acts – 28 December 2018), establishing restrictions on the retail price, temporarily freezing transmission and distribution tariffs and reducing the tax imposed on electricity (Excise Tax).

On the other hand, this year Poland has become integrated at operational level into the XIBD (Cross-border Intraday European Project) and is currently in the process of joining other European energy platforms deriving from "Clean Energy Package" established by the EU.

Germany

The liberalisation of the German electricity market began in 1998, in accordance with the First Energy Package, Energiewirtschaftsgesetz (EnWG), which provided for the opening of the electricity market and the access of competition to the electricity sector in one single step.

The main feature of the implementation was the obligation to dismantle the vertically integrated enterprises, forcing the separation of distribution and transmission from the rest of the activities.

Additionally, the so-called "demarcation agreements", which limited the right of supply by areas to each retailer, were no longer permitted by law.

The second milestone of the liberalisation, introduced by the Second Energy Package, was applied through an amendment to the EnWG in 2005, its main features being as follows:

- The introduction of third parties on the basis of approved public tariffs, applicable to all customers and applied objectively and without discrimination among the users of the supply system.
- The establishment of the Federal Network Agency, Bundesnetzagentur (BNetzA), as the regulatory body under the supervision of the government.
- Legal and accounting separation between the operators of the transmission grid (TSO) and the operators of the distribution grid (DSO).

As a consequence of the liberalisation, the market experienced substantial changes which brought about many mergers, acquisitions and other unions in order to maintain competitiveness.

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The number of retailers rose considerably, together with an increase of trading volumes. On the other hand, the German market is the manager, at the European level, on the XBID (Cross-border Intraday European Project).

a.2) Natural gas market

Spanish legislative framework

In Spain, through the Law 34/1998 of the Hydrocarbons Sector (Hydrocarbons Law or LHC), which was a transposition of the Directive 98/30/EC, the basis for liberalisation of the natural gas sector were established. Moreover, the National Energy Commission (CNE) was created and the control over the strategic reserves was handed over to CORES (Strategic Reserves Corporation).

The Royal Decree-Law 6/2000, of 23 June 2000, on urgent measures for the intensification of competition on the commodities and securities markets, apart from appointing Enagás S.A. as the Technical System Manager (GTS), introduced several important reforms of the natural gas system. Among others, there was the launch of the regulated income and cost settlement system supervised by the National Energy Commission (CNE), and setting a limit date (1 of January 2003) to complete the implementation of the right to choose the retailer.

The adoption of the Royal Decree 949/2001 was another important milestone of the development of the natural gas market in Spain. This royal decree established the economic arrangement of the regulated activities through a system of regulated fees, levies and tariffs for the access to the networks and the use of the infrastructures (gas pipelines for transmission and distribution, regasification plants and underground storage facilities).

Due to all this regulatory reforms, at the end of 2001, 38% of total consumption was being retailed on the free market, through 9 retailers.

In 2003 total liberalisation of the market was implemented. The consumers may freely choose among several retailers and negotiate the economic terms of the supply.

In this context, at the end of 2004, 80% of the consumed natural gas was traded already on the free market, with 11 active retailers offering their services there.

Later on, in 2005, the Standards of Technical System Management (NGTS), a set of detailed procedures and standards relating to the operation of the natural gas system and the conduct of the agents participating in the system and the users of the infrastructures.

In 2007, the Law 12/2007 was approved, transposing the second Gas Directive (Directive 2003/55/CE), eliminating the obligation of supply at consumers' tariff and obliging Enagás to separate its branches of transmission and of technical management of the system into two different companies.

On 1 July 2008 the Regulated Market ceased to exist and regulated tariffs disappeared. The tariff of last resort was created for low pressure supplies. In 2009 the tariff of last resort for low pressure customers with annual consumption of over 50,000 KWh also disappeared.

In April 2010, the Spanish energy regulator, CNE, published a document with a roadmap for the development of an organised market of natural gas. Between 2012 and 2014, several European network codes were approved, making a significant impact on the design and operation of the electricity and natural gas markets, giving a final impulse to the development of the wholesale markets of natural gas in the countries where, as in Spain, the regulation had not advanced sufficiently in order to create a liquid and competitive wholesale gas market. Among them there are the network codes establishing the mechanisms of congestion management, capacity allocation, gas balance in transport networks and interoperability and data exchange rules.

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In this context, from 2015 on, several regulations of different kinds have been published, defining the current regulatory framework of the wholesale gas market and aiming to secure its liquidity:

- a. The Law 8/2015 of 21 May 2015 updated the Law 34/1998 (Hydrocarbons Law) and established the institution of the Organised Gas Market and designated MIBGAS, S.A. as the market operator.
- b. The Circular 2/2015 of the CNMC defined a new balance mechanism in the gas transmission network in line with the European network code.
- c. The Royal Decree 984/2015 implemented the detailed regulation of the Organised Gas Market and updated the legislative framework of the system of third-party access to the natural gas facilities.
- d. The Resolution of 23 December 2015 of the Secretary of State for Energy, which implements the procedure of purchase of self-supply gas by Enagás GTS, increasing significantly the MIBGAS's liquidity.
- e. The Order ETU/1977/2016 of 23 December, which established the gas fees and levies, empowered MIBGAS, S.A. to trade term product with physical delivery.
- f. The Resolution of 11 December 2017 of the Secretary of State for Energy, which established the terms for the mandatory market maker service provision by the dominant operators of the natural gas market.

Currently (only 3 years after its launch) MIBGAS has more than 100 participating agents and its liquidity has increased exponentially, trading, at some points, even up to 15% of the national demand.

European legislative framework

The promulgation of the Directive 98/30/EC was the starting point of a great part of the current legislation in the natural gas sector. This regulation established a range of common rules for all the member states of the European Union with the primary objective of laying the groundwork for an orderly liberalisation of the natural gas sector, based on the principle of separation of activities, free and non-discriminatory access to the gas infrastructure by all the operators and the definition of regulated fees and tariffs system.

In 2003, with the promulgation of the Directive 2003/55/CE, known as the Second Gas Directive, progress was made in actual liberalisation and the opening the national gas markets to competition, thus contributing to further development of the true internal natural gas market of the European Union. In practice, this Directive provided that as of 1 July 2004 the industrial customer (and, as of 1 July 2007, the individual consumers) would be able to freely choose the natural gas supplier. Moreover, the Directive introduced rules whose aim was to reinforce free access to the networks and other infrastructures (for example liquefied natural gas), safety of deliveries, and consumer protection. Furthermore, the Directive recognises delivery of gas as service of general interest, therefore it takes into account the possibility of member states imposing the obligation of public service on the companies in order to ensure supply security, the social and economic cohesion objectives, the regularity, quality and price of deliveries and the natural environment protection.

In 2009, the Directive 2009/73/CE was approved and was the ultimate catalyst for the creation of the internal energy market through the following principles: (a) effective separation of the production and delivery activities from the management of the transmission networks, (b) expansion of competencies and independence of the national regulators, who should cooperate as part of a regulators' cooperation agency (ACER), with the right to make binding decisions and impose sanctions, (c) creation of a supranational management transmission networks (ENTSO-G) and (d) improvement of the functioning of the gas market and, in particular, increased transparency and effectively free access to the warehousing facilities and to the LNG terminals.

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b) Renewable energy production segment

Spain

The renewable energy generation industry is a regulated sector that due to the fundamental changes it has been suffering over the last periods, has motivated the need of a new regulatory framework.

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remuneration system for renewable energy generation facilities. Under this new regulatory framework, the income from the special system plants will comprise:

- The income derived from sale of electricity on the market.
- The income derived from the special remunerative system, when applicable. The special remunerative system will comprise the sum of two elements periodically revised: the remuneration for the investment and the remuneration for the operation.

In accordance with the stated criterion, the specific remuneration is composed, according to each technology, by:

- A factor per unit of installed power (investment remuneration) which covers the investment costs of a standard plant that cannot be recovered from the sale of energy in the market, and
- A factor in the operation (operative remuneration) which covers the negative difference between the operative costs and the income from the market share.

The remuneration is calculated over a standard plant throughout its regulatory useful life, taking into account:

- The standard income for the sale of the generated energy, valued at the production market price (estimated),
- The standard operative costs and
- The standard value of the initial investment

The first additional provision of the RDL 9/2013 sets the fair profitability of those facilities that have the right to an economic premium system at the date of enforcement of the RDL 9/2013; as the average profitability in the secondary market of the previous ten years to the entry into force of the RDL 9/2013 of the 10- year Government Bonds, increased in 300 basic points (equivalent to the 7.398% for the first regulatory period).

On the other hand, it is important to note that the law states the priority access criterion and distribution for the electricity of renewable energy sources and of cogeneration of high efficiency, in accordance with that established in the Community directives.

Later, in December 2013, the Law 24/2013 on the Electric Sector was enacted to replace the existing Law 54/1997, of 27 November and to cover the regulations of the RDL 9/2013 and which, among others, includes the revision criteria of the remunerative parameters:

- Every 6 years all the parameters may be revised (fair profitability rate, legally fixed).
- Every 3 years the estimations of the income for sale of the generated energy, valued at the production market price.

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- Every year, the values of the operative remuneration for the technologies whose operating expenses depend essentially on the fuel price.
- Under no circumstances, once the regulatory useful life or the standard value of the initial investment are recognised, will these values be able to be revised.
- Determines the beginning and the end of the first regulatory term: from the RDL 9/2013 entry into force (14 July 2013) until 31 December 2019 (6 years), with the first half-term ending 31 December 2016 (within 3 years).

In June 2014, the Real Decree 413/2014, of 6 June, was enacted, which regulates the activity of electricity production from renewable sources of energy, cogeneration and waste, and the Ministerial Order IET 1045/2014 which establishes new remunerative parameters of the type plants, applicable to certain plants of energy generation from renewable sources, cogeneration and waste materials.

The Royal Decree 413/2014 and the Ministerial Order IET 1045/2014 specify the amounts in euro for aforementioned remunerations for each type of technology and installation used to generate energy from renewable sources.

On 22 February 2017 the Order ETU/130/2017 of 17 February 2017 was published, updating the remuneration parameters for the aforementioned plants for the second half-term (from 1 January 2017 to 31 December 2019) in which were also established possible amounts of the operative remuneration which will be applied in the first half year of 2017, thus implementing the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2015, of 2 July.

In the Royal Decree-Law 17/2019, of 22 November 2019, urgent measures are adopted for the necessary adaptation of remunerative parameters which affect the electricity system and a response is provided to the process of closure of thermal power stations. Coinciding with the beginning of the next regulatory period (2020-2025), and in order to provide stability to the remunerative framework of the facilities entitled to privileged remuneration before the Royal Decree-Law 9/2013 of 12 July 2013 entered into force, they are allowed to opt to maintain for a period of 12 years the profitability rate fixed for the first regulatory period. In order to choose this measure, the facilities have to renounce the continuance or beginning of new arbitrations as well as renounce any possible indemnity or compensation. This measure will guarantee economic security of the facility, allowing it to attain a reasonable profitability of 7.398 % within the period 2020-2031, above the 7.09 % established during the period 2020-2025 and avoiding the uncertainty of the period 2026-2031.

On 30 January 2020, the resolution of 14 January 2020 of the National Commission on Markets and Competition was published in the BOE, establishing the amount of the remuneration of the electricity system operator for the year 2020 and the prices for the agents to provide financing for the remuneration. This resolution, among other issues, indicates the price corresponding to the variable amount which shall be paid by the demand and the generation by hourly programmes for 2020 which amounts to €0.13741/MEh (instead of €0.5/MWh as before the entry into force of the resolution).

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate. In connection with the Law 15/2012, on 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, was published in the BOE, introducing urgent measures for energy transition and consumer protection. The RDL features provisions which adopt a series of measures connected with tax regulations with the main purpose to moderate the price evolution on the wholesale electricity market. To this end, the Tax on the value of electricity generation (IVPEE - a 7% tax) was temporarily suspended for six months, coinciding with the months of the largest demand and the highest prices on the wholesale electricity markets, in agreement with the ultimate aim of the current norm.

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France

In France the electricity facilities must hold authorisations for operations under the following legislation:

- Law n° 2000-108/10 February 2000, on the modernisation and development of the electricity utilities.
- Decree n° 2000-877/7 September of that year on the authorisation for operating electricity facilities.

Once the authorisation is obtained, the electricity producers will be subject to the remunerative system as per Decree of 10 July 2006.

The remuneration of land wind-based electricity production is set for the first 10 years, indexed to inflation on 1 November of each year. In 2019, the tariff applied to the company in the Audax Renovables Group in France was of 9.536 cents euro per KWh until 1 November, and from that date, of 9.427 cents euro per KWh.

On 9 December 2015, the French Energy Regulatory Commission (CRE) published an opinion concerning the new project for the decree on additional remuneration mentioned in the article L.314-18 of the Energy Code.

The opinion predicts that the producers of renewable sources energy, after the expiration of the contract for the sale of energy, will be entitled to receive an additional recompense. This additional recompense will be paid in form of a premium taking into account both installed capacity and the amount of produced energy.

On 6 May 2017 an order was published establishing the conditions for an additional compensation for the electricity produced by the power plants which use mechanic wind energy (in addition to the decree of 13 December 2016), of up to 6 wind turbines and nominal power of 3 MW for each turbine at the most.

This order establishes the formulas for calculating the additional remuneration that will be available to a mechanic wind energy facility.

On 30 December 2017 a new law was passed concerning finances for the year 2018 and subsequent years in which, among others, provisions were made for the change in corporate income tax rates. Article 84 of this law, passed as "LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018", features changes in tax rates which will be applicable to the abovementioned French company. The current tax rate of 33% will undergo the following changes in the coming years:

2017	2018	2019	2020	2021	From onwards	2022
PME communautaires B ≤ €75,000: 28% B > €75,000 : 33 ^{1/3} %	B ≤ €500,000: 28%	B ≤ €500,000: 28%				
Autres 33 ^{1/3} %	B > €500,000: 33 ^{1/3} %	B > €500,000: 31%	28%	26.5%	25%	

PME communautaires refers to companies where the annual turnover of the majority shareholder does not exceed €50M

B: Profit before tax

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Poland

In Poland, the renewable energy sources are regulated by the Energy Law of 10 April 1997 (“Energy Law”) supplemented with the transitory provisions of 20 February 2015 (“2015 RES Law”) along with the amendments published in December 2015 and January 2016.

Under this regulation the producers of renewable energy are entitled to the following incentives:

- market price for sale of energy on regulated market (average price for the last quarter)
- price for traded certificates of origin (Green Certificates) during 15 years following the date of the first verification of energy production

This system of incentives works based on the price of certificates of origin limited to “substitution fee” which is currently 300.03 PLN/MWh. The price of certificates of origin (Green Certificates in the case of Postolin) on the TGE market, as of closing day for the current year, amounts to 144.91 PLN/MWh.

Under the “2015 RES Law” approved in February 2015, this system of incentives is still applicable to generators that began operations before 1 July 2016; whereas the producers registered afterwards will benefit from the new auction system. The plants put into operation before 1 July 2016 can opt to join the new auction system while simultaneously relinquishing the system of incentives.

The main features of the new auction system are as follows:

- There are annual energy auctions, separate for different sources of energy, with a prequalification phase in order to participate in the auction.
- For every annual auction, the required amount and maximal reference price will be published by the Ministry before every auction.
- The only criterion for winning the auction is the price: the lowest bidders are accepted until completing the required amount of energy of the auction.
- The winners will sign contracts for 15 years for the offered price. The price will be indexed annually.

The regulations established in the “2015 RES Law” were amended by the law of 22 June 2016 to promote the auctions and the renewable energy plants with a stable generation profile. This amendment stipulated that the right to benefit from the system of incentives and to sell all the produced energy on the average market price of the last quarter of 2017 (amounting to 162.50 PLN/MWh), would be valid only until 1 January 2018. From that date onwards, the final suppliers would be able to renegotiate or even terminate the contracts with the producers.

Lastly, it should be noted that the regulatory framework related to the real property tax payable to the municipality was also changed by the amendment of 20 May 2016, affecting particularly, among others, the investments in wind farms in Poland. Under this new regulation, the real property tax of 2% affected the investment in the construction of a wind farm in its entirety. The regulation was changed on 29 June 2018 with the promulgation of an amendment to the Construction Law of 7 July 1994 and to the Law of 20 May 2016 on investments in wind farms (which, in turn, amends the Law of 20 February 2015 on renewable energy sources), re-establishing from 1 January 2018 the real property tax of 2% only on the investment in the construction of the elements recognised as direct costs, such as foundations and substation.

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NOTE 4 – SEGMENT REPORTING

The main format of segment reporting presentation comprises business segments and geographical segments.

The principal business segments of the Audax Renovables Group involve electricity and gas retailing and renewable energy generation.

The main geographical segments of the Audax Renovables Group are as follows:

- Spain and Portugal
- Rest of Europe: in regard to retailing, the Group operates also in Italy, Poland, Germany and the Netherlands; the generation segment corresponds to France and Poland.
- Rest of World: corresponds to Panama, where a wind farm of 66 MW is under construction.

Profit and loss by segment as defined above for the annual periods ended on 31 December 2019 and 2018 is as follows:

31 December 2019	RETAILING			GENERATION				TOTAL
	Spain	Rest of Europe ⁽¹⁾	Total	Spain	Rest of Europe ⁽²⁾	Rest of World ⁽³⁾	Total	Total
Ordinary income	762,142	246,684	1,008,826	22,203	9,940	-	32,143	1,040,969
Procurements	(694,520)	(222,698)	(917,218)	-	-	-	-	(917,218)
Other operating income	1,736	529	2,265	262	293	-	555	2,820
Operating expenses and remunerations	(35,805)	(15,471)	(51,276)	(5,200)	(1,792)	-	(6,992)	(58,268)
Amortisation and depreciation	(7,576)	(8,524)	(16,100)	(7,513)	(2,615)	-	(10,128)	(26,228)
Impairment and profit (loss) on disposal of fixed assets	27	56	83	4,864	-	-	4,864	4,947
Operating profit (loss)	26,004	576	26,580	14,616	5,826	-	20,442	47,022
Financial profit (loss)	(4,905)	(3,597)	(8,502)	(3,898)	(1,504)	-	(5,402)	(13,904)
Participation in profit (loss) for the year of associates	-	-	-	-	-	(87)	(87)	(87)
Income before tax	21,099	(3,021)	18,078	10,718	4,322	(87)	14,953	33,031
Corporate income tax	(2,525)	636	(1,889)	314	(118)	-	196	(1,693)
Consolidated profit (loss) for the year	18,574	(2,385)	16,189	11,032	4,204	(87)	15,149	31,338
a) Profit (loss) attributable to the parent company								25,417
b) Profit (loss) attributable to non-controlling interests								5,921
Rest of Europe ⁽¹⁾ in Retailing includes Portugal, Italy, Poland, Germany and the Netherlands								
Rest of Europe ⁽²⁾ in Generation includes France and Poland								
Rest of World ⁽³⁾ in Generation includes Panama								

31 December 2018	RETAILING			GENERATION				TOTAL
	Spain	Rest of Europe ⁽¹⁾	Total	Spain	Rest of Europe ⁽²⁾	Rest of World ⁽³⁾	Total	Total
Ordinary income	723,365	225,354	948,719	28,203	7,432	-	35,635	984,354
Procurements	(676,555)	(206,691)	(883,246)	-	-	-	-	(883,246)
Other operating income	2,647	(509)	2,138	-	455	-	455	2,593
Operating expenses and remunerations	(27,207)	(20,720)	(47,927)	(8,551)	(2,403)	-	(10,954)	(58,881)
Amortisation and depreciation	(5,385)	(8,113)	(13,498)	(9,457)	(2,124)	-	(11,581)	(25,079)
Impairment and profit (loss) on disposal of fixed assets	(6)	54	48	1,983	6,544	-	8,527	8,575
Operating profit (loss)	16,859	(10,625)	6,234	12,178	9,904	-	22,082	28,316
Financial profit (loss)	(5,311)	(5,066)	(10,377)	(5,014)	(1,701)	-	(6,715)	(17,092)
Participation in profit (loss) for the year of associates	-	-	-	-	-	(48)	(48)	(48)
Income before tax	11,548	(15,691)	(4,143)	7,164	8,203	(48)	15,319	11,176
Corporate income tax	(2,263)	1,455	(808)	(392)	(572)	-	(964)	(1,772)
Consolidated profit (loss) for the year	9,285	(14,236)	(4,951)	6,772	7,631	(48)	14,355	9,404
a) Profit (loss) attributable to the parent company								8,412
b) Profit (loss) attributable to non-controlling interests								992
Rest of Europe ⁽¹⁾ in Retailing includes Portugal, Italy, Poland, Germany and the Netherlands								
Rest of Europe ⁽²⁾ in Generation includes France and Poland								
Rest of World ⁽³⁾ in Generation includes Panama								

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Currently, in its renewable energy generation division the Group has operating wind farms in Spain, France and Poland and in Panama there is a wind farm of 66MW under construction. Moreover, the Group has incorporated into its generation portfolio 320 MW in photovoltaic projects that will be developed in Spain. Audax is also a retailer of energy (electricity and gas) in Spain, Portugal, Italy, the Netherlands, Germany and Poland.

The breakdown of ordinary income by country is the following:

	31.12.2019	31.12.2018
Spain	711,668	640,816
Portugal	72,974	110,752
the Netherlands	150,385	127,594
Italy	59,136	78,410
Poland	25,689	14,656
Germany	18,355	9,513
France	2,762	2,613
Total ordinary income	1,040,969	984,354

The notes 5 and 6 of these annual accounts include detailed information by sector segment and by country of the main elements of non-current assets: goodwill, intangible assets and property, plant and equipment. The Group's management use these data as a reference for their management and consider that this information is representative of the greater part of the company's balance sheet, and therefore no additional breakdowns are included.

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NOTE 5 – INTANGIBLE ASSETS

The movements for the years ended on 31 December 2019 and 2018 in the accounts under intangible assets have been as follows:

	Goodwill	Other intangible assets	Total intangible assets
Net book value 31/12/17	98,468	81,784	180,252
Investment	94	2,428	2,522
Additions to scope (Note 2)	40,002	42,319	82,321
Depreciation charge	-	(14,730)	(14,730)
Derecognitions	-	(297)	(297)
Other movements	-	8	8
Translation differences	-	(2)	(2)
Net book value 31/12/18	138,564	111,510	250,074
Cost	138,564	136,845	275,409
Accumulated depreciation	-	(25,335)	(25,335)
Net book value 31/12/18	138,564	111,510	250,074
Investment	-	15,446	15,446
Additions to scope (Note 2)	15	23,121	23,136
Amortisation charge	-	(17,305)	(17,305)
Derecognitions (Note2)	(634)	(26,572)	(27,206)
Other movements	-	79	79
Translation differences	-	1	1
Net book value 31/12/19	137,945	106,280	244,225
Cost	137,945	142,841	280,786
Accumulated amortisation	-	(36,561)	(36,561)
Net book value 31/12/19	137,945	106,280	244,225

The breakdown of the movements of intangible assets itemised by different classes is as follows:

	31.12.2018			Investment	Additions to the scope	Amortisation charge	Derecognitions	Other movements	Translation differences	31/12/2018	31.12.2019		
	Gross value	Accumulated amortisation	Net book value								Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	33,753	(4,967)	28,786	-	23,121	(1,741)	(22,980)	-	-	27,186	28,026	(840)	27,186
Industrial property, patents, trademarks and similar	2,244	(625)	1,619	-	-	(190)	(47)	-	-	1,382	2,197	(815)	1,382
Trademarks of indefinite useful life	21,266	-	21,266	-	-	(1,278)	(3,369)	-	-	21,266	21,266	-	21,266
Right of use (IFRS 16)	-	-	-	14,200	-	-	-	-	-	9,553	10,635	(1,082)	9,553
Computer software	12,712	(4,771)	7,941	1,246	-	(2,695)	(176)	423	1	6,740	14,206	(7,466)	6,740
Client portfolio	66,132	(14,957)	51,175	-	-	(11,401)	-	-	-	39,774	66,132	(26,358)	39,774
Advance and other intangible assets	738	(15)	723	-	-	-	-	(344)	-	379	379	-	379
TOTAL	136,845	(25,335)	111,510	15,446	23,121	(17,305)	(26,572)	79	1	106,280	142,841	(36,561)	106,280

	01.01.18			Investment	Additions to the scope	Amortisation charge	Derecognitions	Other movements	Translation differences	31/12/2018	31.12.2018		
	Gross value	Accumulated amortisation	Net book value								Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	33,682	(3,044)	30,638	71	-	(1,923)	-	-	-	28,786	33,753	(4,967)	28,786
Industrial property, patents, trademarks and similar	2,244	(400)	1,844	-	-	(225)	-	-	-	1,619	2,244	(625)	1,619
Trademarks of indefinite useful life	450	-	450	-	20,816	-	-	-	-	21,266	21,266	-	21,266
Computer software	10,534	(1,872)	8,662	2,102	78	(2,899)	-	-	(2)	7,941	12,712	(4,771)	7,941
Client portfolio	45,004	(5,284)	39,720	0	21,425	(9,673)	(297)	-	-	51,175	66,132	(14,957)	51,175
Advance and other intangible assets	475	(5)	470	255	-	(10)	-	8	-	723	738	(15)	723
TOTAL	92,389	(10,609)	81,784	2,428	42,319	(14,730)	(297)	8	(2)	111,510	136,845	(25,335)	111,510

The additions to the scope relate to the acquisition of certain companies dedicated to the development of solar projects (Note 2.5.b).

Divestments relate to the assets of the companies Parc Eòlic Mudefer, S.L.U, Parque Eòlico Hinojal and Gestora Fotovoltaica de Castellón, S.L. as a consequence of the transactions of sale of those companies (Note 2.5.b).

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In 2018 the recognitions resulting from changes in the scope correspond to incorporation of assets as a consequence of the non-cash contribution of ADS Energy 8.0 SLU and Eryx Investments, S.L. Moreover, intangible assets were incorporated due to the merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L. as well as the merger between Audax Energía, S.A. and Audax Renovables, S.A. (Note 2).

As at 31 December 2019 intangible assets still in use and totally depreciated amount to EUR 1,081 thousand (EUR 25 thousand as at 31 December 2018).

Goodwill

The breakdown of goodwill by country and by sectoral segment is as follows:

<u>Goodwill</u>	31.12.2019	31.12.2018
Wind energy generation		
Spain	-	634
France	860	860
Energy retailing		
Spain	40,087	40,072
the Netherlands	94,391	94,391
Poland	2,599	2,599
Other	8	8
TOTAL	137,945	138,564

Other intangible assets.

The breakdown of intangible assets by country and by sectoral segment is as follows:

	31.12.2019	31.12.2018
Wind energy generation		
Spain	29,239	26,002
France	2,956	2,778
Poland	1,631	-
Energy retailing		
Spain	36,308	40,427
Italy	3,086	3,144
Germany	166	182
Poland	538	138
the Netherlands	32,336	38,827
Portugal	20	12
TOTAL	106,280	111,510

The breakdown of goodwill and intangible assets of indefinite useful life as at 31 December 2019 and

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31 December 2018 classified by sectoral segment and by country is the following:

EUR thousands	31.12.2019			31.12.2018		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Wind energy generation						
Spain	-	-	634	634	-	634
France	860	-	860	860	-	860
Energy retailing						
Spain	40,087	20,816	60,888	40,072	20,816	60,888
the Netherlands	94,391	-	94,391	94,391	-	94,391
Poland	2,599	-	2,599	2,599	-	2,599
Italy	-	450	450	-	450	450
Other	8	-	8	8	-	8
TOTAL	137,945	21,266	159,830	138,564	21,266	159,830

Other intangible assets of useful life relate to acquired trademarks.

Impairment test of assets and profit or loss from disposal of fixed assets:

The breakdown of impairment and profit or loss on disposal of fixed assets is the following:

	2019	2018
Profit (loss) on disposal of fixed assets	4,947	-
Impairment of fixed assets	-	8,575
Goodwill	-	-
Other intangible assets	-	-
Property, plant and equipment	-	8,525
Financial assets	-	50
Total Impairment and profit (loss) on disposal of fixed assets	4,947	8,575

The profit or loss on disposal of fixed assets corresponds to the profit or loss obtained by the Group as a consequence of the transactions of sale of the companies which were carried out (Note 2.5.b).

The Audax Renewables Group has conducted impairment tests using cash flow projections in order to determine recoverable amount. The impairment tests were made on 31 December 2019 and 2018. AS a result of these tests it was not necessary to record impairment nor reversal of the provision in the year 2019 (EUR 8,575 thousand of net provision reversal in the year 2018).

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The breakdown of the net release / (charge) to the impairment provision by segment is as follows:

	31.12.2019	31.12.2018
Wind energy generation		
Spain	-	1,963
Poland	-	6,564
Energy retailing		
Spain	-	(6)
Poland	-	(1)
the Netherlands	-	55
TOTAL	-	8,575

There was no tax effect of the impairment (reduction of related deferred tax liabilities) 2019 nor in 2018, and there was no effect on minority interest.

In order to carry out the impairment tests, the goodwill has been allocated to the cash-generating unit (CGU) of the Group according to the kind of business or country of the transaction, that represents the lowest level to which the goodwill is allocated and is subject to internal control by the management of the Group.

The recoverable amount of a CGU is determined on the basis of calculation of the value in use. The calculation uses cash flow projections based on financial estimates for a minimum period of five years. Cash flows beyond the period of five years are extrapolated using estimate growth rate indicated below.

The key assumptions used to calculate fair value, applied to the impairment test, are as follows:

- a) Discount rate. Discount rates have been calculated using the weighted average cost of capital ("WACC"), on the basis of the following variables:
- The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year Government bonds.
 - The estimated risk premium considering the estimated betas of comparable companies of the sector and a market risk premium, which are after-tax observable variables.

The breakdown of the weighted average cost of capital after tax between generation and retailing (WACC) resulting from the main geographical segments is as follows:

Year 2019

	2019					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	1.32%	0.75%	2.82%	2.06%	0.24%	0.26%
Risk premium *	6.77%	6.56%	6.16%	7.16%	6.77%	6.65%
Capital cost	8.09%	7.31%	8.98%	9.21%	7.01%	6.90%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	5.80%	5.22%	6.39%	6.43%	5.20%	5.06%

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Year 2018

	2018					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	2.61%	1.63%	2.82%	3.55%	0.91%	0.88%
Risk premium *	6.77%	6.56%	6.92%	6.79%	6.77%	6.65%
Capital cost	9.38%	8.19%	9.74%	10.34%	7.68%	7.52%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	6.51%	5.70%	6.75%	7.06%	5.57%	5.40%

* The estimated risk premium is the result of multiplying the estimated beta (sector companies' average) by the market risk premium.

** Because the sources of information consulted to obtain the parameters used for the calculation of the discount rate do not offer data before taxes, the Group uses discount rates after taxes. Consequently, and to maintain the coherency of the discount rate with the methodology of calculation of the planned flows, the payment of taxes was taken into account. If this calculation base was adjusted in order to reflect a rate before tax, the result would be as follows:

	Spain	France	Poland	Italy	the Netherlands	Germany
Before-tax weighted average cost of capital 2019	7.39%	8.79%	7.39%	8.70%	5.13%	5.30%

The Group uses after-tax weighted average cost of capital differentiated between generation and retail (WACC). The geographical segments of Italy, the Netherlands and Germany are exclusively of energy retail, and the geographical segment of France refers exclusively to energy generation. As a consequence, only the geographical segments of Spain and Poland include the segments of energy generation and retailing. However, the variation between the WACC of both segments is not significant and does not involve significant impacts on the impairment test results.

- b) Prices: The sale prices of electricity have been estimated on the basis of past experience and external sources of information. For countries in which there are framework agreements on prices, such as Poland and France, the agreed-upon price has been used. An annual increase in prices has been estimated in accordance with the regulatory framework of each one of the countries.
- c) Production hours of generation plants: the production hours employed in the calculation of the impairment test have been based, for the operating generation plants, on the average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels).
- d) Gross margin and growth rates: the Group has determined the gross margin budgeted based on past return and market development expectations. The weighted average growth rates are coherent with the estimates included in the industry reports.

In addition to the assumptions set out above, the Managers of the Company have taken into account in the preparation of the calculations of recoverable value other business assumptions that are relevant, such as:

- Estimated life of the projects: In order to determine the number of years to plan in the sectoral segment of energy generation, the estimated useful life of the generating equipment, which is of 25 years, has been taken as a reference point in regard to the wind farms, without taking into account the residual value at the end of their useful life. The generating equipment is the more representative kind of assets of a wind farm. Moreover, it is necessary to take into account that the validity period of the administrative

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licences and lease contracts for the land of the power plants is longer than 25 years.

In regard to the sectoral segment of energy retailing, cash flows have been planned for the period of 5 years, including residual or terminal values.

- Operating expenses: For future years, the operating expenses have been estimated on the basis of past experience and by applying an estimated inflation rate.

- Increase rates: For production projections in the wind generation segment the estimated production hours were used without projecting any increase. Regarding prices, these are also estimated on the basis of past experience and external information sources, with an increase according to the regulatory framework of each country.

With regard to the projections in the energy retailing segment, the increase rates have been estimated both for the projected period and for residual values of between 1% and 1.4%. These figures incorporate electricity volume increase and electricity price changes over time. The percentages of the residual value over the total recoverable amount for the main CGUs (Cash Generating Units) with goodwill or intangible assets of indefinite life are as follows:

Spain	the Netherlands	Poland	Italy	Germany
82%	58%	83%	71%	88%

As a consequence of the new legislation passed in Poland in 2018, which affected the renewable energy sector and caused, among others, a significant drop in tax cost for local taxes, and also due to the increase in prices of the Green Certificates in Poland, the Group registered in 2018 a reversal of the provision for property, plant and equipment amounting to EUR 6,564 thousand related to the Postolin wind farm in Poland.

As it has been mentioned above, and as a result of the registered impairment, there are certain CGUs in the generation segment, whose carrying amount is equal to the recoverable amount, therefore any increase in discount rate or decrease in selling price for energy would cause another impairment or reversal. Similarly, an increase in selling prices for energy or a decrease in discount rate would have a positive effect on the income statement of the Audax Renovables Group as a consequence of the reversal of the registered provisions.

The differences between the recoverable amount and the carrying amount (i.e. the existing "gap") for all of the energy generation CGUs, obtained through the analysis of impairment in the year 2019 and 2018 are as follows:

Energy generation sector	31.12.2019	31.12.2018
Spain and France	5,480	22,784
Poland	-	-
TOTAL	5,480	22,784

The difference between the recoverable amount and the carrying amount (i.e. the existing "gap") for the entirety of the retailing CGUs of significant book value, obtained through the analysis of impairment in the year 2019 exceeds the amount of EUR100,000 thousand (EUR 75,019 thousand as at 31 December 2018), corresponding mainly to the CGU of the Netherlands.

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Sensitivity analysis:

As already mentioned, there are certain assumptions whose variations could significantly affect the recoverable value of the assets subject to the impairment testing, which are the discount rate and the sale prices of electricity. The sensitivity of the results to reasonably possible changes in these assumptions, on which the Directors have based their determination of the recoverable amount of the wind farms, differentiated by the different geographic segments is as follows:

Effect on net income (EUR thousands)		
	2019	2018
Increase of the discount rate of 10%		
Spain	-	-
Poland	(1,333)	(1,694)
Total	(1,333)	(1,694)
Decrease of the discount rate of 10%		
Spain	-	-
Poland	1,293	1,675
Total	1,293	1,675

Effect on net income (EUR thousands)		
	2019	2018
Increase of the sale price of electricity of 10%		
Spain	-	-
Poland	3,383	3,277
Total	3,383	3,277
Decrease of the sale price of electricity of 10%		
Spain	(19)	(192)
Poland	(3,076)	(3,277)
Total	(3,095)	(3,469)

The Group has decided to use a 10% rate of change in the sensitivity analysis, considering it as a good reference for the analysis of this kind of changes and given that it is the change which Audax Renovables Group has been routinely using to inform about the impact of the changes in key assumptions on the profit or loss. Keeping in mind the historical volatility of the variables subject to the sensitivity analysis, the Group considers that the use of a 10% change for the entirety of the variables is a good indicator to analyse the impact of reasonably possible changes in these assumptions on the profit or loss.

The impacts described above refer only to the generation segment, the recovery amount of the retailing segment CGU is greater than the net carrying value of its net assets, and changes of fair value in the assumptions would not involve impacts on the impairment of these assets.

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NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The movement in the years 2019 and 2018 in the accounts under Property, plant and equipment has been as follows:

	Property, plant and equipment energy generation	Property, plant and equipment energy retailing	total
Net book value 31/12/17	164,779	3,128	167,907
Additions to scope (Note 2)	-	1,153	1,153
Investment	174	236	410
Divestment	-	(119)	(119)
Depreciation charge	(9,659)	(690)	(10,349)
Impairment charge (Note 5)	8,525	-	8,525
Translation differences	(929)	(1)	(930)
Net book value 31/12/18	162,890	3,707	166,597
Cost	186,507	4,990	191,497
Accumulated depreciation	(23,617)	(1,283)	(24,900)
Net book value 31/12/18	162,890	3,707	166,597
Additions to scope (Note 2)	6,148	-	6,148
Investment	1,129	477	1,606
Divestment	(88,798)	(1,256)	(90,054)
Depreciation charge	(8,225)	(698)	(8,923)
Transfers	(1,991)	1,991	-
Translation differences	(27)	-	(27)
Net book value 31/12/19	71,126	4,221	75,347
Cost	78,345	5,805	100,274
Accumulated depreciation	(7,219)	(1,584)	(24,927)
Net book value 31/12/19	71,126	4,221	75,347

The breakdown of the movements of tangible assets itemised by different classes is as follows:

	31.12.2018			Additions to the scope							31.12.2019		
	Gross value	Accumulated depreciation	Net book value	Investment	Divestment	Depreciation charge	Impairment charge	Translation differences	31/12/2018	Gross value	Accumulated depreciation	Net book value	
Land	16	-	16	-	-	(14)	-	-	2	2	-	2	
Structures	1,113	(165)	948	-	39	-	(47)	-	940	1,152	(212)	940	
Plant and machinery	179,186	(23,898)	155,288	-	728	(89,110)	(7,557)	-	(24)	59,325	81,884	(22,559)	59,325
Equipment, chattels and other fixed assets	9,176	(837)	8,339	-	375	(930)	(1,319)	-	(3)	6,462	8,618	(2,156)	6,462
Assets under construction and advance payments	2,006	-	2,006	6,148	464	-	-	-	8,618	8,618	-	8,618	
TOTAL	191,497	(24,900)	166,597	6,148	1,606	(90,054)	(8,923)	-	(27)	75,347	100,274	(24,927)	75,347

	01.01.18			Additions to the scope							31.12.2018		
	Gross value	Accumulated depreciation	Net book value	Investment	Divestment	Depreciation charge	Impairment charge	Translation differences	31/12/2018	Gross value	Accumulated depreciation	Net book value	
Land	7	-	7	-	9	-	-	-	16	16	-	16	
Structures	262	(90)	172	849	2	-	(75)	-	948	1,113	(165)	948	
Plant and machinery	183,907	(14,044)	169,863	4	15	(3)	(9,854)	6,542	(930)	179,186	(23,898)	155,288	
Equipment, chattels and other fixed assets	6,608	(417)	6,191	301	383	(116)	(420)	-	-	8,339	(837)	8,339	
Assets under construction and advance payments	23	-	23	-	-	-	-	1,983	-	2,006	-	2,006	
TOTAL	192,807	(14,551)	178,256	1,154	409	(119)	(10,349)	8,525	(930)	176,946	191,497	(24,900)	166,597

Divestments relate mainly to the wind farms of the sold companies Parque Eólico Hinojal S.L. and Parc Eòlic Mudéfer, S.L. (Note 2.5.b).

No significant financial expenses were capitalised in the year 2018 nor in 2019.

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As at 31 December 2019, the Group has commitments for the purchase of fixed assets for the amount of EUR 1,972 thousand (EUR 496 thousand as at 31 December 2018).

As at 31 December 2019 there are no payments nor advance payments to suppliers for the construction of fixed assets registered as an increase of value of assets under construction, nor there were such payments as at 31 December 2018.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The negative impact for the year 2018 and 2019 is due mainly to the depreciation of the Polish zloty against the euro.

As at 31 December 2019 the tangible assets still in use and totally depreciated amount to EUR 272 thousand (EUR 383 thousand as at 31 December 2018).

The assets associated to the farms holding loans from credit entities under the modality of Project Finance are presented as a collateral of the mentioned credits (Note 14).

It is the strategy of the Audax Renovables Group to take out all the insurance policies deemed necessary to cover the exposure of its property, plant and equipment.

The breakdown of tangible assets by country and by sectoral segment is as follows:

	31/12/2019	31/12/2018
Energy generation		
Spain	27,555	111,575
France	6,904	7,449
Poland	36,458	37,765
Other	101	101
Energy retailing		
Spain	3,525	2,791
Italy	24	30
Germany	5	9
Poland	19	17
the Netherlands	756	860
TOTAL	75,347	160,597

The Group assesses regularly the existence of indications which might imply possible impairment of tangible assets, in order to verify if the carrying value of said assets exceeds their recoverable amount. Moreover, as indicated in Note 5, the Group verifies, at least once a year, the possible impairment of the CGUs, so in this respect, the majority of tangible assets are subject to this analysis.

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NOTE 7 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The movement in the year 2019 in investments accounted for by the equity method is as follows:

<u>Company</u>	Balance 31.12.18	Participation in profit (loss)	Differences exchange	Balance 31.12.19
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,992	(87)	-	6,905
Total	6,992	(87)	-	6,905

The movement in the year 2018 in investments accounted for by the equity method is as follows:

<u>Company</u>	Balance 01.01.18	Participation in profit (loss)	Differences exchange	Balance 31.12.18
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,931	(48)	109	6,992
Total	6,931	(48)	109	6,992

The most significant information relating to the associated companies and joint ventures consolidated by the equity accounting method is as follows:

<u>Country</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Results</u>	<u>% Shareholding</u>
31.12.19					
Parque Eólico Toabré, S.A.	93,070	90,994	-	(291)	30.00%
Total	93,070	90,994	-	(291)	

<u>Country</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Results</u>	<u>% Shareholding</u>	
31.12.18						
Berta Energías Renovables, S.L.	Spain	5,845	2,658	-	(383)	25.79%
Parque Eólico Toabré, S.A.	Panama	38,220	35,730	-	(160)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	215	11	20	(25)	30.30%
Total		44,280	38,399	20	(568)	

As a consequence of the sale of the companies Parque Eólico Hinojal, S.L., of Parc Eólic Mudéfer, Fercom Eólica, S.L. and Parc Eólic Coll de Som, S.L.(Note 2.5.b), the Group ceased to hold shares in the companies Berta Energías Renovables, S.L. and Subestación y Línea Los Siglos 2004, A.I.E.

The information on these associated companies and joint ventures has been obtained from their not audited financial statements as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018 none of the associated companies is listed on the stock exchange.

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NOTE 8 – FINANCIAL ASSETS

The breakdown of the financial assets by Class and Category is as follows:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets designated at fair value through profit and loss						
Equity instruments						
Not traded	-	113	113	-	313	313
Total	-	113	113	-	313	313
Financial assets at amortised cost						
Unsecured claims						
Floating rate	-	1,003	1,003	-	1,238	1,238
Total	-	1,003	1,003	-	1,238	1,238
Trade and other receivables						
Receivables from sales and services	158,042	-	158,042	148,015	-	148,015
Other receivables	10,111	-	10,111	4,553	-	4,553
Less impairment	(19,817)	-	(19,817)	(16,492)	-	(16,492)
Total (Note 10)	148,336	-	148,336	136,076	-	136,076
Claims to group entities (Note 22)	49	66,753	66,802	2,715	90,720	93,435
Total	49	66,753	66,802	2,715	90,720	93,435
Deposits and sureties granted						
Fixed-term deposits	19,786	400	20,186	12,640	2,200	14,840
Other financial assets	3,309	-	3,309	10,161	-	10,161
Total	25,707	8,437	34,144	23,256	6,709	29,965
Total	174,092	76,193	250,285	162,047	98,667	260,714
Equity instruments at fair value through other comprehensive income						
Listed	10,344	-	10,344	6,166	-	6,166
Hedge derivatives						
Contracted on organised markets (Note 8)	141	-	141	12,323	375	12,698
Total	10,485	-	10,485	18,489	375	18,864
Total financial assets	184,577	76,306	260,883	180,536	99,355	279,891

Transferred deposits and guarantees refer to:

- Amounts transferred to lessors as a guarantee for the existing lease contracts. The amounts are represented at paid out value which does not differ significantly from their fair value.
- Amounts paid out as a guarantee for the purpose of operating on the electricity market.

Fixed-term deposits consist mainly of deposits made to different financial institutions, which during the years 2019 and 2018 yielded an accrued interest at market interest rate.

Other current financial assets refer primarily to the Debt Service Reserve Account (DSRA) amounting to EUR 3,276 thousand (EUR 8,866 thousand as at 31 December 2018) which constitute an additional guarantee for the bank syndicate and are subject to restrictions in application, as is described in Note 14.

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The amount of equity instruments at fair value with changes in other comprehensive income at 31 December 2019 and 31 December 2018 corresponds, mainly, to listed investment funds.

AS at 31 December 2019, the financial assets valuation adjustment, without taking into account the impairment of trade receivables, amounts to EUR 819 thousand.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to fluctuations in interest rates since its bank borrowings are made at floating interest rates. Therefore, related to its loans, the Group has hedging contracts on variations in Euribor / Wibor interest rates in order to ensure a maximum rate.

Furthermore, the Group entered into hedging contracts as a form of security measure against fluctuations in electricity selling prices.

As at 31 December 2019 and 31 December 2018 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	31 December 2019		31 December 2018	
	Non-current	Current	Non-current	Current
<i>Assets arising from derivatives</i>				
Energy price hedges	-	141	375	12,323
Total assets	-	141	375	12,323
<i>Liabilities arising from derivatives</i>				
Energy price hedges	2,393	4,060	1739	462
Interest rate swaps	1,616	-	9,634	-
Total liabilities	4,009	4,060	11,373	462

The fair value of the different financial instruments is calculated using the cash flow discount valuation method. The assumptions used in these valuation techniques are based on prices of observable, current market transactions of the same instrument, such as, for example, the interest rate.

Therefore, the variables on which the valuation of the hedging derivatives is based in this section can be observed in an official market (Level 2).

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Interest rate derivatives

The breakdown of derivative financial instruments as at 31 December 2018 and 31 December 2017, their fair value and the breakdown by maturities of notional values, in thousand euros, are as follows:

		31.12.19						
Fair value		Notional Value (EUR thousands)						
		2018	2019	2020	2021	2022	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(1,616)	2,464	2,584	2,710	1,369	1,484	17,032	27,643

		31.12.18						
Value Fair value		Notional Value (EUR thousands)						
		209	2020	2021	2022	2023	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(9,634)	8,695	9,072	9,836	10,029	9,015	57,810	95,442

All the Group's interest rate derivatives have been classified as held for trading, because not all of them meet the criteria for the application of hedge accounting established in the IFRS-EU standards, and therefore the fluctuations in the fair value are registered in the profit and loss account.

Over this year, as a consequence of the sale of the companies (Note 2.5.b), current interest rate derivatives have been reduced significantly.

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2019 varies between 2.52% and 3.14%.

Energy price hedge derivatives.

As at 31 December 2019, the Group holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Group hedges against the risk of energy price changes for the maximum net volume of 71.94 MW for the year 2020, 28 MW for the year 2021, 10 MW for the year 2022 and 10 MW for the year 2023 and following. As at 31 December 2019 the net fair value of these derivative financial instruments is a liability amounting to EUR 6,311 thousand (total positive amount of EUR 10,497 thousand at 31 December 2018).

The energy price hedge derivatives comply with the IFRS-EU standards for the application of hedge accounting, therefore the changes in the value of these financial instruments are recorded (at the after-tax amount) under net equity.

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NOTE 10 – TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The breakdown of Trade and other receivables is as follows:

	31.12.19	31.12.18
Trade receivables	157,651	147,579
Trade receivables from group companies	391	436
Other receivables	10,111	4,553
Valuation adjustments for bad debt	(19,817)	(16,492)
Total trade and other receivables	148,336	136,076

Under the heading of “Trade receivables” the Group puts mainly the invoicing amounts corresponding to the months of November and December 2019 that have not yet been collected.

As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the volume of sales to customers which has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured in under the heading “Trade and other receivables”. As at 31 December 2019, the estimates of the retailing companies amount to EUR 63,814 thousand (EUR 53,305 thousand as at 31 December 2018).

The movement of valuation adjustments for bad debt is as follows:

Balance at 31 December 2018	(16,492)
Allocations	(5,575)
Reversals	2,250
Balance at 31 December 2019	(19,817)

The breakdown of “Other current assets” is as follows:

	31.12.19	31.12.18
Prepaid expenses for insurance	137	115
Prepaid expenses for commissions	21,810	17,896
Prepaid expenses for renting	57	157
Other prepaid expenses	465	680
Advances to staff	7	-
Claims to Public Administrations	3,765	778
Total	26,241	19,626

“Prepaid expenses for commissions” correspond to payments of commissions made in advance to commission agents for new clients acquisition, depending on the duration of the contract which usually is a period of one year (Notes 2.1.a and 2.24).

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NOTE 11 - CASH AND OTHER CASH EQUIVALENTS

The heading "Cash and other cash equivalents" includes:

	31.12.19	31.12.18
Cash and banks	150,098	96,633
Short-term investments of high liquidity	686	1,680
Total	150,784	98,313

The Group does not receive significant interest remunerations over cash and other cash equivalents.

There are no significant restrictions to the disposition of cash and cash equivalents.

As at 31 December 2019 and 2018, there is no significant amount of cash and cash equivalents which would not be available at the Group's disposal.

NOTE 12 – NET EQUITY

a) Share capital

The Extraordinary General Meeting of Shareholders of the Parent Company on 2 May 2007 agreed to increase share capital by EUR 37,755,975 through the issue of 37,755,975 ordinary shares with a par value of EUR 1 each, and a share premium of EUR 3 per share.

On 9 July 2007 this capital increase was accounted after it was inscribed in the Registry of the Spanish National Securities Market Commission (CNMV), recorded in a public deed and inscribed in the Mercantile Registry.

On 20 February 2008, the Extraordinary General Meeting of Shareholders of the Parent Company Audax Renovables, S.A. adopted a resolution approving of a transaction under which several business groups made contributions to the Parent Company in the form of companies with operating wind farms and at different stages of administrative process. In consideration thereof, the parent Company made a capital increase with non-cash contributions. This transaction included wind farms in Spain and abroad, specifically in India, France and Poland, and resulted in the incorporation of 562.7 MW and contributions amounting to EUR 274,874 thousand.

On 30 June 2015 the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. agreed to reduce the share capital by decreasing the nominal value of the shares by EUR 0.3 per share. Consequently, the share capital of the Company as at 31 December 2015 and 2016 amounts to EUR 98,003 thousand and is represented by 140,003,778 shares, with a value of EUR 0.7 each. As a result of this operation a special fund was created amounting to EUR 42,001 thousand.

On 19 May 2016 Audax Energía, S.A. made a bid to purchase 100% of shares of Audax Renovables, S.A. at the price of fifty cent euro (EUR 0.50) per share. On 8 August 2016 the CNMV announced that the offer made by Audax Energía, S.A. had been accepted by the holders of 99,211,899 shares representing 70.86% of the share capital of Audax Renovables, S.A.

On 23 November 2018 the General Meeting of Shareholders agreed unanimously to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. As a result of the merger, Audax Renovables, S.A. became the new parent company of the Group. In order to carry out the merger, the General Meeting of Shareholders of the acquiring company, Audax Renovables,

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S.A., adopted the resolution to increase its share capital by EUR 210,201,093.20 by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, with a nominal value of EUR 0.70 each share, which were attributed entirely to Eléctrica Nuriel, S.L.U. Those shares were issued with a share premium of EUR 0.4770775549 per share, that is EUR 141,367,906.98. The information regarding this transaction is included in the notes to the consolidated annual accounts for the year 2018.

On 29 April 2019, and with the aim to restore the equilibrium to the financial situation of the Parent Company, the General Meeting of Shareholders approved a reduction of the share capital reducing by EUR 0.6 the nominal value of the shares. As a consequence of this reduction of share capital, there was an increase of the Parent Company's reserves of EUR 264,175 thousand.

As at 31 December 2019, the share capital of the Company as at 30 June 2019 was represented by 440,291,054 shares with a value of EUR 0.1 each. As at 31 December 2018, the share capital was represented by 440,291,054 shares with a value of EUR 0.7 each.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share quotation as at 31 December 2019 of the Parent Company's shares was of EUR 2.14 per share (EUR 1.285 as at 31 December 2018).

The breakdown of the shareholders with more than 10% of stake of the Parent Company as at 31 December 2019 and 2018 is as follows:

	31.12.19	31.12.18
Shareholders	%	%
Eléctrica Nuriel, S.L. (*)	88.48%	90.73%
Rest of Shareholders	11.52%	9.27%
Total	100%	100%

(*) Additionally, Electrica Nuriel, S.L.U, has the right to purchase 8,000,000 shares of Audax Renovables, S.A., which represent 1.82% of the Parent Company

b) Share premium account

This account can only be affected by resolutions of the General Meeting of Shareholders of the Parent Company.

c) Legal Reserve

Companies that report profits will be obligated to appropriate 10% of profit for the year to this reserve until it reaches at least 20% of share capital. This reserve, as long as it does not exceed the limit indicated, can only be used to offset losses if there are no other reserves sufficiently available to do so. On the other hand, it can also be used to increase share capital in the part that exceeds 10% of the capital already increased.

As at 31 December 2019 the Parent Company has a Legal Reserve valued at EUR 19,027 thousand (EUR 17,029 thousand as at 31 December 2018).

d) Treasury shares

As at 31 December 2019 and 2018 the Parent Company does not own treasury shares.

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e) Translation differences

This account in the consolidated balance sheet includes the net exchange differences arising from the translation into euros of the balances of functional currencies of the consolidated companies whose functional currency is not the euro. At 31 December 2019 as well as at 31 December 2018 the balances reflect mainly the impact of the historical price fluctuations of the Polish zloty against the euro.

f) Distribution of earnings:

The proposed distribution of earnings of the Parent Company for 2019 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	EUR
Profit and (loss)	16,812,748
Total	16,812,748

Base of distribution	EUR
For dividends	10,000,000
To compensate losses from previous years	6,812,748
Total	16,812,748

The General Meeting of Shareholders held on 29 April 2019 approved the following profit allocation of the Parent Company for the year 2018:

Base of distribution	EUR
Profit and loss (loss)	19,975,375
Total	19,975,375

Base of distribution	EUR
To the legal reserve	1,997,537
To compensate losses from previous years	17,977,837
Total	19,975,375

Profit / (loss) per share

Profit / (loss) per share is calculated by dividing the profit attributable to the net equity holders of the Parent Company by the weighted arithmetic mean of ordinary shares circulating during the period:

	31.12.19	31.12.18
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	171,438,810
Profit (loss) of the Parent Company (EUR thousands)	25,417	8,412
Profit / (loss) per share (euro per share)		
- Basic	0.0577	0.0491
- Diluted	0.0577	0.0491

For the calculation of the average number of shares in the year 2018, the assumption was made that the shares from the capital increase (Note 12.a) were issued by 23 November 2018, which was the moment when the General Meeting of Shareholders approved the transaction. Had the assumption

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been made that the average number of shares was 440,291,054, the profit per share would have been of EUR 0.017 per share.

There are no financial instruments that could dilute the profit per share.

Non-controlling interests

The movement during the years 2019 and 2018 of non-controlling shares has been as follows:

Balance at 01 January 2018	13,132
Changes to the scope (Note 2)	19,350
Profit (loss) for the year	992
Dividend distribution	(167)
Other movements	(49)
Balance at 31 December 2018	33,258
Profit (loss) for the year	5,921
Valuation adjustments	(2,845)
Dividend distribution	(1,727)
Other movements	(1,114)
Balance at 31 December 2019	33,493

The breakdown of the non-controlling interests by entity as at 31 December 2019 and 31 December 2018 is as follows:

	31.12.2019	31.12.2018
Main Energie, B.V. (formerly Audax Netherlands, B.V)	11,325	11,861
Eryx Investments 2017, S.L.*	21,497	20,264
Eoliennes de Beausemblant, SAS	540	754
Gestora Fotovoltaica de Castellon, S.L.	-	356
Other	131	23
	33,493	33,258

*includes Unieléctrica Energia S.A. and its subsidiaries.

As at 31 December 2019, the most significant data regarding the subsidiary companies holding significant non-controlling interests is as follows:

31.12.2018	Total Activos	Total Pasivos	Ingresos Ordinarios	Resultados
Main Energie, B.V. (antiormente Audax Netherlands, B.V)	165.811	123.497	127.594	-4.157
Eryx investments 2017, S.L.	167.304	91.729	232.809	2.434

31.12.2019	Total Activos	Total Pasivos	Ingresos Ordinarios	Resultados
Main Energie, B.V. (antiormente Audax Netherlands, B.V)	159.631	118.932	150.384	-1.017
Eryx investments 2017, S.L.	177.030	100.417	365.750	9.094

The non-controlling shareholders of the Dutch subgroup, whose parent company is Main Energie, B.V. (formerly Audax Netherlands B.V.) have formally announced that they will commence to exercise certain sale options over the entirety of the shares (Note 28).

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NOTE 13 – NON-CURRENT PROVISIONS

The breakdown of provisions as at 31 December 2019 and as at 31 December 2018 is as follows:

	Balance	Balance
	31.12.19	31.12.18
Provision for liabilities	269	827
Dismantling provision	942	1,843
Total	1,211	2,670

Provision for liabilities

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities with a maturity of over one year. Throughout 2019 the majority of these provisions were settled or their maturity period became shorter than one year, therefore they were classified as current payables. As at 31 December 2019, the Management of the Parent Company considers that there are no contingencies requiring to be provisioned for.

Dismantling provision

As at 31 December 2019, the Group has recorded a provision of EUR 942 thousand (EUR 1,843 thousand as at 31 December 2018) to cover the costs of dismantling the wind farms that are now in operation. The reduction of the provision comes from the sale of certain power plants (Note 2.5.b).

NOTE 14 – FINANCIAL ASSETS

The breakdown of the financial liabilities, without including trade and other payables (Note 16), during the years 2019 and 2018 is as follows:

	31.12.19	31.12.18
Bonds and other negotiable securities	143,184	96,938
Amounts owed to credit institutions.	46,554	129,873
Lease liabilities	8,267	-
Financial derivative liabilities (Note 9)	4,009	11,373
Other non-current financial liabilities	19,605	34,409
Total non-current financial liabilities	221,619	272,593
	31.12.19	31.12.18
Bonds and other negotiable securities	67,534	67,985
Amounts owed to credit institutions.	71,121	103,713
Lease liabilities	1,362	-
Financial derivative liabilities (Note 9)	4,060	462
Other current financial liabilities	28,934	16,495
Total current financial liabilities	173,011	188,655

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Except for the liabilities arising from financial derivatives, the financial liabilities are measured at amortised cost. Deferred tax liabilities are measured at fair value. The fair value of liabilities bearing fixed interest rate is estimated on the basis of discounted cash flows over the remaining term of that liability. Discount rates were determined according to the market rates available at 31 December 2019 and 2018 on the financial liabilities with similar maturity and credit features.

The movement of financial liabilities during the year 2019 and 2018 has been as follows:

	31.12.2018	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2019
Bonds and other negotiable securities	96,938	45,808	-	438	-	143,184
Amounts owed to credit institutions.	129,873	5,268	(79,000)	(9,587)	-	46,554
Finance lease liabilities	-	8,267	-	-	-	8,267
Financial derivative liabilities (Note 9)	11,373	-	-	-	(7,364)	4,009
Other financial liabilities	34,409	-	(10,804)	(4,000)	-	19,605
Total non-current financial liabilities	272,593	59,343	(89,804)	(13,149)	(7,364)	221,619
Bonds and other negotiable securities	67,985	165,652	(165,665)	(438)	-	67,534
Amounts owed to credit institutions.	103,713	338,807	(380,986)	9,587	-	71,121
Finance lease liabilities	-	1,362	-	-	-	1,362
Financial derivative liabilities (Note 9)	462	-	-	-	3,598	4,060
Other financial liabilities	16,495	17,081	(8,642)	4,000	-	28,934
Total current financial liabilities	188,655	522,902	(555,293)	13,149	3,598	173,011

	01.01.18	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2018
Bonds and other negotiable securities	85,128	32,810	(8,700)	(12,300)	-	96,938
Amounts owed to credit institutions.	162,009	44,396	(41,896)	(34,635)	-	129,873
Financial derivative liabilities (Note 9)	10,633	-	-	-	740	11,373
Other financial liabilities	20,409	-	-	14,000	-	34,409
Total non-current financial liabilities	278,179	77,205	(50,596)	(32,935)	740	272,593
Bonds and other negotiable securities	28,941	56,172	(29,427)	12,300	-	67,985
Amounts owed to credit institutions.	69,126	56,693	(56,741)	34,635	-	103,713
Financial derivative liabilities (Note 9)	-	-	-	-	462	462
Other financial liabilities	38,333	28,091	(35,929)	(14,000)	-	16,495
Total current financial liabilities	136,400	140,956	(122,097)	32,935	462	188,655

The breakdown of financial liabilities cash flows in 2019 is as follows:

	31.12.2018	Cash flows movement	Movements which do not involve cash flows	31.12.2019
Bonds and other negotiable securities	164,923	46,686	(891)	210,718
Amounts owed to credit institutions.	233,586	(46,130)	(69,781)	117,675
Lease liabilities	-	-	9,629	9,629
Financial derivative liabilities (Note 9)	11,835	-	(3,766)	8,069
Otros pasivos financieros no corrientes	50,904	(2,365)	-	48,539
Total financial liabilities	461,248	(1,809)	(64,809)	394,630

Bonds and other negotiable securities

The Board of Directors of the Parent Company, Audax Energía, S.A., (the company absorbed by Audax Renovables, S.A.), on its meeting of 16 June 2014, and pursuant to the second resolution of the General Meeting of Shareholders of the same date, agreed to carry out an issuance of plain bonds of nominal amount of EUR 21,000 thousand of single nominal value fully paid on 29 July 2014, admitted to be incorporated into the Alternative Fixed-Income Market (MARF) at a nominal annual fixed interest rate of 5.75% till maturity. On 26 July 2019, the remaining capital and the relative interest amounting to EUR

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12,594 thousand was repaid. As at 31 December 2019, this bond is entirely settled.

In January 2017, Audax Energía, S.A. (company absorbed by Audax Renovables, S.A.), registered a programme of promissory notes on the Alternative Fixed-Income Market (MARF) for the maximum amount of EUR 50,000 thousand with maturity in 2019. On 13 February 2019 this promissory note programme was expanded to a maximum amount of EUR 75,000 thousand with maturities of up to 2 years. As at 31 December 2019, the balance drawn down amounts to EUR 74,478 thousand.

In May 2017 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 100 million, the subscription of which amounted to EUR 65,000 thousand of unit nominal value that as at 31 December 2019 have not yet been returned; the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 4.20% until their maturity in June 2022.

In September 2018 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a new programme of fixed income securities under which it decided to carry out an issue of plain bonds for the amount of EUR 35,000 thousand, which were subscribed for in their entirety. These bonds were admitted and incorporated to the Alternative Fixed-Income Market (MARF) at an annual nominal interest rate of 5.5% until their maturity in October 2023. In October 2019, the Company expanded this issue of bonds by the amount of EUR 35,000 thousand. As at 31 December 2019 the Group's debt arising from this bond amounts to EUR 71,443 thousand.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2019 all the established ratios are met.

In the first half year 2019, the outstanding amount of EUR 4,160 thousand of a private contract on promissory notes issuing of 11 July 2018 for the maximum amount of EUR 5,000 thousand between Audax Renovables, S.A. and Toro Finance, S.L.U. (Bravo Capital).

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2019 includes the debt to be repaid as a consequence of the issuance of said bonds and promissory notes in current and non-current liabilities.

Current liabilities include financial expenses that had been accrued but not paid at the balance sheet date of 2019 and 2018.

Amounts owed to credit institutions.

The breakdown of the Group's bank loans is as follows:

	31.12.19	31.12.18
Project Finance	29,181	102,711
Loans	17,373	27,162
Total non-current	46,554	129,873
	31.12.19	31.12.18
Project Finance	4,683	13,541
Loans	18,725	26,402
Lines of credit	13,391	21,684
Reverse factoring and similar	34,322	42,086
Total current	71,121	103,713

As at 31 December 2019 the average effective interest rate of the bank loans is of 2.76% (4.01% at 31 December 2018).

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Project Finance

Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk.

The companies included in the consolidation scope Eólica del Pino S.L., Eólica el Pedregoso S.L., SAS Eoliennes de Beausemblant and Eólica Postolin Sp. z o.o. have entered into loan agreements with lending institutions in the Project Finance scheme under which the entirety of their shares are pledged. These loan agreements include conditions which impose limitations on dividend distribution and require the fulfilment of certain minimum ratios, such as the Debt Service Coverage Ratio or the Leverage Index.

Regarding the loan agreements for financing of the facilities which include the obligation to meet certain ratios, as at 31 December 2019 there are no indications of non-compliance with the requirements defined in those contracts. There are no breaches of financial obligations foreseen at the balance sheet date of the next period by any of the companies of the Group.

Furthermore, these loans require companies to record a Debt Service Fund Reserve (DSFR) through their bank accounts as an additional guarantee for the bank syndicate. At the balance sheet date of the year 2019 and 2018 the following amounts are held as guarantee:

Company	31.12.2019	31.12.2018
Eólica el Pedregoso, S.L.	768	768
Eólica del Pino, S.L.	385	385
Eoliennes de Beausemblant, SAS	632	632
Eólica Postolin Sp. z o.o.	1,491	1,478
Parc Eòlic Mudefer, S.L.	-	3,819
Parque Eólico Hinojal, S.L.	-	1,784
Total	3,276	8,866

These reserve funds have not been considered as Cash and other cash equivalents, but they were incorporated into the account of Other current financial assets, as indicated in Note 8.

Loans and lines of credit

The main loans and lines of credit of the Group are as follows:

The main loans of the Parent Company with credit institutions relate to loans with the following institutions: CaixaBank, S.A., Bankinter, Toro Finance and Finalbion, whose outstanding balances as at 31 December 2019 amount to EUR 12,197 thousand. Each of these loans accrues interest at the average rate of 2.61% and has a maturity date between 2020 and 2022.

As a consequence of the incorporation of Audax Netherlands B.V. and its subsidiaries into the Group in 2017 the consolidated financial debt increased. As at 31 December 2019 the debts with credit institutions related to this sub-consolidated company amount to EUR 13,503 thousand, of which the sum of EUR 2,077 thousand is classified as current (total amount of EUR 20,650 thousand as at 31 December 2018) and correspond mainly to two loans taken out with ING Bank and Rabobank.

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Reverse factoring

The reverse factoring contracts of the Group relate mostly to the loans obtained by the Group from diverse financial institutions in order to finance the payment of invoices to suppliers and creditors when the invoices become due. Usually the maturity period of these loans is 60 to 120 days. In this sense, the term does not include transactions carried out between Group companies.

Therefore, we consider the nature of the transaction as financial, including the liability arising in short-term amounts owed to credit institutions.

There are no deposits or guarantees associated with these transactions.

Other financial liabilities

The breakdown of other financial liabilities is as follows:

	31.12.19	31.12.18
Payables to Group entities (Note 22)	434	15,038
Other debts	19,171	19,371
Total non-current	19,605	34,409
	31.12.19	31.12.18
Payables to Group entities (Note 22)	28,388	11,307
Other debts	546	5,188
Total current	28,934	16,495

Other liabilities include also a debt of the Dutch company belonging to the Group, called Main Energie B.V (formerly Audax Netherlands) amounting to EUR 19,171 of a subordinated loan with the entity Kartesia.

As at 31 December 2018 the account included a deferred payment for the purchase of the Unieléctrica Energia S.A. company for the amount of EUR 15,196 million, of which the amount of EUR 3,971 thousand was classified as current liability. Those payments were not connected with a contingent consideration. The recorded values corresponded to the present value of the agreed fixed payments. As at 31 December 2019, the amount of EUR 7,234 thousand is outstanding, of which the sum of EUR 3,500 thousand has been classified as current liability.

The following table describes consolidated gross financial liabilities as at 31 December 2019 and 2018 and their maturity dates, taking into account the impact of the derivatives, other financial liabilities and trade payables and other payables:

	Up to one year	two to five years	more than five years	Total financial liabilities
Trade and other payables	93,820	-	-	93,820
Bonds and other negotiable securities	67,534	143,184	-	210,718
Amounts owed to credit institutions.	71,121	33,032	13,522	117,675
Finance lease liabilities	1,362	2,800	5,467	9,629
Financial derivative liabilities (Note 9)	4,060	3,918	91	8,069
Other non-current financial liabilities	28,934	19,171	434	48,539
	266,831	202,105	19,514	488,450

As at 31 December 2019 and 31 December 2018, the following financial liabilities are subject to the

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requirement of meeting certain minimum ratios or to clauses which, if not complied with, may result in declaring the payment immediately due.

	EUR thousands	
	2019	2018
Bond of nominal value €21M approved in June 2014	-	12,601
Bond of nominal value €65M approved in May 2017	65,967	65,687
Bond of nominal value €70M approved in September 2018	70,125	32,660
Project Finance	33,864	116,252
Total	169,956	227,200

*(includes accrued interest and capitalised costs)

With regard to the Bonds, the conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. With regard to the Project finance, the ratios concern Cash flows generated in a year / Debt service of the Project finance, as well as leverage ratios, all of them referred individually for each financed company.

In regard to these financial liabilities with existing commitments to fulfil specific ratios, as at 31 December 2019 all requirements specified in those contracts are met and no breach of financial obligations is expected to arise by the closing date of the next financial year.

NOTE 15 – SUBSIDIES

The company Eólica Postolin Sp. z o.o. received non-repayable grants from the European Union through the Polish Ministry of Economy for the construction of its wind farm amounting to PLN 38,354 thousand (EUR 9,019 thousand). The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm. In 2019 the amount of EUR 272 thousand (EUR 271 thousand in 2018) was recognised as "Other operating income".

NOTE 16 - TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

Accounts payable

The breakdown as at 31 December 2019 and 2018 is as follows:

	31.12.19	31.12.18
Suppliers	77,141	75,365
Suppliers, group companies	135	803
Other payables	15,741	16,396
Staff	803	749
Trade and other payables	93,820	93,313

Most of the accounts payable fall due between 30 and 90 days and no interest accrues on them.

For the companies of the Group which have their tax residence in Spain, we set out below the information required by the 3rd Additional Disposition of the law 15/2010/5 July of "Information Duty", modified by the second final disposition of the law 31/2014/3 December, which modifies the law of capital companies for the improvement of corporate governance, in accordance with the Resolution of 29 January 2016, of the Spanish Institute of Accounting and Book Audit, regarding the information to

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be incorporated into the notes to the annual accounts for the years beginning with 1 January 2015, in relation to the average period of payment to providers in trading operations, published in BOE on 4 February 2016:

	2019	2018
	Days	Days
Average period of payment to suppliers	24	41
Paid transactions ratio	23	36
Transactions with outstanding payment ratio	24	41
	Amount in EUR thousands	
Total payments carried out	720,068	484,587
Total outstanding payments	47,571	53,912

- (1) Under the law 11/2013 of 26 July, the maximum legal time limit for payment, applicable to the companies of the Group which have their tax residence in Spain, is of 30 days, except for the case when by agreement a longer time period is established, which under no circumstances can exceed 60 days.

The payments detailed in the above table as payments to providers refer to those which by their nature are trade payables for debts with suppliers of goods and services, in such a way that they include the needed information for the 'Other creditors' account found as current liabilities in the consolidated balance sheet.

Other current liabilities

The breakdown as at 31 December 2019 and 2018 is as follows:

	31.12.19	31.12.18
Public administrations and similar	51,230	57,062
Time adjustments of current liabilities	932	901
Advance payments from clients and other current payables	45,231	13,080
Other current liabilities	97,393	71,043

The main accounts payable to public administration entities and similar included under this heading correspond to liabilities arising from current transactions of the Dutch company of the Group, Main Energie.

Other current payables include the amount to be paid for the purchase of 28.03% of Main Energie B.V. for the amount of EUR 15,227 thousand (Note 2.3).

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NOTE 17 – RISK MANAGEMENT

The Audax Renovables Group, in general terms, considers to be a risk any eventuality or contingency which might impede the Company's ability to successfully fulfil its business objectives.

In this regard, the Group is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it from achieving its objectives and successfully implementing its strategies. For that reason the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant risks to be correctly identified, managed and controlled.

According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure:

- a) Integration of the risk-opportunity vision into the Company's management and strategy.
- b) Implementation of an appropriate separation of duties while ensuring an adequate level of independence.
- c) Ensuring the appropriate use of hedging instruments.
- d) Information on the risks faced by the Group and of the systems implemented to mitigate them.
- e) Adjusting the Group's risk policy to all the specific policies which need to be developed in regards to risks.
- f) Ensuring the appropriate compliance with the rules of corporate governance.
- g) Acting at any and all times in accordance with the rules of law and the Corporate Code of Ethics and Conduct.

Regardless of the above, the Group, being aware of their importance, has been taking the appropriate measures concerning the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall Group's risk management programme is centred on the uncertainty of the financial markets and attempts to minimise the potential adverse effects on its financial profitability.

Interest rate risk

The fluctuations in interest rates modify the fair value of the financial assets and liabilities on which a fixed interest rate is accrued as well as the cash flows from the financial assets and liabilities indexed to a floating interest rate, and, accordingly, they impact both net equity and net income, respectively.

Any rise of interest rates would increase the Group's financial expenses related to the part of its debt indexed to a floating interest rate, which would be mitigated by the interest rate hedging policy.

The purpose of interest rate risk management is to maintain a balance between floating and fixed rates on debt in order to reduce the costs of borrowings within the established risk parameters.

On the entirety of the issued bonds an interest at a fixed rate is accrued (Note 14). Furthermore, the Audax Renovables Group uses financial swaps to manage its exposure to interest rate fluctuations.

The structure of Obligations and amounts owed to credit institutions as at 31 December 2019 and 31 December 2018, taking into account the hedges through derivative contracts, is as follows:

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	31.12.19	31.12.18
Fixed interest rate	256,070	332,473
Floating interest rate	72,323	66,036
Total	328,393	398,509

The floating interest rate is subject mainly to the fluctuations of the European Interbank Offered Rate (Euribor). The sensitivity of the net income to the fluctuation in interest rates is as follows:

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2019	10%	(234)
	(10%)	212
2018	10%	(547)
	(10%)	498

This effect does not include the impact that would result from interest rate fluctuations on asset impairments, considered in Note 5.

Exchange rate risk

The variations in exchange rates can affect the fair value of the investments and of the debt denominated in non-local or non-functional currencies and the transactions and investments denominated in non-euro currencies, and, accordingly, the counter-value of net equity and net income.

The main non-euro currencies with which the Audax Renovables Group operates in 2019 and 2018 are the dollar and the zloty.

Commodity price of electricity risk

The Audax Renovables Group is exposed to the risk of fluctuations in commodity prices given that its sales are linked to the price of electricity.

In certain countries where the Group operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile.

Furthermore, it is impossible to ensure that the market prices will be maintained at the levels which would enable the Group to attain desirable profit margins and investment recovery levels. A reduction of the prices below those levels could have a significant adverse effect on the business, the financial situation and the results of the Company's operations.

In order to mitigate the electricity price volatility risk the Group holds long-term power purchase agreements (Note 19), as well as derivative hedging contracts (Note 9).

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The sensitivity of net income to the variation in commodity prices, taking as a reference the sale price of electricity in the daily electricity market and the received remunerations to the investments, is as follows:

	Energy price increase /(decrease)	Effect on profit and loss before tax
2019	10%	(725)
	(10%)	725
2018	10%	(827)
	(10%)	821

This effect does not include the impact that would result from fluctuations in the electricity sale price on asset impairments, considered in Note 5.

Credit risk

The credit risk lies in that the counterparty to an agreement might fail to fulfil their contractual obligations, thus bringing about economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.

The Company, even though it has no significant credit risk concentrations in the energy retailing activity, does keep policies to ensure that the energy is sold to the clients with appropriate credit history, e.g. sales carried out through analysis of client scoring before signing the contract.

The designation of an existing credit risk as bad debt is established according to the implemented accounting principles (Note 2) based on an estimate of expected loss. In addition, in Spain a complementary individual analysis is carried out for the unpaid credits older than 180 days, clients in state of insolvency as well as the clients with relevant proceedings initiated against them.

As at 31 December 2019 the provision for bad debts amounts to EUR 19,817 thousand (EUR 16,492 thousand as at 31 December 2018).

In order to mitigate the credit risk arising from commercial positions, the Group holds bad debt insurance policies. Moreover, in order to mitigate the credit risk arising from financial positions, the Group holds derivative contracts and cash surpluses are invested in high solvency banks and financial institutions limiting the time horizon of the open positions as well as the credit quality of the counterparties in financial transactions.

On 31 December 2019 and 2018 the Group did not have significant credit risk concentrations.

Liquidity risk

Prudent liquidity risk management derives from the need of financing the Group's activity by temporary differences between the needs and cash generation and involves maintaining sufficient cash and marketable securities and the availability of funding through a sufficient amount of committed credit facilities as well as sufficient ability to close out market positions.

Debt financing is an important source of finance for the Audax Renovables Group. The Group's aim, whenever possible, is to carry out its financing activities in a centralised way. However, circumstances

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may arise, under which the Group may consider it essential or more beneficial to have the financing available at the subsidiary level. This means that the majority of financing is carried out at the level of Audax Renovables, S.A. or through instruments with irrevocable guarantee granted by Audax Renovables, S.A.

Exposure to unfavourable situations on the capital or debt markets or the Group's own adverse economic and financial situation could potentially hinder or impede its ability to meet the financial needs necessary to properly conduct its business activities. The Group's liquidity policy is focused on ensuring fulfilment of the obligations to pay entered into, without resorting to obtaining funds on burdensome conditions. This prudent liquidity risk management derives from the need for financing the Group's activity by temporary differences between the needs and cash generation and is based on divers management measures such as maintaining sufficient cash and marketable securities, the availability of funding through a sufficient amount of committed credit facilities, diversifying the maturity dates of the issued debt, as well as sufficient ability to close out market positions at a given moment.

Management follows up the liquidity reserve forecasts of the Group (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note 14, to which the payments corresponding to Trade and other payables maturing in 2019 should also be added (Note 16).

As at 31 December 2019 available liquidity amounts to EUR 150,784 thousand, which entirely belong to cash and other cash equivalents (EUR 98,313 thousand as at 31 December 2018).

Capital management

The purpose of capital risk management is to maintain an appropriate ratio between internal and external financing (financial liability).

The leverage ratio is as follows:

	31.12.19	31.12.18
Non-current financial liabilities		
Financial liabilities from issuance of bonds and other negotiable securities	143,184	96,938
Financial liabilities to credit institutions	46,554	129,873
Lease liabilities	8,267	-
Other financial liabilities	19,171	19,372
Current financial liabilities		
Financial liabilities from issuance of bonds and other negotiable securities	67,534	67,985
Financial liabilities to credit institutions	71,121	103,713
Lease liabilities	1,362	-
Other financial liabilities	546	5,188
Derivatives	7,928	(863)
Cash and other cash equivalents		
Other financial assets	(32,497)	(17,177)
Cash and other cash equivalents	(150,784)	(98,313)
Net financial debt:	182,386	306,716
Of the Parent Company (Note 12)	122,221	106,308
Of the minority interests (Note 12)	33,493	33,258
Net equity:	155,714	139,566
Leverage (Net financial debt / (Net financial debt + Net equity))	53.9%	68.7%

Net financial debt includes lease liabilities as a consequence of applying IFRS 16 in the amount of EUR 9,629 thousand (Note 2.1). If these liabilities were to be omitted, the net financial debt would be reduced to EUR 172,757 thousand and the leverage would be of 52.6%.

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The financial assets as well as financial liabilities to Group companies or related companies have been excluded from net financial debt.

Guarantee terms risk

In order for the Group to be able to carry out its activity, it has to provide the guarantees connected to the electricity purchase. The guarantees are provided in the form of guarantees issued by a bank and/or an insurance company, some of which are secured by the positive net liquidity position of the Group.

Should the financial institutions that grant the guarantees decide to cancel them, the Group's retailing activity would become limited, which could, to some extent, affect its viability. Likewise, if those financial institutions modified substantially the terms of the guarantees they had granted (cost, validity, warranties, among others), such modification could affect the profitability of the Audax Renovables Group.

As at 31 December 2019 and 2018, the Group does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

In the division of energy generation the development of the facilities under construction, owned by the Group, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

Financing the renewable energy projects with loans may imply, as a guarantee for the financial institutions, the necessity to pledge all or some of the shares of the Audax Renovables Group's investee companies.

NOTE 18 – TAX SITUATION

The Parent Company, as well as other companies of the Group, are subject to Corporate Income Tax under the consolidated tax system along with the following companies where Excelsior Times, S.L. is the head entity of the tax group:

Excelsior Times, S.L.U	Unieléctrica Energía, S.A.	Audax Solar SPV XVI, S.L.
Orus Properties, S.L.U.	Explotación Eólica La Pedrera, S.L.U.	Audax Solar SPV XVII, S.L.
Orus Renovables, S.L.U.	Audax Fotovoltaica, S.L.U.	Audax Solar SPV XVIII, S.L.
Audax Renovables, S.A.	Audax Eólica, S.L.U.	Audax Solar SPV XXIII, S.L.
Eléctrica Nuriel, S.L.U.	Audax Solar SPV I, S.L.U	Audax Solar SPV XXIV, S.L.
Audax Green, S.L.U.	Audax Solar SPV II, S.L.	Audax Solar SPV XXV, S.L.
Generación Iberia, S.L.	Audax Solar SPV III, SLU	Audax Solar SPV XXVI, S.L.
ADS Energy 8.0., S.L.U.	Audax Solar SPV IV, SLU	Audax Solar SPV XXVII, S.L.
Aspy Global Services, S.L.U.	Audax Solar SPV V, SLU	Audax Solar SPV XXVIII, S.L.
Aspy Salud Gobal, S.L.U.	Audax Solar SPV VI, SLU	Audax Solar SPV XXIX, S.L.
Svendborg PV VII, S.L.	Audax Solar SPV VII, SLU	Audax Solar SPV XXX, S.L.
Aspy Prevención, S.L.U.	Audax Solar SPV VIII, SLU	Audax Solar SPV XXXI, S.L.
Aspy Formación, S.L.U.	Audax Solar SPV IX, SLU	Audax Solar SPV XXXII, S.L.
The Energy House Group, S.L.U.	Audax Solar SPV X, SLU	Audax Solar SPV XXXIII, S.L.
Eólica Del Pino, S.L.	Audax Solar SPV XI, SLU	Audax Solar SPV XXXIV, S.L.
Eólica El Pedregoso, S.L.	Audax Solar SPV XII, SLU	Audax Solar SPV XXXV, S.L.
Fersa Asesoramiento y Gestión, S.L.U.	Audax Solar SPV XIII, S.L.	Aznalcóllar solar, S.L.
Eryx Investments, S.L.U.	Audax Solar SPV XIV, S.L.	

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Apart from Spain, the Group operates and pays taxes in Italy, the Netherlands, Poland, France, Germany and Portugal.

Deferred income taxes

The following table reflects the movement throughout 2018 and 2019 in deferred taxes:

	Balance 31.12.18	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.19
Deferred tax assets	5,461	5,040	(1,958)	(1,799)	639	7	7,390
Deferred tax liabilities	(29,755)	(659)	7,800	5,623	(639)	(7)	(17,637)
Total	(24,294)	4,381	5,842	3,824	-	-	(10,247)

	Balance 31.12.17	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.18
Deferred tax assets	1,103	2,065	(514)	250	2,565	(8)	5,461
Deferred tax liabilities	(18,391)	(1,398)	2,791	(10,195)	(2,565)	3	(29,755)
Total	(17,288)	667	2,277	(9,945)	-	(5)	(24,294)

Recognised deferred tax assets and liabilities have mostly an estimated term of reversal or realisation over 12 months.

Main deferred tax assets correspond to the recognition of tax receivables from losses for previous years, as well as temporary differences from recognised expenses that have not yet become tax-deductible.

Deferred tax liabilities include mainly the tax effect of the purchase price allocation to certain intangible assets in business combination transactions, the most important of them being the tax deferred liability connected with the business combinations of Audax Netherlands B.V., which as at 31 December 2019 amounts to EUR 7,147 and of Unielectrica Energía S.A., which implied an increase for the year of EUR 9,397 thousand (Note 2).

The amount of deferred tax assets and deferred tax liabilities charged or credited to equity refer to the record of hedge derivatives and are as follows:

	EUR thousands
Deferred tax assets	-
Deferred tax liabilities	(1,812)
Total	(1,812)

There are no significant deferred tax liabilities connected with temporary differences in shareholding in subsidiaries, investees, associate companies and joint ventures.

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Corporate Income Tax expenses

The reconciliation between the applicable tax rate and the effective tax rate for the year 2019 and 2018 is as follows:

	2019	%	2018	%
Income before tax	33,031		11,761	
Theoretical tax	8,258	25%	2,940	25%
Tax difference foreign subsidiaries	7		(114)	
Non-deductible cost and other permanent differences	(297)		199	
Divestment and other tax recoveries	(2,044)		(317)	
Reversal of non-deductible impairment	(1)		(2,123)	
Recovery of tax losses carried forward, deductions and similar	(2,029)		(704)	
Incorporation of former tax groups to profit and loss	-		-	
Unrecognised tax credits	747		2,525	
Recognition of tax credits	(2,886)		-	
Other deferred tax adjustments	-		(177)	
Other adjustments	(62)		(457)	
	1,693		1,772	

The main components of the income tax expenses are the following:

	EUR thousands
Current expenses for the year	6,663
Income from use of tax credits and tax losses carried forward	(2,029)
Recognition of tax credits	(2,886)
Deferred tax and others	(55)
Total	1,693

Tax loss carry-forward and other tax credits

As at 31 December 2019 the Group has tax loss carry-forwards available for offset, amounting to EUR 154,140 thousand, as well as a tax credit from deferred tax asset amounting to EUR 4,983 thousand (EUR 8,461 thousand at 31 December 2018). The breakdown of these unrecognised credits is as follows:

	31.12.19	31.12.18
Tax loss carry-forward	35,650	39,439
Deferred tax assets	4,983	8,461
Total	40,633	47,900

In 2019 and in relation to these amounts, the Audax Renovables Group has recognised in the consolidated annual accounts a tax credit of EUR 2,886 thousand, corresponding to the tax credits whose recoverability has been considered highly probable. The breakdown of these unrecognised tax

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credits according to their origin as at 31 December 2019 is as follows:

	EUR thousands
Companies belonging to the Excelsior tax group	36,319
Other Spanish companies	54
Other foreign companies	4,260
Total	40,633

The tax recovery of these credits will be determined primarily by the nature of each credit, its geographical origin and specific limitations of each tax environment.

Under current tax legislation, a tax return cannot be considered definitive until it is verified by the tax authorities or the four-year limitation time has elapsed.

The consolidated companies that comprise the Group are opened to tax inspection for all applicable taxes for the last four years.

NOTE 19 – INCOME AND EXPENSES

Ordinary income

The breakdown of ordinary income is as follows:

	2019			2018		
	Spain and Portugal	Rest of Europe	Total	Spain and Portugal	Rest of Europe	Total
Operating income						
Energy retailing	762,142	246,684	1,008,826	723,365	225,354	948,719
Energy generation	22,203	9,940	32,143	28,203	7,432	35,635
Total	784,345	256,624	1,040,969	751,568	232,786	984,354

The sales amount is recorded as income at the moment of delivery to the client according to the supplied quantities and including estimated supplied energy that has not yet been read on the customer's meters (see Note 10).

Procurements

The breakdown of procurement is as follows:

	2019			2018		
	Spain and Portugal	Rest of Europe	Total	Spain and Portugal	Rest of Europe	Total
Procurement and others						
Energy retailing	694,520	222,698	917,218	676,555	206,691	883,246
Total	694,520	222,698	917,218	676,555	206,691	883,246

The Group company, Audax Renovables, S.A., has signed several long-term power purchase agreements with diverse non-related companies. Under these agreements the Company will purchase directly an expected aggregated maximum of energy of approximately 3 TWh/year. These agreements have an expected validity period of between 10 and 20 years and are subject to certain conditions. Given the nature of these agreements, the company does not consider them to be financial derivatives.

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Staff cost

The breakdown of staff costs for the year 2019 and 2018 is as follows:

	2019	2018
Wages and salaries	16,607	15,301
Employer contributions	3,877	3,470
Other social expenses	510	589
Total	20,994	19,360

The average number of employees for the years 2019 and 2018 is as follows:

	Average number	
	2019	2018
Management *	3	3
Managers, professionals, technicians and similar	104	114
Back office staff	365	284
Other salaried staff	71	67
Total	543	468

* including internal auditor.

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the Official State Gazette of 23 March 2007, the average number of employees of the Audax Renovables Group at the end of 2019 and 2018 broken down by category and gender is as follows:

	31.12.19		31.12.18	
	Women	Men	Women	Men
Management *	2	1	1	2
Managers, professionals, technicians and similar	57	50	26	79
Back office staff	202	169	227	128
Other salaried staff	29	34	33	37
Total	290	254	287	246

* including internal auditor.

The average number of employees with a disability equal to or greater than 33% (or equivalent local qualification) during the years 2019 and 2018, by category, is as follows:

	Average number	
	2019	2018
Back office staff	5	4
Other salaried staff	1	1
Total	6	5

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Other operating charges

The breakdown of Other operating expenses in the years 2019 and 2018 is as follows:

	2019	2018
Leases (note 25)	431	2,044
Repairs and maintenance	4,067	5,448
Assessment services	7,043	5,570
Insurance premiums and commissions	2,480	1,571
Supplies and other services	2,256	1,732
Other operating expenses	7,710	7,956
Taxes	9,816	9,426
Loss, impairment and change in provisions	3,471	5,774
Total	37,274	39,521

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated profit and loss statement for the years 2019 and 2018 is as follows:

	2019	2018
Financial income from shareholding in third parties	103	133
Financial income from group companies receivables	3,464	2,270
Financial income from third party receivables	438	1,721
Financial expenses arising from bond issuing	(6,045)	(5,463)
Financial expenses from debt and other financial cost	(13,445)	(15,220)
Impairment and profit (loss) on disposal of financial instruments	1,662	(291)
Change in fair value of financial instruments	25	-
Exchange differences	(106)	(94)
Financial profit (loss)	(13,904)	(16,944)

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NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2019 and 2018 is as follows:

	2019	2018*
<i>Cash flows from operating activities</i>		
Profit (loss) for the year before tax	33,031	11,176
Adjustments to results	38,471	38,520
Amortisation and depreciation	26,228	25,079
Valuation adjustments due to impairment	5,304	6,426
Changes in provisions	(3,468)	(6,993)
Profit (loss) on derecognition and disposal of fixed assets	(4,947)	-
Profit (loss) on derecognition and disposal of financial instruments	(27)	(61)
Financial income	(4,005)	(4,124)
Financial expenses	19,490	20,831
Exchange differences	106	932
Changes in fair value of financial instruments	(25)	(3,058)
Other income and expenses	(185)	(512)
Changes in working capital	629	23,371
Inventory	2,701	(4,457)
Accounts receivable	(17,578)	11,946
Other current assets	(6,763)	(6,687)
Accounts payable	2,223	24,428
Other current liabilities	21,239	-
Other non-current assets and liabilities	(1,193)	(1,859)
Other cash flows from operating activities	(16,132)	(17,176)
Payments of interest	(19,699)	(20,246)
Collections of interest	3,567	4,124
Income tax payments	-	(1,054)
Cash flows from operating activities	55,999	55,891

* Restated figures (Note 2.3)

NOTE 22 – INFORMATION ON RELATED PARTY TRANSACTIONS

Related parties are:

- a) Significant shareholders of Audax Renovables, S.A., meaning those who directly or indirectly hold an interest equal to or exceeding 3%, as well as shareholders which, while not being significant, have exercised the power to appoint a member of the Board of Directors:

According to the above definition, Eléctrica Nuriel, S.L.U. is considered to be a related party.

- b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, "Directors" meaning members of the Board of Directors, and "Senior Management" meaning people who report directly to the Company's Board of

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Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 23.

- c) All the companies belonging to the Excelsior Group.

The transactions between related companies have been carried out at arm's length.

The transactions involving services rendered between Group companies have been objective and unbiased and carried out at arm's length, based on the incremental cost system, under which the estimated cost plus a margin has been allocated to the different Group or related companies. Thus, the costs shared by the Parent Company and other Group companies are distributed and charged by project and activity, based on parameters of activity and hourly charges (using periodical slips per employee). Detailed definitions of the services and remits to be carried out are prepared, and the average indicators used to calculate the charges are determined.

Moreover, the loans that the Parent Company has extended to the Group companies, associates or multi-group companies accrue financial interest based on a market rate.

The balances and transactions carried out in the years 2019 and 2018 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

- a) Balances with related parties:

Accounts payable and receivable with related parties as at 31 December 2019 and 31 December 2018 are as follows:

2019	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	55,412	11,341	66,753
Total non-current assets	55,412	11,341	66,753
Trade and other receivables			
Short-term receivables from group companies and associates	391	-	391
Loans and receivables			
Claims (Note 10)	49	-	49
Other financial assets			-
Total current assets	440	-	440
Total assets	55,852	11,341	67,193
Long-term payables to group companies and associates	-	434	434
Total non-current liabilities	-	434	434
Short-term payables to group companies and associates	28,407	(19)	28,388
Trade and other payables			
Short-term payables to suppliers, group companies and associates	135	-	135
Total current liabilities	28,542	(19)	28,523
Total liabilities	28,542	415	28,957

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2018	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	87,810	2,910	90,720
Total non-current assets	87,810	2,910	90,720
Trade and other receivables			
Short-term receivables from group companies and associates	436	-	436
Loans and receivables			
Claims (Note 10)	2,616	99	2,715
Other financial assets			-
Total current assets	3,052	99	3,151
Total assets	90,862	3,009	93,871
Long-term payables to group companies and associates	14,402	636	15,038
Total non-current liabilities	14,402	636	15,038
Short-term payables to group companies and associates	11,307	-	11,307
Trade and other payables			
Short-term payables to suppliers, group companies and associates	803	-	803
Total current liabilities	12,110	-	12,110
Total liabilities	26,512	636	27,148

The receivables and payables balances with the group companies for 2019 and 2018 correspond mainly to loans granted and received by Audax Renovables, S.A. and its subsidiaries with Excelsior Times, S.L.U. As at 31 December 2019 the amount of non-current loans granted to Excelsior Times S.L.U. is of EUR 55,283 thousand, Audax Renovables, S.A. being the main lender, with maturities falling between 2023 and 2025 (EUR 80,009 thousand as at 31 December 2018), including principal and interest. Additionally, the current payables balances with Excelsior Times S.L.U. amount to EUR 18,937 thousand (EUR 14,000 thousand of non-current payables as at 31 December 2018).

Loans and non-current receivables with other related parties include loans granted to the companies incorporated as per equity accounting and to other investee companies which do not comprise the Group, in the amount of EUR 11,341 thousand (EUR 2,910 thousand as at 31 December 2018).

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b) Related party transactions

The amounts of the related party transactions are as follows:

2019	Group companies	Other related parties	Total
Income and similar			
Net sales	8,055	9	8,064
Sale of fixed assets	1,170		1,170
Services rendered	489	38	527
Financial Instruments			
Financial income	3,449	9	3,458
Total income	13,163	56	13,219
Expenses and similar			
Purchases	4,232	-	4,232
Purchase of shares	14,142	-	14,142
Purchase of fixed assets	-	322	322
Other received services	2,609	210	2,819
Financial Instruments			
Financial expenses	430	-	430
Total Expenses	21,413	532	21,945

2018	Group companies	Other related parties	Total
Income			
Net sales	709	-	709
Services rendered	2,855	90	2,945
Financial Instruments			
Financial income	2,213	108	2,321
Total income	5,777	198	5,975
Expenses			
Purchases	8,363	42	8,405
Other received services	692	-	692
Total Expenses	9,055	42	9,097

"Sales of fixed assets" for the year 2019 corresponds to the sale of technical installations and similar to a company of the Excelsior Group called Orus Renovables, S.L. This transaction did not generate any profit or loss for the Company.

"Purchase of shares" for the year 2019 includes the purchase of photovoltaic projects by Audax Renovables, S.A. from Audax Fotovoltaica, S.L. for the total amount of EUR 14,142 thousand (see note 2.5.b).

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In the year 2019 there were no transactions entered into with Directors and senior management, nor there were such transactions in the year 2018.

NOTE 23 - INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the Board of Directors

The Ordinary Meeting of Shareholders of the Parent Company, held on 29 April 2019, approved, in accordance with the previous report of the Appointments and Remuneration Committee, an amendment to the Group's current board members remuneration policy applicable in the years 2019, 2020 and 2021.

The Company's remuneration policy is designed to reward dedication, qualification and responsibility required by the office of Director, without compromising their independence. The remuneration comprises the performance of duties either individually or jointly and the oversight and responsibility required by the office.

The remuneration comprises (i) a monetary remuneration which the directors may receive for their attendance at the meetings of the Board of Directors, of the Audit Committee and of the Appointments and Remuneration Committee, as appropriate, in accordance with the criteria established in the remuneration policy; and (ii) a monetary remuneration for the directors who were given executive duties. Moreover, there is a remuneration for coordination duties, paid to the coordinating director of the Parent Company.

In the year 2019 the amount accrued by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 153 thousand (EUR 104 thousand in 2018) for their membership of the Board and its various Delegated Committees, as well as remuneration for their employment relationship or direct responsibilities at different executive levels, where appropriate.

In the year 2019 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 42 thousand (EUR 29 thousand in 2018).

As at 31 December 2019 the Board of Directors of the Parent Company is composed of 6 men.

Other information on Directors

Article 229 of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July 2010, has imposed on Directors, or their individual representatives, the duty to report to the Board of Directors, and failing that, the other Directors, or, in the case of a Sole Administrator, the General Meeting of Shareholders, any direct or Indirect conflict of interest they may have with the Company. The affected Director must abstain from intervening in the resolutions or decisions on the operation to which the conflict refers.

In this respect, it should be noted that in the year 2019, the director Rubén Clavijo entered into related party transactions, in an indirect way, through his shareholding in the company Enercapital Development, S.L. on photovoltaic projects for Audax Renovables, S.A., of a total amount of EUR 322 thousand. The total investment commitment of Audax Renovables for these three projects amounts to EUR 2,520,000 and 140 MWp, which will be paid at the completion of certain milestones.

Additionally to the information of the previous paragraph, in the years 2019 and 2018 no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
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(EUR thousands)

Likewise, it should be underlined that the rest of the Directors have declared that they are not subject to any direct or indirect conflict of interest with the Parent Company and its subsidiaries.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2019 by the Senior Management amounted to EUR 343 thousand (EUR 394 thousand for the year 2018). Furthermore, there is one contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2019 the Senior Management of the Group is made up of two women and one man, including the internal auditor (one woman and two men in 2018, including the internal auditor).

NOTE 24 - AUDITORS' FEES

The professional fees for the services rendered by the audit company KPMG Auditores, S.L. in auditing the annual financial statements of the Group in the years ended on 31 December 2019 and 2018, regardless of the moment of invoicing, are as follows:

	EUR thousands	
	2019	2018
Audit services	271	313
Other services	80	30
Total	351	343

Furthermore, in the years ended on 31 December 2019 and 2018 the Group was invoiced for net professional fees of other entities associated to KPMG International, according to the following breakdown:

	EUR thousands	
	2019	2018
Audit services	149	148
Other services	173	4
Total	322	152

On the other hand, other auditors have invoiced the Group in the year ended on 31 December 2019 for net fees for professional services in the amount of EUR 14 thousand (EUR 5 thousand as at 31 December 2018).

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
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NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

As at 31 December 2019 the Group has been given bank guarantees amounting to EUR 80,177 thousand (EUR 75,041 thousand at 31 December 2018) to cover the relevant obligations with third parties. The guarantees have been granted mainly to cover the transactions of electricity purchase on the market.

The Group does not expect that significant liabilities arise from the guarantees and sureties that have been granted.

The majority of the guarantees or bank guarantees which the Group provides in order to carry out its activity have not required pledging or limitations to the cash disposition, except for two deposits in the amount of EUR 11,386 thousand, which are pledged to a financial institution and are classified as current financial assets.

Contractual commitments

From the year 2019, the Group applies the new IFRS 16, which eliminates the classification between operating leases and finance leases, recognised in the balance sheet as the right-of-use assets and liabilities of the same amount at present value of the future payments to be made over the lease term (Note 2.1.).

This way, the future lease payments are recognised in the Balance sheet under the "Lease liabilities" heading.

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2018:

Period	31.12.18
Up to one year	1,761
One to five years	5,109
More than five years	7,851
Total	14,721

The Group's operating lease expenses in the year 2018 amounted to EUR 1,940 thousand.

Contingencies

The Audax Renovables Group considers that the provisions and value adjustments recorded in these consolidated annual accounts adequately cover the risks related to any possible contingencies and therefore, it does not expect that they will generate any liabilities or value adjustments other than those which have been recorded (Note 13).

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

NOTE 26 - ENVIRONMENT

Environmental aspects are borne in mind throughout the processing and construction of facilities, and all necessary studies required under the legislation of each country are prepared.

In the year 2019 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 121 thousand, mainly for wildlife conservation purposes (EUR 129 thousand in 2018).

NOTE 27 – GREENHOUSE GAS EMISSIONS RIGHTS

On 27 August 2004 Royal Decree Law 5/2004, which regulates the regime for trading in greenhouse gas emissions rights, was adopted, the objective of which was to assist in complying with the obligations under the Kyoto Protocol Convention.

The Group has not been assigned CO₂ emissions and has no expenses arising from the consumption of these rights. The Management of the Audax Renovables Group does not expect that any penalties or contingencies will arise from compliance with the requirements under Law 1/2005.

The wind farm of the Polish company Eólica Postolin Sp. z o.o. was endorsed to obtain Green Certificates. The volume of Green Certificates generated during the year 2019 by the company amounts to EUR 3,234 thousand (EUR 2,143 thousand in the previous year).

NOTE 28 - SUBSEQUENT EVENTS

In January 2020, Audax Renovables, S.A. signed a turnkey contract, or an EPC (Engineering, Procurement and Construction) contract between Da Vinci Energía, S.L.U (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. (belonging to the Risen Energy Co. Ltd group) for the construction of the photovoltaic plant Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 5 MWp. The construction works of this facility have already started.

In February 2020, Audax Renovables, S.A. signed another turnkey contract, or EPC contract between Las Piedras Solar, S.L.U. (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. for the construction of the photovoltaic plants Carolina I and II in the El Casar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 10 MWp. The construction works of both power plants are due to begin shortly.

In February 2020, the non-controlling shareholders of the Dutch subgroup, whose parent company is Main Energie, B.V. (formerly Audax Netherlands B.V.), formally announced their intention to exercise certain call options over the entirety of their shares for a price which does not differ significantly from the financial liability recorded by the Group as at 31 December 2019, that is EUR 15,227 thousand (Notes 2.3. and 12).

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
(EUR thousands)

ANNEX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2019

a) Shareholdings in subsidiary companies

Audax Renovables, S.A. has a controlling shareholding in the following companies:

Company's name	Registered address	Country	Objects	Shareholding	
				Direct	Indirect
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Nações Unidas, 23, Telheiras, 1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Audax Energía, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z.O.O.	Ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100%	-
Main Energie, B.V.	Stammerkamp 1, 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo (Burgos)	Spain	Generation	51%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eoliennes De Beausembiant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Eólica Postolín Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Audax Solar SPV IV, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VI, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV IX, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Aznalcóllar solar, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Botey Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Corot Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Las Piedras Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Da Vinci Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Elogia Calañas, S.L.	Calle Velázquez, 150, 5º - Madrid	Spain	Generation	100%	-
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	55%
Nabalía Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Accsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	51%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	51%
Iris Energía Eficiente, S.A.	Avda. Miquel de Cervantes 23, Murcia	Spain	Retailing	-	54%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	41%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	46%

b) Shareholdings in associated companies and joint ventures

Company's name	Registered address	Country	Objects	Shareholding			Controlling relation
				Direct	Indirect		
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panamá	Wind energy	30.00%	-		Significant influence

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the year 2019
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AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2018

a) Shareholdings in subsidiary companies

Audax Renovables, S.A. has a controlling shareholding in the following companies:

Company's name	Registered address	Country	Objects	Shareholding	
				Direct	Indirect
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Nações Unidas, 23, Escritorio C, Telheiras, 1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausembiant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyteltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energia, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	The Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.L.	Avda. Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	54%
Nabalía Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	50%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	50%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%

b) Shareholdings in associated companies and joint ventures

Company's name	Registered address	Country	Objects	Shareholding		Controlling relation
				Direct	Indirect	
Berta Energías Renovables, S.L.	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Wind energy	4.74%	21.05%	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Wind energy	-	30.30%	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panamá	Wind energy	30.00%	-	Significant influence

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2019

The following Consolidated Directors' Report for the Year 2019 has been drawn up in accordance with the "Guide for Setting up Listed Companies' Management Reports" issued by the CNMV.

1. Entity's situation

Audax Renovables, S.A. (hereinafter: Audax Renovables, Audax or the Company), incorporated in the year 2000 under the name of Fersa Energías Renovables, S.A., currently has its registered office at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

Audax and its Subsidiaries (hereinafter: the Group) operates on the markets in Spain, Portugal, Poland, Germany, Italy, France, the Netherlands and Panama.

Its principal objects include:

- Energy retailing, purchase and sale of electricity, including export and import, fuel retailing for energy production, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as all the necessary additional activities.
- Development, construction and exploitation of all kinds of activities related to electricity generation from 100% renewable sources.

In 2003 the shares of Audax were admitted to trading on the secondary market of the Barcelona Stock Exchange and in 2007 they were included in the SIBE (integrated stock exchange system) of the Madrid Stock Exchange. Now the shares are traded on the Spanish Continuous Market with the ticker symbol of ADX.MC.

In August 2016 Audax Energía, S.A., after its takeover bid had been accepted by 70.86% of the shareholders of Audax Renovables, became the majority shareholder the latter. The transaction was in line with the strategy of Audax Energía, S.A. of vertical integration between the generation and the retailing activities in order to mitigate the impact of electricity price fluctuations on the business margins.

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November 2018 by the board of directors of both companies, Audax Renovables, S.A. as the absorbing company, and Audax Energía, S.A. as the absorbed company.

The distribution of the share capital of Audax as at 31 December 2019 is as follows:

Shareholder	Shareholding
Eléctrica Nuriel, S.L.	88.48%
Free float	11.52%
Total	100.00%

1.1. Organisational structure

The Group manages jointly the businesses of both retailing and generating energy in order to optimise the vertical integration that has been carried out. Thus the entity's management is able to act flexibly in each one of the two existing business lines.

The information on the entity's management structure, the functions and the different regulations of the Board of Directors' committees is available in the Corporate Governance Annual Report attached to this document.

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 88.48% of the shares as at 31 December 2019. In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2019 is presented in Appendix I to this report.

1.3. Profile and strategy

The Group's strategy in recent years has been centred around three fundamental pillars:

- (i) A strong process of internationalisation referred to the retailing activity by establishing the Group in different European countries: Portugal (2013), Italy (2014), Germany (2015), Poland (2016) and the Netherlands (2017).
- (ii) A better positioning on the Spanish market by way of both organic and inorganic growth.
- (iii) The maintenance and optimisation of the facilities for the generation of energy from 100% renewable sources, thus enabling the vertical integration with the retailing activity and consequently providing the customers with 100% renewable energy.

In May 2019, the Group presented its guidelines for the future, with the aim to achieve certain objectives by the year 2022, the main of which are the following:

1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.
2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.
3. Replicate the success achieved in Spain on the international markets where the Group operates.

- **RETAILING:**

Spain and Portugal:

The retailing activity is based on a commodity product placed on a very competitive market, especially since the liberalisation of energy retailing in January 1998. On the basis of this liberalisation and considering the strong competition on the market, Audax strives to present new products which will set it apart from the competitors and which will better meet the needs of the clients, positioning a significant proportion of the sales in the SME segment.

In regard to the retailing activity, as at 31 December 2019 Audax Renovables ranks 10th on the Spanish electricity market, with a market share of 1.43%. In Portugal the company is ranked 9th among the retailers on the Portuguese market, with a market share of 1.11%.

The Company retails at three rates:

- I. Indexed rate: The client pays for the consumed electricity at a variable price depending on the sale price on the wholesale market. It allows access to the free market and paying for the energy at a cost price plus a management commission. Audax establishes a mark-up applied to the cost of energy.
- II. Flat indexed rate: It allows paying the same amount of the electricity invoice each month. This rate is established on a personalised basis depending on the consumption needs of the client and includes a mark-up for costs covering.
- III. Flat rate: In this case the prices of invoiced energy supply contracted as well as energy consumption are fixed during the validity of the contract, which is at least 12 months.

Italy:

Audax Energía, S.R.L. is involved in electricity and gas retailing and is present through its own trademarks that offer local services linked to the environment. It has 15 offices and the headquarters in Milan.

The Group entered the Italian market through the acquisition of the retailer BigEnergía, S.R.L. in 2014 and a subsequent acquisition of a portfolio of clients of Compagnia Energetica Italiana (CEI) with the aim of increasing the turnover.

Poland:

The Group entered the Polish market in 2016 through the acquisition of 51% of the retailer Deltis sp. z o.o., which changed its name to Audax Energía sp. z o.o. In March 2017 Audax acquired the remaining 49% of shares and now has control over the entire company.

The Group's strategy is to accelerate its growth in Poland, given the country's potential market of 1.8 million businesses and 14 million households.

Germany:

The Group initiated its activity on the German retailing market in 2015. Unlike in the internationalisation process carried out in other European countries – where the Group entered through the acquisition of an already operating company – the Group's strategy in Germany has been based on starting the retailing activity from scratch by creating the Audax Energie GmbH company.

the Netherlands:

In March 2017 the Group acquired 71.97% of the company Main Energie, B.V. (Main) involved basically in electricity and gas retailing on the Dutch market, mainly in the SME segment of the real property sector.

The acquisition of Main has enabled a more accelerated consolidation of the international expansion strategy by increasing the presence on the European market.

- **REPRESENTATION:**

Generación Iberia, S.L. is a company incorporated in 2005 for the purpose of representing the energy generation plants. Its aim is to maximise the profitability of the electricity producers. The company manages the sales of energy from independent generators at OMIE for the daily and intraday market.

Furthermore, the company offers complementary management services, such as hedging and guarantees management to OMEL and MEFF.

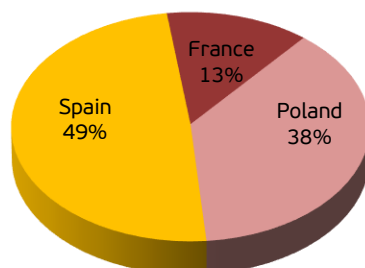
- **GENERATION:**

Currently Audax manages a total portfolio of operating plants of 91 MW in Spain, France and Poland, which are of wind technology; there is a project under construction in Panama, of 66MW (a 30% shareholding in the company Eólica Toabré, S.A.).

In the year 2019 Audax incorporated 320 MW in photovoltaic projects located in Andalucía, Castilla la Mancha and Murcia. There are plans for the energy produced in the future by these photovoltaic projects to be retailed through the incorporation of a PPA in the retailing division of Audax.

As at 31 December 2019 the distribution of the Audax's operating plants is as follows:

Installed capacity - 91 MW



Spain:

Currently Audax has in Spain 44.6 MW in operation, located in Cádiz. The incorporated photovoltaic projects of 320 MW will be also located in Spain.

France:

Currently Audax has an operating wind farm in France, of 12 MW, in the region of Drôme (in the south-east of the country).

Poland:

Audax has in Poland the Postolin wind farm of 34 MW, operating since December 2015. It is located in the north of the country, near the city of Sztum.

Panama:

Audax holds a 30% shareholding in the Parque Eólico Toabré, S.A. company, the owner of a wind farm under construction which, in the first stage, will have 66MW.

2. Evolution and results of the business

2.1. Significant events of the period

Audax Renovables ends the year 2019 with a Net Profit Attributable to the Parent Company of EUR 25,417 thousand, compared to EUR 8,412 thousand of the previous year. The EBITDA amounts to EUR 73,250 thousand, up by 37% from the same period of the previous year (EUR 53,395 thousand).

Among the most important events of the period, in chronological order, we can point out the following:

- On 18 February Audax renewed its current programme of promissory notes of EUR 50 million, expanding it with a new programme of up to EUR 75 million with a maturity period of up to 24 months.
- On 4 February Audax informed that it had commenced acting as a sales agent on the Portuguese market for the retail of electricity from the photovoltaic plant Ourika of 46 MWp, developed by WElink Group and owned by the company Morningchapter S.A., controlled by

Allianz Insurance Companies, on the basis of a 20-year Power Purchase Agreement (PPA).

- On 7 February the conclusion of a representation contract was announced, for the retail on the Portuguese market of the electricity generated by the photovoltaic plant Solar4, of 218.8 MWp, pursuant to a 20-year fixed-price PPA signed with WElink Investment Holdings (Ireland) Ltd., under which Audax will buy the energy produced by the projects in Spain and Portugal, with an option to achieve a total of 708 MW.
- On 19 March, an agreement was concluded, which regulates the long-term purchase and sale of electric power from diverse photovoltaic plants of the company Trina Solar (Spain) Systems S.L.U. in Spain. The Company will be buying, over the period of 20 years and under PPAs, all the electric power generated by the photovoltaic plants with a capacity of up to 300 MWp.
- In April, Audax announced that it was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.
- On 29 April the General Meeting of Shareholders was held, where, apart from disclosing the resolutions adopted by the General Meeting, the main guidelines towards 2022 were presented:
 1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.
 2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.
 3. Replicate the success achieved in Spain on the international markets where the Group operates.
- On 8 May, Audax announced the incorporation of photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia, 60 MW of which are currently in a very advanced stage of development. Those projects were acquired through purchase at a total price of EUR 19,848 thousand. The energy produced in the future by these photovoltaic projects will be retailed through the incorporation of a PPA in the retailing division of Audax.
- On 28 May Audax Renovables celebrated the first edition of its Investor Day. The Company was represented by Mr José Elías, Chairman, founder and majority shareholder, by Mr Eduard Romeu, Vice-Chairman and CEO, and Ms Anabel López, General Manager. In their address, the three executives explained the history of the company, the main factors and the guidelines for the future.

Audax Group targets

	2018		2022
Clients	306k	↗	+500k
Energy supplied	10 TWh	↗	±15 TWh
PPA coverage of supplied energy	1,668 MW *	↗	2/3
Revenues	±€1bn	↗	±€1.5bn
EBITDA	€53m	↗	+€100m
NFD NFD / EBITDA	€320m	↗	±1.5x

* MW in PPA agreements 2018 – 1Q 2019

Audax is working towards achieving by the year 2022 a portfolio of more than 500 thousand clients, supplying more than 15 TWh of energy, attaining a revenue of around € 1.5 billion and an EBITDA of over €100 million, through the means of doubling its profitability and relaxing financial leverage due to substantial cash generation.

- On 3 July the conclusion of a PPA was announced, the agreement having been signed with Statkraft, the biggest renewable energy producer in Europe. Over a period of ten years and a half, Statkraft will be supplying to Audax Renovables 525 GWh of electricity per year. The energy will come from its Spanish solar portfolio.
- On 1 August an agreement was concluded for a transfer of direct shares of two of its Spanish subsidiaries. The transactions were the following:
 - Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a solar project located in the Tarragona province, with installed capacity of 57.6 MW;
 - Sale of direct shares of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;

The buyers of those shares were, respectively, Helia Renovables II, F.C.R., a fund managed by Plenum Partners Asset Management SGEIC, S.A., and Minerva Renovables, S.A., a company advised and managed by Kira Renovables, S.L.

- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.
- On 18 November the Group signed an agreement for the long-term purchase of energy (PPA) with the German multinational Innogy SE. Over a period of ten years, Innogy will be supplying to Audax Renovables 100 GWh of electricity per year. The energy will come from the Innogy's power plant in Alarcos (Ciudad Real).
- On 24 November an announcement was made of the conclusion of a sale agreement under

which direct shares of 100% of share capital and loans associated to the company Parque Eólico Hinojal, S.L., a wind project located in the Cádiz province, with installed capacity of 36.0 MW;

- On 25 November, Audax announced the agreements reached in the General Assembly of the Syndicate of Noteholders, held on Friday, 22 November, regarding the issuances with code ISIN ES0305039010 and code ISIN ES0305039028.

2.2. Profit or loss for the financial year

The results of Audax presented in the notes to the Consolidated Annual Accounts for the year 2019 and its comparison to the year 2018 shall be regarded in the context of the merger by absorption already reflected in the consolidated annual accounts for the year 2018 and considering the following parameters:

- The financial statements related to the year 2018 have been restated, as the Group considers that the investment in the shares of the companies Main Energie B.V. y Audax Netherlands B.V. shall be considered at 100% of ownership instead of 71.97% as it was presented, as there is an agreement which makes it possible to reach 100%. The Consolidated Income Statement for the year 2018 has been amended in Financial Expenses, with an increase of EUR 585 thousand (see note 2.3 of the notes to the Consolidated Annual Accounts).
- The Consolidated Income Statement for the year 2019 incorporates the figures of UniEléctrica for the entire year 2019, however, in the profit and loss at the end of 2018 the figures of UniEléctrica from April to December were consolidated, due to its incorporation to the Group's consolidation scope from the date of the acquisition.

2.3. Analysis of the results

The most significant results figures for the year 2019 in comparison to the year 2018 are as follows:

Consolidated Income Statement	2019	2018	Var. (%)
Operating income	1,043,789	986,947	5.8
Gross margin	126,571	103,701	22.1
EBITDA	73,250	53,395	37.2
EBIT	47,022	28,316	n.a.
Net Profit / Loss	25,417	8,412	n.a.

EUR thousands

2019 audited / 2018 restated

(1) Operating income = Ordinary income + Other operating income

(2) Gross margin = Operating income + Procurement

(3) EBITDA (Gross operating income) = Gross margin + Employee benefits expense + Other operating expenses + Impairment and profit (loss) on disposal

(4) EBIT (Operating income) = Gross operating income (EBITDA) + Amortisation and depreciation

Operating Income has increased by 5.8%, due, among other factors, to the increase of sales in Spain, as well as, particularly, in the Netherlands, Poland and Germany in the retail sector. The income of the generation division has been affected by the exit from the scope by operating projects, however, the income of international power plants has been 34% higher than in the same period off the previous year.

Due to the increase of income together with the implementation of improvements in the procurement management, the Gross Margin is at 12.2% of the turnover, compared to 10.5% in the same period of the previous year.

The policy of cost containment in this period of global growth, as well as a reduction of the expenses

by the implemented transfers of generating projects, have contributed to a 1% decrease of operating expenses in comparison to the previous year.

The Group's EBITDA has reached EUR 73,250 thousand, compared to EUR 53,395 thousand of the previous year, up by 37.2%.

Amortisation and depreciation of fixed assets decreased by 4.6%, primarily due to the transfers of power generating entities.

The financial income (expense) has improved by 18.7%, due to, among other factors, a reduced financial charge because of the sale of generation projects mentioned above, which had their financing linked to the project finance. Moreover, the financial liabilities to third parties and to related parties have been reduced throughout the year.

Audax Renovables ends the year 2019 with a Net Profit Attributable to the Parent Company of EUR 25,417 thousand, compared to the profit of EUR 8,412 thousand of the previous year, consolidating the objectives set for the year 2022.

2.4. Profit and loss by segments

The overview of the results up to EBITDA of the main business segments by geographical region is as follows:

2019	Retailing			Generation			TOTAL CONSOLIDATED
	Spain and Portugal	Rest of Europe ⁽¹⁾	Subtotal Retail	Spain	Rest of Europe ⁽²⁾	Subtotal Gener.	
Operating income	764,175	246,915	1,011,090	22,465	10,234	32,699	1,043,789
Procurement and others	-694,829	-222,389	-917,218	0	0	0	-917,218
Gross margin	69,346	24,526	93,872	22,465	10,234	32,699	126,571
Operating expenses	-35,879	-15,398	-51,277	-5,200	-1,791	-6,991	-58,268
Impairment, reversal and profit (loss) on disposal	27	56	83	4,864	0	4,864	4,947
EBITDA	33,494	9,184	42,678	22,129	8,443	30,572	73,250
2018	Retailing			Generation			TOTAL CONSOLIDATED
	Spain and Portugal	Rest of Europe ⁽¹⁾	Subtotal Retail	Spain	Rest of Europe ⁽²⁾	Subtotal Gener.	
Operating income	726,012	224,845	950,857	28,658	7,432	36,090	986,947
Procurement and others	-676,555	-206,691	-883,246	0	0	0	-883,246
Gross margin	49,457	18,154	67,611	28,658	7,432	36,090	103,701
Operating expenses	-27,207	-20,720	-47,927	-9,006	-1,948	-10,954	-58,881
Impairment, reversal and profit (loss) on disposal	-6	54	48	1,983	6,544	8,527	8,575
EBITDA	22,244	-2,512	19,732	21,635	12,028	33,663	53,395

Rest of Europe ⁽¹⁾ in Retailing includes Italy, Poland, Germany and the Netherlands

Rest of Europe ⁽²⁾ in Generation includes France and Poland

EUR thousands

In the retail division of the Spain and Portugal region, the good performance of the business and the incorporation of UniEléctrica to the Group in April 2018 are reflected in the growth of EBITDA, which amounts to EUR 33,494 thousand, compared to EUR 22,244 thousand for the previous year (up by 51%).

The retail division in the rest of Europe places its EBITDA at EUR 9,184 thousand for the year 2019, compared to EUR -2,512 thousand for the same period of the previous year, thus materialising the strategy to replicate the success obtained in Spain on the international markets, mainly in Poland and Germany.

In the generation segment, the exit of Mudefer, Hinojal and Gestora lead to a reduction of income in Spain, but due to, among others, the good performance of Postolin in Poland, the operating income of this division decreased only by 9%. The asset rotation policy, with the exit of the operating projects mentioned above and the ongoing launch of 320 MW in photovoltaic projects, will soon bring an adjustment to this decrease.

Taking into account the effects of impairment, reversal and profit and loss on disposal in both financial years, the Group's EBITDA has been of EUR 73,250 thousand, compared to EUR 53,395 thousand of the previous year, thus increasing by 37.2%.

2.5. Principal operating figures

The principal figures arranged by segments are as follows:

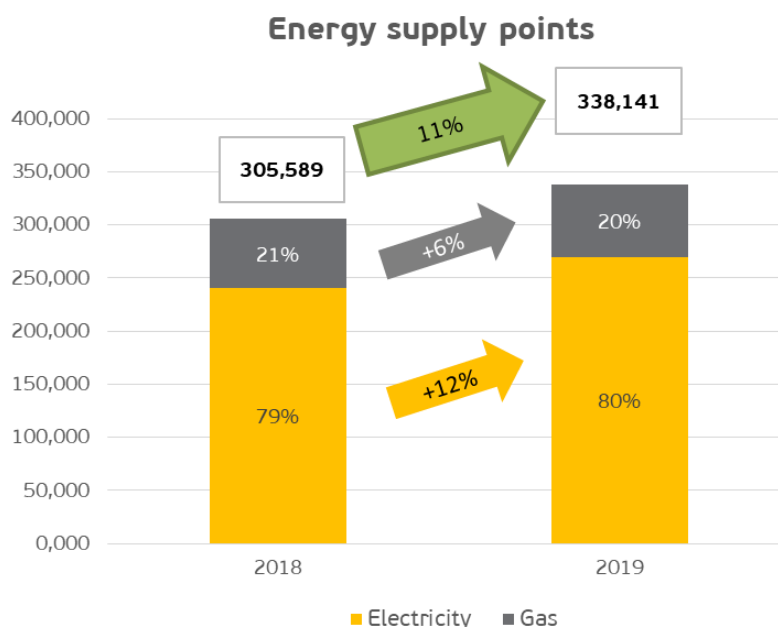
- **Retailing:**

- **Supply points:**

At the balance sheet date of the year 2019 Audax has more than 338 thousand active energy supply points, approximately 11% more than at the end of 2018.

Of the total number of supply points, 80% are electricity supply points. In the year 2019 the number of electricity supply points increased by 12%.

Gas supply points represent 20% of the Group's total number (6% more in comparison to the same period of the previous year).

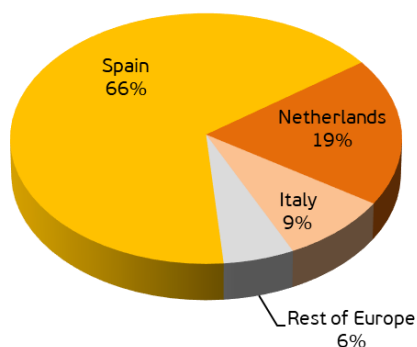


The following table shows the evolution of the supply points in the two years by geographical region:

Energy supply points	2019	2018	% Var.
Spain	224,538	174,844	28.4
Electricity	192,810	156,019	23.6
Gas	31,728	18,825	68.5
Netherlands	64,547	66,220	-2.5
Electricity	40,902	40,758	0.4
Gas	23,645	25,462	-7.1
Italy	29,795	46,873	-36.4
Electricity	18,139	26,721	-32.1
Gas	11,656	20,152	-42.2
Rest of Europe (RoE)	19,261	17,652	9.1
Electricity	17,333	16,743	3.5
Gas	1,928	909	n.a.
TOTAL ENERGY SUPPLY POINTS	338,141	305,589	10.7
Total Electricity	269,184	240,241	12.0
Total Gas	68,957	65,348	5.5

The distribution of the supply points by geographical region at the end of the year is as follows:

Energy supply points 2019



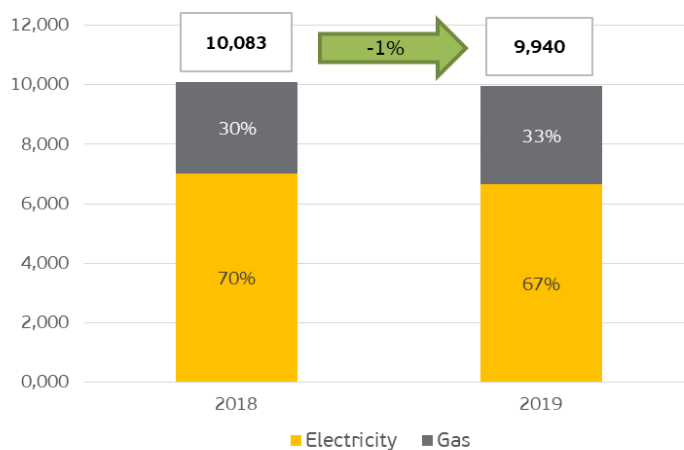
Supplied energy:

The total amount of energy supplied by Audax in the year 2019 is of 9.9 TWh, compared to 10.1 TWh of the previous year. This decrease is connected with the reduction over this period (12 months) by 1.7% of the demand on the peninsula, adjusted by a lower number of working days and higher temperatures, according to R.E.E.*

Within the Group, electricity represents 67%, whereas the gas constitutes 33% of the total.

* R.E.E.: Official Gazette of Electric Power #36 - December 2019 - Spanish Electricity Network

Energy supplied (GWh)

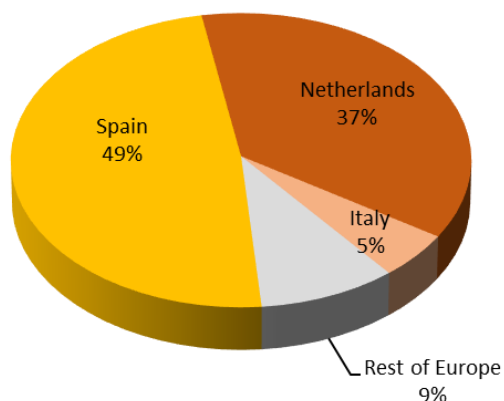


The following table shows the evolution of the supplied energy in the two years by geographical region:

Energy supplied (GWh)	2019	2018	% Var.
Spain	4,827	4,415	9.3
Electricity	3,980	4,006	-0.6
Gas	847	409	n.a.
Netherlands	3,665	3,807	-3.7
Electricity	1,619	1,638	-1.2
Gas	2,046	2,169	-5.7
Italy	509	688	-26.0
Electricity	218	305	-28.6
Gas	292	383	-23.9
Rest of Europe (RoE)	938	1,173	-20.0
Electricity	834	1,074	-22.3
Gas	104	99	5.2
TOTAL ENERGY SUPPLIED	9,940	10,083	-1.4
Total Electricity	6,651	7,022	-5.3
Total Gas	3,289	3,061	7.4

The distribution of the supplied energy by geographical region at the end of the year is as follows:

Energy supplied 2019



○ **Generation:**

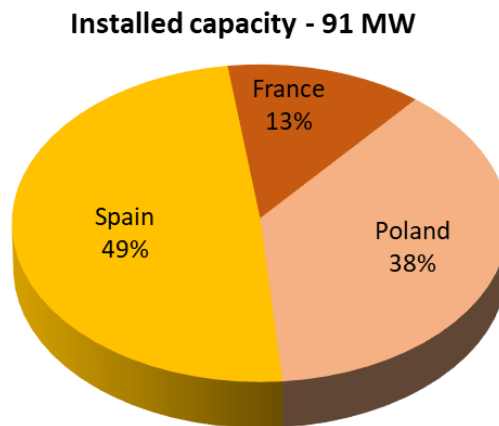
The Group's renewable energy generation division has changed its installed capacity during the year 2019 in comparison to the year 2018, due to the transfers carried out. The transactions were the following:

- Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a solar project located in the Tarragona province, with installed capacity of 57.6 MW;
- Sale of direct shares of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;
- Sale of direct shares of 100% of share capital and loans associated to the company Parque Eólico Hinojal, S.L., a solar project located in the Cádiz province, with installed capacity of 36.0 MW.

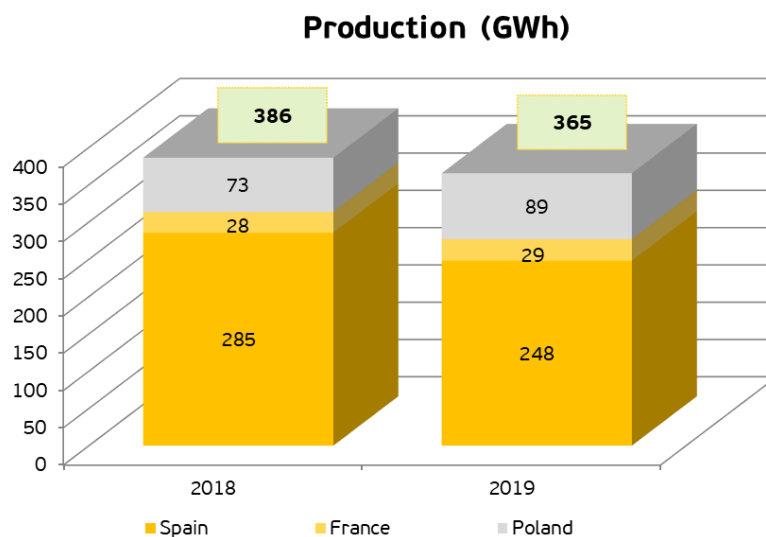
The aforementioned transactions match the objective to reduce the group's debt and are in line with the asset rotation strategy implemented by the Company, these objectives having been presented on the Investor Day celebrated last May. Thus, the installed capacity at the end of 2019 is of 91 MW, belonging wholly to wind technology.

On 8 May 2019, photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia were incorporated, 60 MW of which are currently in a very advanced stage of development. These projects, when put into operation, will supply around 600 GWh of green energy per year, which correspond to the annual consumption of more than 175,000 households.

The distribution of this operating installed capacity by country is as follows:



The production for the year 2019 has reached 365 GWh, only 5% less than in the same period of the previous year, bearing in mind that the production of the wind farm Mudefer of 57.6 MW, of the photovoltaic plant Gestora of 1 MW and of the wind farm Hinojal of 36 MW are not included in these figures for the year 2019 from the dates of their respective sale. The production of comparable plants for the year 2018 was 6% higher, the good performance of the Postolin wind farm in Poland standing out.



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	dec-19	dec-18	Var.	%
Financial Debt (1)	328,393	398,509	-70,116	-17.6
Other financial liabilities	29,346	24,560	4,786	19.5
Derivatives	7,928	-863	8,791	n.a.
Cash and other financial assets	-183,281	-115,490	-67,791	58.7
Net Financial Debt (2)	182,386	306,716	-124,330	-40.5
Net Equity (3)	155,714	139,566	16,148	11.6
Leverage (4)	53.9%	68.7%	-14.8	-21.5

EUR thousands

(1) Financial Debt = Debt of bonds and other marketable securities

+ Bank debts

(2) Net Financial Debt = Financial Debt + Other financial liabilities + Derivatives + Cash and other financial assets

(3) Net Equity = Parent Company Net Equity + minority interests

(4) Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net Financial Debt at the end of 2019 amounts to EUR 182,386 thousand, compared to EUR 306,716 thousand as at 31 December 2018 (a decrease of 40.5%). Likewise, the Leverage decreased by 21.5% (14.8 basis points).

The implementation of IFRS 16 "Financial Leases", applicable from 1 January 2019, has led to an increase of the account Other financial liabilities by EUR 9,629 thousand in comparison to December 2018. Without the implementation of IFRS 16, the Net Financial Debt would have been of EUR 172,757 thousand (decreasing by 43.7%) and the Leverage would have been of 52.6%, that is down 23.5% compared to December 2018.

The sale of the generation projects reduces the Net Financial Debt linked to them by an aggregate amount of EUR 66,977 thousand, of the total reduction for the year 2019 amounting to EUR 124,330 thousand.

3.2. Rating management

On 29 April, the rating agency AXESOR RISK MANAGEMENT S.L.U. awarded Audax Renovables, S.A. a "BBB-" stable outlook rating.

3.3. Debt structure

In regard to financial liabilities, their structure by type of debt is as follows:

Financial Liabilities breakdown (1)	dec-19	% total
Bonds	136.240	38%
Project Finance	33.864	9%
Promissory notes	74.478	21%
Loans	36.099	10%
Reverse factoring and similar	34.322	10%
Credit facilities	13.391	4%
Other liabilities	19.716	6%
Financial leases	9.629	3%
Total Financial Liabilities	357.739	100%

(1) Financial Liabilities = Financial Debt + Other financial liabilities

EUR thousands

The issues of bonds and promissory notes on the MARF throughout the year 2019 contributed to increase this kind of financing, comprising 39% and 21% respectively of the total of the aforementioned financial liabilities.

The Project Finance structures pertain to financing granted for the construction of renewable energy generation plants, and they have decreased considerably this year due to the transactions carried out. Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk. These loans comprise around 9% of the total financial liabilities.

The issues of bonds and promissory notes on the MARF throughout the year 2018 contributed to increase this kind of financing by EUR 50,854 thousand, comprising 24% and 11% respectively of the total of the aforementioned financial liabilities. The said issues were as follows:

- In February 2019 Audax registered a programme of promissory notes under the name of "Programa de Pagares Audax 2019" on the Alternative Fixed-Income Market ("MARF") in the amount of EUR 75 million and with maturity period of 24 months.
- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.

See Note 14 of the notes to the consolidated annual accounts about Financial Liabilities for more detailed information.

4. Main risks and uncertainties

The Company's Risk Control and Management System

As a general rule, the Group considers "risk" to be any danger that an event, action or omission might prevent the Group from achieving its objectives and implementing successfully its strategies.

The Company has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Group's general Policy of Risk Control and Management updated in 2019, the risk factors are, in general, the ones specified below:

- a) Corporate governance risks.
- b) Financial risks
 - (i) Credit risks
 - a) Energy generation activity
 - b) Energy retail activity
 - (ii) Market risk
 - (iii) Electricity market price volatility risk
 - (iv) Liquidity risk
 - (v) Interest rate risk
 - (vi) Guarantee terms risk
 - (vii) Access to finance
 - i. Exchange rate risk
 - ii. Capital management risk
 - iii. Financial restriction risk
- c) Risks related to the activity sector
 - i. Macroeconomic risks
 - ii. Market concentration risks
- d) Regulatory risk

- i. Retail activity
 - ii. Generation activity
- e) Competition risk
- f) Operational risks
 - i. Cost of deviation of demand for energy
 - ii. Risk of malfunction
- g) Risk of exposition to the Spanish market
- h) Litigation and reclamation risk
- i) Dependence and concentration of qualified providers
- j) Risk related to the meteorological conditions
- k) Risk related to insurance
- l) Dismantling of facilities
- m) Dependence on factors impossible to control by the Group
- n) Group's specific risks
 - i. Concentration in Audax ownership
 - ii. Customer concentration
 - iii. Information systems risk
 - iv. Risk derived from debt
 - v. Key-person dependency risk
 - vi. Risk of fraud
 - vii. Other risks related to the retail activity
 - (a) Risk of product or price of the retail activity
 - (b) Risk of reduced ability to negotiate price

5. R+D+i activities

In the year 2019 the Group allocated EUR 653 thousand to the R+D+i activities.

6. Staff

As at 31 December 2019 the number of the Group's employees is 550, the average of the year 2019 being 543 employees.

7. Environment

Environmental aspects are borne in mind throughout the entire process of obtaining authorisation, building the generation plants and preparing the studies based on the legislation governing each country.

In the year 2019 the Group incurred environmental expenditure amounting to EUR 121 thousand, mainly for wildlife conservation.

8. Acquisition and disposal of treasury shares

As at 31 December 2019 the Company does not hold treasury shares.

9. Other important information

9.1. Stock market information

The price of the shares of Audax (ADX.MC) in the current year 2019 has increased by 66.54%, with high average trading volumes, which ensure the share liquidity on the market.

The stock market evolution of Audax during 2019 was as follows:



The following table shows the main trading data:

Audax Renovables - ADX.MC	2019	Units
Number of shares admitted to trading	440,291,054	Num.
Share price at the beginning of the period	1.285	€ / share
Share price at the end of the period	2.140	€ / share
Maximum trading price	2.780	€ / share
Minimum trading price	1.370	€ / share
Trading price fluctuation during the period	66.54	%
Capitalisation at the end of the period	942,222,856	€
Number of traded shares	176,841,551	Num.
Effective volume	370,358,782	€
Daily volume of traded shares (average)	693,496	Num.
Effective daily volume (average)	1,452,387	€

9.2. Dividend policy

The goal of the Board of Directors of Audax is to maximise the remuneration to the shareholders.

Audax endeavours to ensure the dividend payout, providing that pertinent factors are fulfilled regarding cash generation and distributable reserves availability.

9.3. Other information

Alternative Performance Measures (APM)

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) Audax reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures, in addition to the financial ones, are used for the purpose of establishing budgets and goals and of managing business, assessing its financial and operating performance and comparing it with previous periods and with the performance of the competitors. The presentation of such measures is assumed to be helpful because they can be used for analysis and comparison of profitability between companies and industries, as the impact of the financial structure of the accounting effects other than cash flows are excluded.

Non-financial measures are also presented, because these and other similar measures are generally used by investors, securities analysts and other brokers as complementary performance measures.

In general, these APM are used in the Directors' Report so there is direct traceability to the consolidated income statement and no reconciliation is needed.

The APM that the Group considers most important are set out below:

Consolidated Income Statement	2019	2018	Var. (%)
Operating income	1,043,789	986,947	5.8
Gross Margin	126,571	103,701	22.1
EBITDA	73,25	53,395	37.2
EBIT	47,022	28,316	n.a.
EUR thousands			

The reconciliation between the EBITDA and the Consolidated profit and loss for the year is as follows:

	2019	2018
EBITDA	73,250	53,395
Assets amortisation	-26,228	-25,079
EBIT	47,022	28,316
Financial income	4,005	4,124
Financial expenses	-19,490	-20,831
Exchange differences	-106	-94
Profit/loss from disposal of financial instruments	1,687	-291
Financial profit/loss	-13,904	-17,092
Share in the profit/loss of associated companies	-87	-48
Profit/loss before tax	33,031	11,176
Corporate income tax	-1,693	-1,772
Consolidated profit/loss for the year	31,338	9,404
Profit/loss attributed to minority interests	-5,921	-992
Net Profit / Loss	25,417	8,412
(EUR thousands)		

The main operating figures are as follows:

Production (GWh)	2019	%	2018	%	Var. (%)
Spain	247.9	68%	285.4	74%	-13.1
France	28.9	8%	27.9	7%	3.6
Poland	88.5	24%	72.8	19%	21.6
Total	365.3	100%	386.1	100%	-5.4

Energy supply points	2019	2018	% Var.
Spain	224,538	174,844	28.4
Electricity	192,810	156,019	23.6
Gas	31,728	18,825	68.5
Netherlands	64,547	66,220	-2.5
Electricity	40,902	40,758	0.4
Gas	23,645	25,462	-7.1
Italy	29,795	46,873	-36.4
Electricity	18,139	26,721	-32.1
Gas	11,656	20,152	-42.2
Rest of Europe (RoE)	19,261	17,652	9.1
Electricity	17,333	16,743	3.5
Gas	1,928	909	n.a.
TOTAL ENERGY SUPPLY POINTS	338,141	305,589	10.7
Total Electricity	269,184	240,241	12.0
Total Gas	68,957	65,348	5.5

Energy supplied (GWh)	2019	2018	% Var.
Spain	4,827	4,415	9.3
Electricity	3,980	4,006	-0.6
Gas	847	409	n.a.
Netherlands	3,665	3,807	-3.7
Electricity	1,619	1,638	-1.2
Gas	2,046	2,169	-5.7
Italy	509	688	-26.0
Electricity	218	305	-28.6
Gas	292	383	-23.9
Rest of Europe (RoE)	938	1,173	-20.0
Electricity	834	1,074	-22.3
Gas	104	99	5.2
TOTAL ENERGY SUPPLIED	9,940	10,083	-1.4
Total Electricity	6,651	7,022	-5.3
Total Gas	3,289	3,061	7.4

The Net Financial Debt is as follows:

Net Financial Debt	dec-19	dec-18	Var.	%
Non-current financial liabilities	217,176	246,183	-29,007	-11.8
Debt of bonds and other marketable securities	143,184	96,938	46,246	47.7
Bank loans	46,554	129,873	-83,319	-64.2
Financial leases liabilities (IFRS 16)	8,267	0	8,267	n.a.
Other financial liabilities	19,171	19,372	-201	-1.0
Current financial liabilities	140,563	176,886	-36,323	-20.5
Debt of bonds and other marketable securities	67,534	67,985	-451	-0.7
Bank loans	71,121	103,713	-32,592	-31.4
Financial leases liabilities (IFRS 16)	1,362	0	1,362	n.a.
Other financial liabilities	546	5,188	-4,642	-89.5
Derivatives	7,928	-863	8,791	n.a.
Cash and financial assets equivalents	-183,281	-115,490	-67,791	58.7
Current financial assets	-32,497	-17,177	-15,320	89.2
Cash and cash equivalents	-150,784	-98,313	-52,471	53.4
Net Financial Debt *	182,386	306,716	-124,330	-40.5
Of the Parent Company	122,221	106,308	15,913	15.0
Of the Minority interest	33,493	33,258	235	0.7
Net Equity **	155,714	139,566	16,148	11.6
Leverage ***	53.9%	68.7%	-14.8	-21.5

(EUR thousands)

* Net Financial Debt = Non-current financial liabilities + Current financial liabilities + Derivatives + Cash and others

** Net Equity = Net Equity of the Parent Company + of the Minority interest

*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

The implementation of IFRS 16 "Financial Leases", applicable from 1 January 2019, has led to an increase of the account Other financial liabilities by EUR 9,629 thousand in comparison to December 2018. Without the implementation of IFRS 16, the Net Financial Debt would have been of EUR 172,757 thousand (decreasing by 43.7%) and the Leverage would have been of 52.6%, that is down 23.5% compared to December 2018.

Net Financial Debt (without IFRS 16 effect)	dec-19	dec-18	Var.	%
Net Financial Debt	172,757	306,716	-133,959	-43.7
Net Equity	155,714	139,566	16,148	11.6
Leverage	52.6%	68.7%	-16.1	-23.5

(EUR thousands)

The following table shows the main stock market data:

Stock Market Data	Audax Renovables - ADX.MC		Units
	2019	2018	
Number of shares admitted to trading	440,291,054	140,003,778	Num.
Share price at the beginning of the period	1.285	0.450	€ / share
Share price at the end of the period	2.140	1.865	€ / share
Maximum trading price	2.780	3.200	€ / share
Minimum trading price	1.370	0.450	€ / share
Trading price fluctuation during the period	12.79	314.44	%
Capitalisation at the end of the period	942,222,856	261,107,046	€
Number of traded shares	176,841,551	445,767,192	Num.
Effective volume	370,358,782	903,726,428	€
Daily volume of traded shares (average)	672,390	2,333,860	Num.
Effective daily volume (average)	1,452,387	4,731,552	€
Number of shares	440,291,054	140,003,778	Num.
Average number of shares	440,291,054	171,438,810	Num.
Profit/Loss attributable to Parent Company	25,417,362	8,411,853	€
Profit/Loss per share			
- Basic	0.0577	0.0491	€ / share
- Diluted	0.0577	0.0491	€ / share

10. Significant events subsequent to the balance sheet date

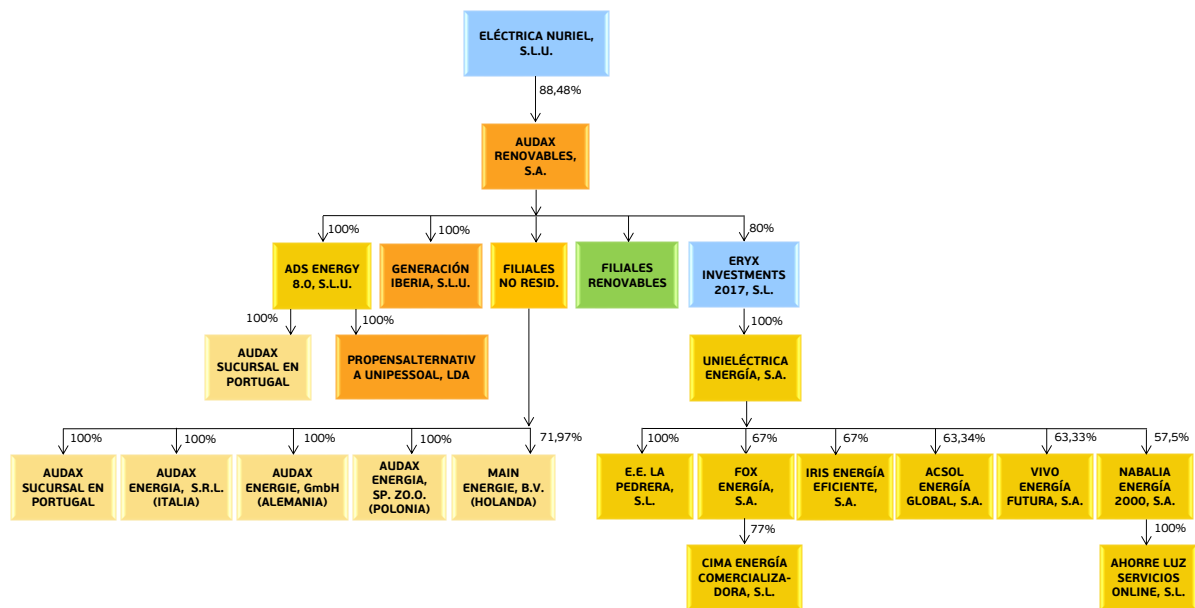
- On 20 January 2020 the Company announced the commencement of the construction of the photovoltaic plant of Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) with 5 MWp capacity. Furthermore, the Company announced the plan to sign an EPC contract and commence the construction of the photovoltaic plants Carolina I and II of 10 MWp together, both being located in the municipality of El Casar (Guadalajara, Castilla-La Mancha).

11. Non-financial information statement

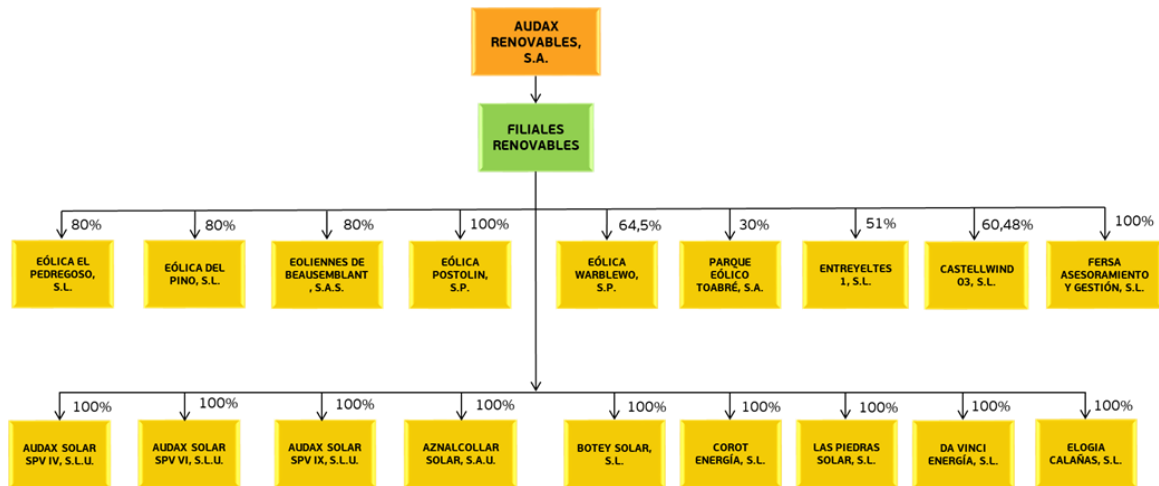
The Consolidated Non-Financial Information Statement has been prepared in accordance with the standards of the Global Reporting Initiative (GRI), constitutes part of the Directors' Report and is presented in a separate document.

Annex I: Company's structure

The following is a chart of the corporate structure of Audax Renovables, S.A., whose majority shareholder is Eléctrica Nuriel, S.L.U. which as at 31 December 2019 holds 88.48% of the shares.



Within the “RENEWABLE SUBSIDIARIES” there are the following companies:



The corporate chart of Audax as at 31 December 2019 indicating the shareholding in each of the companies is as follows:

Company	Holding direct + indirect	Country	Division
Generación Iberia, S.L.	100%	Spain	Retail
ADS Energy 8.0., S.L.U.	100%	Spain	Retail
Eryx Investments, S.L.U.	80%	Spain	Retail
Unieléctrica Energía, S.A.	80%	Spain	Retail
Fox Energía, SA	55%	Spain	Retail
Nabilia Energía 2.000, S.A.	46%	Spain	Retail
Acsol Energía Global, S.A.	51%	Spain	Retail
Vivo Energía Futura, S.A.	51%	Spain	Retail
Iris Energía Eficiente, S.A.	54%	Spain	Retail
Cima Energía Comercializadora, S.L.	41%	Spain	Retail
Ahorre Luz Servicios Online, S.L.	46%	Spain	Retail
Propensalternativa Unipessoal, LDA	100%	Portugal	Retail
Audax Energia, S.R.L.	100%	Italy	Retail
Audax Energie, GmbH	100%	Germany	Retail
Audax Energía, SP. Z O.O.	100%	Poland	Retail
Main Energie, B.V.	72%	the Netherlands	Retail
Eólica El Pedregoso, S.L.	80%	Spain	Generation
Eólica Del Pino, S.L.	80%	Spain	Generation
Fersa Asesoramiento y Gestión, S.L.U.	100%	Spain	Generation
Castellwind 03, S.L.	60%	Spain	Generation
Entreyeltes 1, S.L.	51%	Spain	Generation
Eoliennes De Beausemblant, S.A.S.	80%	France	Generation
Eólica Postolin Sp Z.o.o	100%	Poland	Generation
Eolica Warblewo Sp Z.o.o	65%	Poland	Generation
Parque Eólico Toabré, S.A.	30%	Panama	Generation
Explotación Eólica La Pedrera, S.L.U.	80%	Spain	Generation
Audax Solar SPV IV, S.L.U.	100%	Spain	Generation
Audax Solar SPV VI, S.L.U.	100%	Spain	Generation
Audax Solar SPV IX, S.L.U.	100%	Spain	Generation
Aznalcóllar Solar, S.L.	100%	Spain	Generation
Botey Solar, S.L.	100%	Spain	Generation
Corot Energía, S.L.	100%	Spain	Generation
Las Piedras Solar, S.L.	100%	Spain	Generation
Da Vinci Energía, S.L.	100%	Spain	Generation
Elogía Calañas, S.L.	100%	Spain	Generation

Annex II: Corporate Governance Annual Report



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

ISSUER'S PARTICULARS

Financial year end: 31/12/2019

Tax identification code: A62338827

Registered name:

AUDAX RENOVABLES, S.A.

Registered office:

AVENIDA NAVARRA, 14 (BADALONA) BARCELONA

A. OWNERSHIP STRUCTURE

A. 1. Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
29/04/2019	44,029,105.40	440,291,054	440,291,054

Indicate whether there are different classes of shares with different associated rights:

Yes
 No

A. 2. Provide details of the direct and indirect holders of significant shareholdings at the year end, excluding directors:

Name or company name of the shareholder	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
EXCELSIOR TIMES, S.L.U.	0.00	88.48	0.00	1.81	90.29

Details of indirect shareholding:

Name or company name of indirect holder	Name or company name of direct holder	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights
EXCELSIOR TIMES, S.L.U.	ELECTRICA NURIEL, S.L.U.	88.48	1.81	90.29

Indicate the most significant changes in the shareholding structure occurred during the year:

Most significant changes

On 29 April 2019 the ordinary general meeting of shareholders of Audax Renovables, S.A. (the "Company") approved the reduction of share capital by the amount of EUR 264,174,632.40 through reducing the nominal value of each one of the 440,291,054 shares by EUR 0.60 and thus establishing the nominal value at EUR 0.10 per share, with the only purpose of restoring the balance between the Company's share capital and the net equity, previously altered as a consequence of negative reserves originated by the accounting for the assets and liabilities of the company Audax Energía, S.A.U. after the merger through acquisition of the latter by the Company.

The resolution was notarised by the Notary of Badalona, Mr Arturo Pérez López, who acted in substitution of the notary of the same district, Mr Ramón José Vázquez García, under number 792 of his notarial records, and was duly entered in the Commercial Register of Barcelona on 2 July 2019.

After the reduction, the Company's share capital amounts to EUR 44,029,105.40, divided in 440,291,054 shares of EUR 0.10 of nominal value each, of the same class or series.

In accordance with article 335 a) of the Spanish Corporate Enterprises Act, due to the purpose of the share capital reduction, the creditors could not oppose to it.

All the shares have been admitted to trading on the Stock Exchange of Madrid and Barcelona with effect as of 9 July 2019.

A.3. Fill in the following tables listing the members of the company's board of directors who hold voting rights on the company shares:

Name or company name of the director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	0.00	88.48	0.00	1.81	90.29	0.00	0.00

% of total voting rights belonging to the board of directors	90.29
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Details of indirect shareholding:

Name or company name of the director	Name or company name of direct holder	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights	% of voting rights that can be transmitted through financial instruments
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL, S.L.U.	88.48	1.81	90.29	0.00

Mr Francisco José Elías Navarro is the sole shareholder of Excelsior Times, S.L.U., which, in turn, is the sole shareholder of Eléctrica Nuriel, S.L.U., the company that is the owner of shares representing approximately 88.48% of share capital of Audax Renovables, S.A. and of a financial instrument which enables the repurchase of approximately 1.81% of the voting rights. As a consequence, the total percentage of the voting rights is 90.29%.

A. 4. Where applicable, indicate any family, commercial, contractual or corporate relationships between the owners of significant shareholdings, insofar as they are known to the company, unless they are irrelevant or arise from normal business activities, except for those detailed in section A.6:

Related-party name or company name	Type of relationship	Short description
No data		

- A. 5. Where applicable, indicate any commercial, contractual or corporate relationships between the owners of significant shareholdings and the company and/or its group, unless they are irrelevant or arise from normal business activities:

Related-party name or company name	Type of relationship	Short description
No data		

- A. 6. Describe the relationships, unless insignificant for both parties, existing between significant shareholders or shareholders represented in the board and directors or their representatives in the case of corporate directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate the directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies of their group, specifying the nature of such relationships. In particular, mention the possible existence, identity and post of directors or their representatives of the listed company, who are, in turn, members of the governing body or representatives of companies that hold significant shareholdings in the listed company or in group companies of those significant shareholders :

Name or company name of the related director or representative	Name or company name of the related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL, S.L.U.	EXCELSIOR TIMES, S.L.U.	Mr Francisco José Elías Navarro is direct holder of 100% of shares of Excelsior Times, S.L.U. and, through this company, of 100% of shares of Eléctrica Nuriel, S.L.U.
Mr EDUARD ROMEU BARCELÓ	ELECTRICA NURIEL, S.L.U.	EXCELSIOR TIMES, S.L.U.	Mr Eduard Romeu Barceló is corporate director of the group of companies of which Excelsior Times, S.L.U. is the parent company.



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

- A. 7. Indicate whether the company has been notified of any shareholders' agreements that affect it pursuant to article 530 and 531 of the Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders bound by the agreement:

Yes
 No

Indicate whether the company is aware of the existence of any concerted actions between its shareholders. If so, briefly describe them:

Yes
 No

Expressly indicate any amendments to, or termination of, such agreements or concerted actions during the year:

N/A.

- A. 8. Indicate whether there is any individual or legal entity that exercises or may exercise control over the company pursuant to article 5 of the Securities Market Act. If so, identify them:

Yes
 No

Name or company name
FRANCISCO JOSÉ ELÍAS NAVARRO

- A.9. Fill in the following tables about the company's treasury shares:

As at the year-end date:

Number of direct shares	Number of indirect shares(*)	% of total share capital
		0.00

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain the significant changes occurred during the year:

Explain significant changes

N/A.

A.10. Give details of the terms and conditions of the general meeting of shareholders' current mandate to the board of directors to issue, buy back or transfer treasury shares:

N/A.

A.11. Estimated free float:

	%
Estimated free float	11.52

A.12. Indicate whether there is any restriction (stipulated by articles of association, statutory or of any other nature) on the transferability of securities and/or any restriction on voting rights. In particular, state the existence of any kind of restriction which may hinder a takeover of the company by means of acquisition of shares on the market, as well as any authorisation or notification systems that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes
 No

A.13. Specify whether the general meeting has agreed to take up neutralisation measures against a takeover bid by virtue of provisions of Law 6/2007.

Yes
 No

If applicable, explain the measures approved and terms under which the restrictions would not be enforceable:

A.14. Indicate whether the company has issued securities that are not traded on a regulated market of the European Union.

Yes
 No

If applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations it confers:

B. GENERAL MEETING OF SHAREHOLDERS

B. 1. Indicate and, if applicable, explain whether the minimum quorum requirements for constitution of the general meeting of shareholders differ from those specified in the Corporate Enterprises Act (LSC):

Yes
 No

B. 2. Indicate and, if applicable, explain whether the company's system of adopting corporate resolutions differs from the one set forth in the Corporate Enterprises Act (LSC):

Yes
 No

B. 3. Indicate the rules governing amendments to the company's articles of association. In particular, indicate the majorities required to amend the articles of association, as well as the rules for protecting the shareholders' rights when modifying the articles of association.

In this respect, article 14, second paragraph of the company's articles of association states the following:

«(...) for the General Shareholders' Meeting to be able to adopt a resolution on capital increases or decreases and any other modification of the company's Articles of Association (...), shall require that, at the first summons, shareholders attend, present or represented by proxy, holding at least 50% of the subscribed capital with voting rights. At the second summons, 25% of such capital attending the meeting shall be deemed sufficient. When shareholders attend the meeting representing less than 50% of the subscribed capital with voting rights, the aforementioned resolutions may only be adopted with votes in favour of 2/3 of the share capital present or represented by proxy at the General Shareholders' Meeting.»

In the cases not considered in the aforementioned article, the relevant resolution shall be adopted by ordinary majority of the votes of the shareholders present or represented by proxy, pursuant to article 201 of the Corporate Enterprises Act.

Furthermore, in accordance with article 286 of the Corporate Enterprises Act, the directors or, if appropriate, the shareholders who introduced the motion to amend the company's articles of association shall formulate the entire text they suggest as well as a written report with the justification of such motion.

Additionally, pursuant to article 287 of the Corporate Enterprises Act, the announcement of the General Meeting summons shall include intelligible information on issues subject to amendment and the right of all the shareholders to examine in the company's headquarters the full text of the suggested amendment and the relevant report, as well as ask for the free delivery of these documents.

B. 4. Give details of attendance at the general shareholders' meetings held in the year of this report and the two previous years:

Date of general meeting	Attendance				Total
	% of physical presence	% of attendance by proxy	% of remote voting		
			Electronic vote	Other	
29/06/2017	70.91	1.02	0.00	0.00	71.93
Of which, free float	0.50	1.02	0.00	0.00	1.52
27/06/2018	71.00	0.42	0.00	0.01	71.43
Of which, free float	0.14	0.42	0.00	0.01	0.57
23/11/2018	70.95	0.58	0.00	0.06	71.59
Of which, free float	0.09	0.58	0.00	0.06	0.73
29/04/2019	70.81	0.37	0.00	0.01	71.19
Of which, free float	0.58	0.37	0.00	0.01	0.96

B. 5. State whether any point on the agenda of the general meetings of shareholders held this year has not been approved by the shareholders for any reason:

Yes
 No

B. 6. State whether there is any restriction set forth by the articles of association establishing a minimum number of shares required to attend the general meeting or perform remote voting

Yes
 No

B. 7. Indicate whether it has been resolved that certain decisions other than those established by law that entail an acquisition, disposal or contribution to other company of essential assets or other similar corporate transactions must be subject to the approval of the general meeting of shareholders:

Yes
 No

B. 8. Indicate the address and mode of accessing the information on corporate governance on the company's website and other information on general meetings of shareholders which must be made available to shareholders on the Company's website:

The address of the corporate website of the company is as follows: www.audaxrenovables.com

The information on corporate governance is available on the section "Shareholders and Investors" and "Corporate Governance".

The information on general meetings that must be provided to the shareholders, as well as the resolutions adopted in those meetings is available on:

<http://www.audaxrenovables.com/accionistas-e-inversores/el-rincon-del-accionista/junta-general-accionistas/>

C. STRUCTURE OF THE MANAGEMENT OF THE COMPANY

C. 1. Board of Directors

C.1.1 Maximum and minimum number of directors set forth in the company's articles of association and the number agreed by the general meeting:

Maximum number of directors	12
Minimum number of directors	3
Number of directors agreed by the general meeting	5

However in the past the Company had agreed that the board of directors would be made up of 7 members, the General Meeting of Shareholders on 29 April 2019 resolved that the board would consist of 5 directors.

C.1.2 Complete the following table with the members of the board:

Name or company name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE		Independent	MEMBER COORDINATOR INDEPENDENT	16/08/2016	29/04/2019	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr JOSEP MARIA ECHARRI TORRES		Independent	MEMBER	14/11/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr FRANCISCO JOSÉ ELÍAS NAVARRO		Executive	CHAIRMAN	16/08/2016	29/06/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
Mr EDUARD ROMEU BARCELÓ		Executive	DEPUTY CHAIRMAN	16/08/2016	25/03/2019	BOARD OF DIRECTORS' RESOLUTION
Mr RUBÉN CLAVIJO LUMBRERAS		Independent	MEMBER	25/03/2019	29/04/2019	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS

Total number of directors	5
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Indicate the departures from the board of directors which, whether through resignation, dismissal or any other reason, took place during the period subject to this report:

Name or company name of the director	Category of the director at the time of departure	Date of last appointment	Date of departure	Membership of special committees	Indicate whether the departure took place before the end of term
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	Independent	29/06/2017	25/03/2019	Audit Committee and Appointments and Remuneration Committee	YES
Mr RAFAEL GARCÉS BERAMENDI	Proprietary	29/06/2017	25/03/2019	Audit Committee, Appointments and Remuneration Committee and Executive Committee	YES

Reason for departure and other observations

The resignation of Mr Rafael Garcés Beramendi and Mr Pedro Luis Fernández Pérez from their posts of proprietary director and independent director respectively was connected with the reorganisation of the composition of the Company's Board of Directors and its delegated committees as a consequence of the merger through absorption of Audax Energía, S.A.U by Audax Renovables, S.A.

C.1.3 Fill in the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS		
Name or company name of the director	Position in the company's structure	Profile
Mr EDUARD ROMEU BARCELÓ	Deputy Chairman of the Board of Directors	Master of Economics. Has developed his professional career in Banco Santander for 20 years, most of the time as manager of corporate division. Later he joined the new management team of Bankia as manager of the Corporate Division until the end of the entity restructuring process in June 2015.
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	Chairman of the Board of Directors	Industrial Technical Engineer, specialised in electricity, by the Polytechnic University of Catalonia. Founder of several companies in the energy sector and pioneer of the liberalised electricity market.
Total number of executive directors		2
% of the board		40.00

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of the director	Name or company name of the significant shareholder represented or who proposed appointment	Profile
No data		

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of the director	Profile
Mr JOSEP MARIA ECHARRI TORRES	Master of Economics and of Actuarial and Financial Science, both by the University of Barcelona, and Master of Financial Management by ESADE. Chief Financial Officer of Oryzon from 2003 to 2007, previously responsible for the first integral programme of creation of technology enterprises developed by a Spanish administrative authority. At present is the Managing Director of Inveready Asset Management, S.G.E.I.C., S.A. and Chairman of Grupo Financiero Inveready, the founding partner of both companies and now their major shareholder. Participates as member of the management board of different companies, including Mas Móvil Ibercom, S.A, Agile Contents, S.A., Atrys Health, S.A. and Oryzon Genomics, S.A. Member of the Instituto de Consejeros-Administradores (ICA) awarded the good corporate governance diploma for professional managers. From his position in Inveready he has actively participated in dozens of corporate transactions (sale of PasswordBank Technologies, S.L. to Symantec, sale of Indisys, S.L. to Intel or acquisitions and financing of Pepephone or Yoigo by Mas Móvil Ibercom, S.A.).
Mr RUBÉN CLAVIJO LUMBRERAS	Technical Industrial Engineer by the ICSC Institute of Logroño. Partner and founder of Enercapital, Enercapital Power, PEtricolor, Lumberas e Hijos, Industrias Clavijo and Ramming Works Has over three decades of experience in design, production and assembly of industrial machinery, with special attention to the renewable energy sector. Currently, Business Development Manager of Grupo Clavijo / Nclave, formerly operations manager, production manager and plant director of Grupo Clavijo.
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	Master of Economics and Business Administration by the Complutense University of Madrid. Has served as Development Manager of the Spanish National Securities Market Commission (CNMV), CEO of Gomarq Consulting, Chairman of Nordkapp Gestión and General Secretary and member of the Board of Directors of Fortis Bank and Beta Capital MeesPierson. Currently is Chairman of Solventis SGIIC and member of the board of Laboratorios Reig Jofré, S.A. and Desarrollos Especiales de Sistemas de Anclaje, S.A.

Total number of independent directors	3
% of the board	60.00

Indicate whether any directors designated as independent receives from the company or its group any amount or profit other than standard remuneration of director, or maintains or has maintained in the last year a business relationship with the company or with any company of its group, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

If applicable, include a declaration from the board explaining the reasons why said director is considered to be able to carry out the duties as an independent director.

Name or company name of the director	Description of the relationship	Declaration and reasons
No data		

OTHER EXTERNAL DIRECTORS

Indicate the other external directors explaining the reasons why they cannot be considered as proprietary or independent directors as well as their relationship with the company, its executives or shareholders:

Name or company name of the director	Reasons	Company, executive or shareholder with whom the relationship is	Profile
No data			

Total number of other external directors	N.A.
% of the board	N.A.

Indicate the changes, if any, that have taken place in the category of each director during the year:

Name or company name of the director	Date of change	Previous category	Current category
No data			

C.1.4 Fill in the following table with information on the number of female directors at the end of the past 4 years, as well as the category of each of them:

	Number of women directors				% of total number of directors of each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent					0.00	0.00	0.00	0.00

	Number of women directors				% of total number of directors of each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Other external					0.00	0.00	0.00	0.00
Total					0.00	0.00	0.00	0.00

C.1.5 Indicate whether the company has diversity policies in relation to the board of directors of the company regarding such matters as age, gender, disability or professional training and experience. Small and medium enterprises, in accordance with the definition provided in the Accounts Audit Act, shall report at least their established policy on gender diversity.

- Yes
 No
 Partial policies

If the answer is yes, describe these diversity policies, their objectives, the measures and ways of implementation and their results over the year. Indicate also the specific measures taken by the board of directors and the appointment and remuneration committee in order to attain a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why not.

Description of policies, objectives, measures and ways of implementation, and the results attained

The Board of Directors of Audax Renovables, S.A. is committed to the importance of achieving an equilibrated presence of women and men. For years the Company has tried to incorporate women in the Board of Directors, following the recommendations of the Unified Code of Conduct and Good Governance of Listed Companies and also in line with the current reality of the Company's management team (the General Manager is a woman). In accordance with this policy, in 2016 a woman was appointed non-board member secretary.

C.1.6 Describe the measures, if any, adopted by the appointments committee to ensure that the selection procedures are not affected by an implicit bias that prevents female directors from being selected and that the company purposefully seeks and includes among potential candidates women who meet the professional profile, making it possible to attain an equilibrated presence of women and men:

Explanation of the measures

As outlined in the previous section, for many years now the Company (and the Appointments and Remunerations Committee in particular) has been making efforts towards including women into the Board of Directors, following the recommendations of the Unified Code of Conduct and Good Governance of Listed Companies and also in line with the current reality of the Company's management team.

In this regard, the Appointments and Remunerations Committee, after discussing the suitability requirements and other conditions expected to be met by a director (or directors) appointed in future, agreed expressly that applications put forward by women should be preferred.

When, even after the measures have been adopted, the number of female directors is scarce or null, explain the reasons:

Explanation of the reasons

As mentioned above, the Board of Directors have tried, ever since the appointments of the Directors which took place in 2016, to include among potential candidates women that would satisfy the professional profile, and have adopted the necessary measures to ensure that the selection procedures are not affected by an implicit bias that would prevent female directors interested in the position from being selected.

C.1.7 Describe the conclusions of the appointments committee regarding the verification of compliance with the selection policy for directors. Particularly, explain how said policy promotes the goal to ensure that by the year 2020 women directors comprise at least 30% of the entire board.

The appointments and remunerations committee has included in its meeting agenda a systematic verification of the progress in the compliance with the selection policy for directors and the degree in which said policy promotes the goal to ensure that by the year 2020 women directors comprise at least 30% of the entire board .

C.1.8 Explain, when applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:

Name or company name of the shareholder	Reasons
No data	

Indicate whether formal requests have been rejected for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders at whose request proprietary directors were appointed. If so, explain the reasons for the denial:

- Yes
 No

C. 1.9 Indicate whether there are powers delegated by the board of directors to directors or committees of the board:

Name or company name of the director or committee	Short description
EDUARD ROMEU BARCELÓ	General powers.
FRANCISCO JOSÉ ELÍAS NAVARRO	General powers.

C.1.10 Identify any members of the board who are also directors, representatives or officers in other companies within the group to which the listed company belongs:

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA. S.R.L.	Sole Director	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLIENNES DE BEAUSEMBLANT, S.A.S.	Chairman	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA WARBLEWO SP	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA POSTOLIN SP	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX NETHERLANDS B.V.	Member of the board	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	UNIELÉCTRICA ENERGÍA, S.A.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CASTELLWIND 03, S.L.	Two Joint Managing Directors' Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERSA ASESORAMIENTO Y GESTIÓN, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ADS ENERGY 8.0., S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ERYX INVESTMENTS 2017, S.L.	Chairman	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXPLOTACIÓN EÓLICA LA PEDRERA, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GENERACIÓN IBERIA, S.L.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA DEL PINO, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA EL PEDREGOSO, S.L.	Sole Director's Representative 143 RRM	YES
Mr EDUARD ROMEU BARCELÓ	AZNALCÓLLAR SOLAR, S.A.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	ERYX INVESTMENTS 2017, S.L.	Member of the board	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV IV, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV VI, S.L.U.	Sole Director	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX SOLAR SPV IX, S.L.U.	Sole Director	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	LAS PIEDRAS SOLAR, S.L.	Sole Director's Representative 143 RRM	YES

Name or company name of the director	Company name of the group entity	Position	Do they have executive duties?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	DA VINCI ENERGÍA, S.L.U.	Sole Director's Representative 143 RRM	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	COROT ENERGÍA, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	BOTEY SOLAR, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELOGIA CALAÑAS, S.L.	Sole Director's Representative 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA SP. Z O.O.	Chairman	YES
Mr EDUARD ROMEU BARCELÓ	AUDAX ENERGIA SP. Z O.O.	Member of the board	NO

C. 1.11 If applicable, list your company's directors or representatives of legal-person directors who are members of the board of directors or representatives of legal-person directors of other entities listed on official securities markets, other than the companies of your group, that have been reported to the company:

Name or company name of the director	Company name of the listed entity	Position
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	Desarrollos Especiales de Sistemas de Anclaje, S.A.	MEMBER OF THE BOARD
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	Laboratorios Reig Jofré, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	Masmóvil Ibercom, S.A.	DEPUTY CHAIRMAN
Mr JOSEP MARIA ECHARRI TORRES	Oryzon Genomics, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	AB Biotics, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	Agile Content, S.A.	MEMBER OF THE BOARD
Mr JOSEP MARIA ECHARRI TORRES	Atrys Health, S.A.	MEMBER OF THE BOARD

C.1.12 State and, if applicable, explain whether the company has established rules on the maximum number of company boards on which its directors may hold seats and, if so, indicate where it is regulated:

- Yes
 No

C.1.13 Indicate the amounts of the following items comprising total remuneration of the board:

Remuneration accrued for the year by the board of directors (EUR thousands)	153
Cumulative amounts accrued by current directors in pension schemes (EUR thousands)	

Cumulative amounts accrued by former directors in pension schemes (EUR thousands)	
---	--

C.1.14 Identify senior management members who are not executive directors and indicate the total remuneration accrued by them throughout the year:

Name or company name	Position/s
Ms ANA ISABEL LÓPEZ PORTA	GENERAL MANAGER
Mr JAVIER CASTAÑO CRUZ	INTERNAL AUDIT
Ms MARÍA ROSA GONZÁLEZ SANS	RETAIL CORPORATE MANAGEMENT
Total remuneration of senior management (EUR thousands) 343	

C.1.15 Indicate whether any amendment has been made to the regulations of the board during the year:

Yes

No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

In this respect, the Regulations of the Board of Directors establish the following:

Article 10.- Appointment and disqualification

The proposals for appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and the resolutions for appointments adopted by the Board by virtue of the co-optation authority legally granted thereto must first be proposed by the Appointments and Remuneration Committee, when independent Directors are involved, and the Board of Directors itself, in other cases.

In any case, the proposal shall be accompanied by a justifying report to the Board about the competence, experience and merits of the nominee proposed, which will be attached to the minutes of the General Meeting or of the Board. Furthermore, the proposal for appointment or reappointment of any non-independent directors must be preceded, moreover, of a report of the Appointments and Remuneration Committee. The provisions of this paragraph shall also apply to natural persons who are designated representatives of a legal entity counsellor. The proposal must be included into the report of the Appointments and Remuneration Committee.

Article 11.- Term of office

The Directors shall hold office for the term stated in the Articles of Association and may be reappointed according to the provisions of the Articles of Association.

The Directors appointed by co-optation shall hold office until the date of the first General Shareholders' Meeting held, which shall ratify the appointments or appoint the persons that must replace the Directors that are not ratified, unless it is decided to eliminate the vacancies.

Article 12.- Dismissal

The Directors shall step down from office once the period has elapsed for which they were appointed and in any other cases stipulated by law or the Articles of Association.

In any circumstances, they may make their office available to the Board of Directors and formalise their relevant dismissal in the following cases:

- (i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.
- (ii) When they are involved in any of the legally specified situations of disqualification or prohibition.
- (iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.

(iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all his shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.

(v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.

(vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

In the case of a person acting on behalf of a company appointed as a Director in any of the aforementioned situations, such person shall be disqualified from exercising their proxies.

C.1.17 Explain to what extent the annual evaluation of the board of directors has brought about significant changes in the internal organisation of the board and the procedures applicable to its activities:

Description of the changes

The annual evaluation of the Board of Directors has served to discover the areas that need to be improved, however the issues were of rather formal nature which did not require significant changes of the internal organisation of the Board nor of the procedures applicable to its activities.

Describe the evaluation process and the assessed areas, conducted by the board of directors with possible assistance of an external advisor, regarding the performance and composition of the board and its committees as well as any other area or aspect subject to evaluation.

Description of the evaluation process and assessed areas

The Board, in collaboration with the non-director Secretary, conducted an evaluation of the organisation and activities, and drew up a report containing their conclusions in this respect. The evaluation concerned, among others, the following matters:

- Regarding the composition – whether or not the Board fulfils the criteria of independence and qualifications of the Directors, required under internal policies.
- Regarding the evaluation of actions and conducting the session – whether the board was called correctly and efficiently, systematically, with sufficient notice and proper notification.
- Regarding the participation in sessions, involvement and active collaboration of all the Directors during the fiscal year – whether or not the following occurred:
 - debates and frequent speeches from the Directors;
 - systematic participation of all the directors, and
 - effective involvement.
- Analysis of actions and collaborations with the Audit Committee and the Appointments and Remuneration Committee.
- Actions conducted by the Directors (in particular, the company's strategy, business analysis, risk control, internal control over financial reporting, etc.)
- Actions conducted by the Chairman of the Board

C.1.18 Specify, in those years in which the external advisor participated in the evaluation, the business relationships of the external advisor or any company of their group with the company or any company of its group.

N/A.

C.119 Indicate the circumstances in which directors must resign.

As stated in section C.1.16 of this report, the directors must place their position at the disposal of the board and formalise the resignation in the following circumstances:

- (i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.
- (ii) When they are involved in any of the legally specified situations of disqualification or prohibition.
- (iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.
- (iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all its shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.
- (v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.
- (vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.20 Are qualified majorities other than those legally established required for any type of decision?:

- Yes
- No

If applicable, describe the differences.

C.1.21 Indicate whether there are specific requirements other than those relating to directors in order to be appointed as chairman of the board:

- Yes
- No

C.1.22 Indicate whether the articles of association or the board regulations establish any age limit for directors:

- Yes
- No

C.1.23 Indicate whether the articles of association or the board regulations establish a limit for the term of office or other stricter requirements additional to those established by law for the independent directors:

- Yes
- No

C.1.24 Indicate whether the articles of association or the board regulations establish specific rules for delegating to other directors the rights to vote at the board meetings, how they are to be delegated and, particularly, the maximum number of delegations that a director may have, as well as if there is a limit established as to the categories subject to delegation, beyond the limits established by law. If so, briefly describe the rules.

In conformity with article 9 of the Regulations of the Board of Directors, the meeting of the Board is validly constituted when the majority of its members are present or represented thereat, and also, without the need for a prior call, when all its members are present and unanimously decide to constitute a meeting of the Board. Written ballots without a meeting shall only be permitted when no Director opposes such a procedure.

The power of representation to attend the meetings of the Board shall only be conferred upon another Director, and must be made expressly for each meeting, however non-executive directors can only appoint another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting in the absence of the Deputy Chairman, and shall not have the right to cast the deciding vote.

Each Director present or represented shall have the right to one vote.

C.1.25 Indicate the number of meetings that the board of directors has held over the year.

Also indicate, where applicable, how many times the board has met without the chairman being present. When calculating the number, representations made with specific instructions shall be considered.

Number of meetings of the board	11
Number of board meetings without the attendance of the chairman	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representations of any executive director:

Number of meetings	2
--------------------	---

Indicate the number of meetings held by the board committees over the year:

Number of meetings of the Audit Committee	8
Number of meetings of the Appointments and Remuneration Committee	2

C.1.26 Indicate the number of meetings held by the board of directors during the year and provide information on member attendance:

Number of meetings with the in-person attendance of at least 80% of directors	11
% of in-person attendance over the total number of votes during the year	100.00
Number of meetings with the in-person attendance or proxies with specific instructions, of all directors	11
% of votes issued with in-person attendance and proxies with specific instructions, over the total number of votes during the year	100.00



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C.1.27 Indicate whether the individual and consolidated financial statements submitted to the board for drawing up were previously certified:

- Yes
 No

Identify, if applicable, the person/s who certified the company's individual and consolidated financial statements in order to be drawn up by the board:

C.1.28 Explain the measures, if any, established by the board of directors to prevent the individual and consolidated financial statements drawn up by the board from being submitted to the general meeting of shareholders with qualified opinion in the auditors' report.

The Board of Directors has the Audit Committee which, according to article 7.3 of the Regulations of the Board of Directors, is competent for the following duties:

- (i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- (ii) Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- (iii) Supervising the preparation and submission of the required financial information.
- (iv) Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions.
- (v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.
- (vi) Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.
- (vii) To inform, in advance, to the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

C.1.29 Is the secretary of the board a director?

- Yes
 No

Fill in the following table if the secretary of the board is not a director:

Name or company name of the secretary	Representative
Ms NAIARA BUENO AYBAR	

C.1.30 Indicate the measures taken by the company to ensure the independence of the external auditors, as well as the measures, if any, to ensure the independence of the financial analysts, investments banks and rating agencies, including information on how legal provisions have been implemented in practice.

Article 20 of the Regulations of the Board of Directors stipulates:

Article 20.- Relationship with the Auditors

The Board of Directors shall establish an objective, professional and ongoing relationship of the Audit Committee with the company's external auditors appointed by the General Shareholders' Meeting. In all cases, it shall observe the independence of such auditors and ensure that they are provided with accurate information.

C.1.31 Indicate whether the company has changed its external auditor over the year. If so, identify the incoming and the outgoing auditor:

- Yes
 No

If there was a disagreement with the outgoing auditor, explain its content:

- Yes
 No

C.1.32 Indicate if the audit firm provides any non-auditing services to the company and/or its group and, if so, state the amount of the fees received for said services and the percentage of the fees invoiced to the company and/or its group:

- Yes
 No

	Company	Group companies	Total
Amount of fees for non-auditing services (EUR thousands)	133,000	120,240	253,240
Amount of fees for non-auditing services / Amount of fees for auditing services (%)	86.40	42.80	36.80

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given by the chairman of the audit committee to the shareholders in the General Meeting to explain the content and the extent of said qualified opinion or reservations.

- Yes
 No

C.1.34 Indicate how many years the current audit firm has been auditing, without interruption, the individual and/or consolidated financial statements of the company. Also indicate the percentage of the number of years audited by the current audit firm over the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3
No. of years audited by the current audit firm / No. of years when the company or its group have been audited (in %)	17.65	18.75

C.1.35 Indicate and, where applicable, specify the procedures for directors to obtain the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes
 No

Details of procedure

Article 13 of the Regulations of the Board of Directors states that unless the Board of Directors had been called or had been exceptionally convened for reasons of urgency, the directors must receive the necessary information in advance and with sufficient time to prepare for the debate and the resolutions regarding on matters to be discussed. The Chairman of the Board, with the assistance of the Secretary, shall ensure compliance with this provision.

The directors are vested with the most wide-embracing authority to obtain information about any aspect affecting the Company, to examine its books, records, documents and other background information about the Company's transactions and to inspect all its facilities.

However, in order not to disrupt the Company's ordinary operations, exercising their rights to information shall be channelled through the Chairperson of the Board, if they are of an executive nature, otherwise through the Chief Executive Officer, who shall deal with the requests made by directors and provide them with information, offering them suitable spokespersons within the scope of the suitable organisation or provide the measures so that the procedures for examination and inspection can be carried out in situ.

C.1.36 Indicate and, where applicable, give details of whether the company has laid down rules that oblige the directors to report and, in cases that damage the company's name and reputation, resign:

Yes
 No

Explain the rules

In this respect, article 16.4 of the Regulations of the Board of Directors establishes that the directors must notify any situation that affects them or could affect the name or reputation of the Company, in particular, criminal cases in which they are involved as defendants and any important legal difficulties. The Board, after examining the situation presented by the director, may require that the director be dismissed and this decision shall be binding for the director.

Furthermore, pursuant to point (iii) and (vi) of article 12 of the Regulations of the Board of Directors, the directors shall make their office available to the Board when they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities and when, due to events caused by the directors, their remaining as members of the Board would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.37 Indicate whether any member of the board of directors has informed the company that he/she has been prosecuted or hearings against them have been opened for any of the offences laid down in article 213 of the Corporate Enterprises Act:

- Yes
 No

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminated in the event of a change of control of the company due to a takeover bid, and their effects.

N/A.

C.1.39 Identify individually when referred to directors and otherwise – collectively and provide details of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of operation.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
General Manager	The employment contract with the General Manager stipulates that in case of termination of the contract due to certain causes, a compensation will be provided exceeding the legally defined amount.

Indicate whether – beyond the cases stipulated by law – these contracts need to be communicated and/or approved by the governing bodies of the company or its group. If so, specify the procedures, anticipated events and the nature of the bodies responsible for the approval or communication:

	Board of Directors	General Meeting of Shareholders
Body authorising the clauses	V	
	Yes	No
Is the General Meeting of Shareholders informed of the clauses?		V

C.2. Committees of the board of directors

C.2.1 Provide details of all the committees of the board of directors and their composition and participation of executive, proprietary, independent and other external directors in the committees:

Audit Committee		
Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	CHAIRMAN	Independent
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	MEMBER	Independent

Audit Committee		
Name	Position	Category
Mr RUBÉN CLAVIJO LUMBRERAS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the duties attributed to this committee, including any additional duties beyond those stipulated by law, and describe the procedures and rules of organisation and activity of the committee. For each of those duties indicate the most important actions performed by the committee over the year and the way of exercising in practice each of the duties attributed by law, by articles of association or other resolutions of the company.

Pursuant to article 7.3 of the Regulations of the Board of Directors, the Board has set up an Audit Committee comprised of 3 members, all of them being independent directors, in accordance with the regulations, which stipulate that it should be made up of at least three (3) and at most five (5) directors appointed, based on a motion of the Appointments and Remuneration Committee, by the Board of Directors from among its non-executive members. At least two of the members of the Audit Committee shall be independent and one of them shall be appointed bearing in mind their knowledge and experience in accounting or auditing matters, or both.

The Chairperson of the Audit Committee shall be appointed by the Company's Board of Directors from among the independent directors comprising the Committee. The Audit Committee shall appoint also a Secretary. The duties of the Secretary of the Audit Committee shall be performed by the Secretary of the Board.

The members of the Audit Committee shall hold their posts for a maximum of four (4) years and may be reappointed. The Chairperson shall hold office for maximum term of four (4) years and for their reappointment to such position at least one year must have elapsed since they stepped down from office, notwithstanding their reappointment as a member of the Committee.

The Audit Committee shall, in any circumstances, be competent for the following duties:

- (i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- (ii) Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- (iii) Supervising the preparation and submission of the required financial information.
- (iv) Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions.
- (v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.
- (vi) Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.
- (vii) To inform, in advance, the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

The Audit Committee shall hold a meeting at least four (4) times a year, one every quarter of the year, and in any circumstances, as often as may be deemed necessary by the Chairperson or when a meeting is requested by half of the Committee's members.

The meeting shall be considered validly held when the majority of the Committee's members attend to it personally or by proxy. In the case of a draw, the Chairperson shall hold the casting vote.

The Audit Committee shall submit a report about its activities during the year for the approval of the Board of Directors, to subsequently be made available to the shareholders and investors.

The Board of Directors may draw up all of the aforementioned rules in an appropriate document of Regulations of the Audit Committee, respecting in any case the independent nature of its activity.

At the discretion of the Chairperson or the majority of members of the Executive Committee, the resolutions of the Audit Committee whose importance so requires, may be submitted for subsequent ratification by the Board of Directors.

In the year 2019 the Audit Committee held eight (8) meetings and duly fulfilled its duties.

Identify the directors, members of the audit committee, who have been appointed bearing in mind their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of the directors with experience	Mr JOSEP MARIA ECHARRI TORRES
Date of appointment of the chairman	14/11/2016

Appointments and Remuneration Committee		
Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	MEMBER	Independent
Mr RUBÉN CLAVIJO LUMBRERAS	MEMBER	Independent
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	CHAIRMAN	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the duties attributed to this committee, including any additional duties beyond those stipulated by law, and describe the procedures and rules of organisation and activity of the committee. For each of those duties indicate the most important actions performed by the committee over the year and the way of exercising in practice each of the duties attributed by law, by articles of association or other resolutions of the company.

The Appointments and Remuneration Committee is made up of three (3) independent directors, who have been appointed bearing in mind their knowledge, abilities and experience in accordance with the regulations of its composition.

The members of the Appointments and Remuneration Committee hold office for a maximum of four (4) years and may be reappointed. The Board of Directors appoints a Chairperson from among the independent members of the Committee. The office of the Chairperson shall be held for a maximum term of four (4) years and at least one (1) year must have elapsed since they stepped down from the office in order to be reappointed, notwithstanding their reappointment as member of the Committee. The office of the Secretary of the Appointments and Remuneration Committee is held by the Secretary of the Board.

The Board shall appoint a Chairperson from among the independent directors comprising the Committee. The office of the chairperson shall be held for a maximum term of four (4) years and at least one (1) year must have elapsed since they stepped down from the office in order to be reappointed, notwithstanding their reappointment as member of the Committee. The office of Secretary of the Appointments and Remuneration Committee shall be held by the Secretary of the Board of Directors.

Notwithstanding other duties that may be assigned thereto by the Board of Directors, the Appointments and Remuneration Committee shall perform the following basic duties:

- (i) Evaluate the skills, knowledge and experience necessary for the Board of Directors. For this purpose, it will define the roles and capabilities required of the candidates to fill each vacancy, and it will evaluate the time and commitment necessary for them to fulfil their duties effectively.
- (ii) Establish a goal of representation for the underrepresented gender on the Board of Directors and develop guidance on how to achieve that objective.
- (iii) Submit to the Board of Directors the proposals for appointment of independent directors to be appointed by co-optation or for submission to the decision of the General Meeting of Shareholders, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.
- (iv) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts.
- (v) Examine and organise the succession of the Chairperson of the Board of Directors and the Company's Chief Executive Officer and, if appropriate, make suggestions to the Board of Directors in order to perform such succession in an orderly and planned manner.
- (vi) Suggest to the Board of Directors the remuneration policy for the directors and general managers or senior management under direct control of the Board, of the executive committees (if there are any) or of the managing directors, as well as the individual remuneration and other contractual terms of executive directors, ensuring compliance therewith.

As part of its duties, in the year 2019 the Appointments and Remuneration Committee formulated the reports regarding the annual assessment of the Appointments and Remuneration Committee and the Board of Directors. Furthermore, the Appointments and Remuneration Committee approved the proposal of the Annual Report on Remuneration of the Company's directors for the year 2018.

Moreover, it formulated the report on the new remuneration policy applicable to the directors of the Company, aimed to (i) adjust the remuneration of the directors as such to their actual performance as members of the Board of Directors and, if applicable, as members of the pertinent committees; and (ii) remunerate the position of a director with assigned executive duties.

C.2.2 Complete the following table with the information relative to the number of female directors who were members of the board committees at the end of the past four years:

	Number of women directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00	0	0.00	0	0.00	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, if applicable, the existence of committee regulations, the place where they are available for consultation and the amendments made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.

The regulations of the Audit Committee and Appointments and Remuneration Committee are included in the Regulations of the Board of Directors (articles 7.3 and 7.4, respectively), available on the company's website:

https://www.audaxrenovables.com/wp-content/uploads/2018/01/AUDAX_REN-Reglamento_Consejo_2017.pdf

It should be stated that the Board of Directors carried out an evaluation of the annual activity of each one of the Committees.

Lastly, it should be mentioned that the Executive Committee of the Company was extinguished and made void by the resolution of the Board of Directors of 25 March 2019, and its members were removed from their posts, due to the Committee's scarce activity.

D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D. 1. Explain, if applicable, the procedure and the body competent for the approval of related party and intra-group transactions.

Pursuant to article 17 of the Regulations of the Board of Directors of Audax Renovables the Board of Directors, directly or through the Audit Committee, shall ensure that the transactions between the Company or the companies of its group with significant shareholders are carried out according to arm's length principle and observe the principle of equal treatment of the shareholders that are in the same situation.

For this purpose, the Board of Directors shall approve, subject to a report from the Audit Committee, of the transactions that the Company or the companies of its group perform with directors, on the terms established by article 299 and 230 of the Corporate Enterprises Act, or with shareholders who hold – individually or jointly – a significant stake, including shareholders represented in the Board of Directors of the Company or of other companies belonging to the same group with persons related to them, and the shareholders affected directly or the representatives of related shareholders shall abstain from voting.

The Annual Report on Corporate Governance of the Company shall include information on such transactions.

The transactions that meet simultaneously the following three criteria shall be exempt from the need for approval by the Board of Directors:

- (i) "carried out on standardised terms of contract applied generally to a large number of clients;
- (ii) carried out at prices or rates established universally by the entity acting as the provider of the goods or services in question; and
- (iii) their amount does not exceed one per cent of the annual income of the Company."

D. 2. Specify the transactions that are significant because of their amount or important because of their subject matter, carried out between the company or the entities of its group and significant shareholders of the company:

Name or company name of significant shareholder	Name or company name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (EUR thousands)
EXCELSIOR TIMES, S.L.U.	AUDAX RENOVABLES, S.A.	Contractual	Financing agreements - loans	36,532
EXCELSIOR TIMES, S.L.U.	AUDAX RENOVABLES, S.A.	Contractual	Charged interest	2,751
EXCELSIOR TIMES, S.L.U.	AUDAX RENOVABLES, S.A.	Contractual	Supply of services	2,326

D.3. Specify the transactions that are significant because of their amount or important because of their subject matter, carried out between the company or the entities of its group and the company's directors or managers:

Name or company name of directors or managers	Name or company name of the related party	Relationship	Nature of the transaction	Amount (EUR thousands)
Mr RUBÉN CLAVIJO LUMBRERAS	ENERCAPITAL DEVELOPMENTS, S.L.	PARTNER	Purchase of tangible assets	322,222

D.4. Report significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company's usual trading in terms of its subject matter and conditions.

In any case, report any intra-group transaction carried out with entities established in countries or territories considered to be tax havens:

Company name of the entity belonging to the group	Brief description of the transaction	Amount (EUR thousands)
AUDAX GREEN, S.L.U	Net income from energy retailing	3,897
Orus Renovables, S.L.U.	Sale of technical facilities	1,170
AUDAX FOTOVOLTAICA, S.L.U.	Purchase of financial stakes.	14,142

D. 5. Specify the significant transactions carried out between the company or companies of its group with other related parties, not reported in the previous paragraphs:

Company name of the related party	Brief description of the transaction	Amount (EUR thousands)
No data		N.A.

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

Article 16.2 of the Regulations of the Board of Directors stipulates the following (without prejudice to the exemption rules established in article 16.3 thereof):



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

In order to avoid conflicts of interest [...] the Directors should abstain from:

- (i) Performing transactions with the Company, except for ordinary transactions carried out under standard conditions for customers and of little importance, defined as those for which information is not required to reflect a fair image of the equity, financial situation and the results of the Company.
- (ii) Using the name of the Company or their position of director to improperly influence the performance of private transactions.
- (iii) Making use of the company's assets, including confidential information of the Company, for private purposes. This obligation includes the duty of each director to avoid using undisclosed information of the Company for their own benefit, either directly or disclosing it to third parties, and to abstain from performing and from suggesting to others to perform transactions on the securities of the Company or of its subsidiaries, associated or related companies about which they may have obtained, by virtue of their position, undisclosed information, all aforementioned without prejudice to the duties incumbent on directors under the regulations of the Securities Market and the rules of conduct stipulated in the Company's Internal Regulations for Conduct.
- (iv) Taking advantage of the business opportunities of the Company. Accordingly, the directors must not perform, for their own benefit or for the benefit of associated persons, investments or transactions related to the Company's assets of which they have obtained information by virtue of their office, when the investment or transaction has been offered to the Company or the Company has interest in it, as long as the Company has not rejected the investment or transaction without the influence of the director and pertinent authorisation of the Board of Directors has been given to perform it.

For this purpose, business opportunities refer to any possibility of making an investment or commercial transaction which has arisen or has been discovered in connection with holding the position of director or by the use of means and information of the Company or under such circumstances that would reasonably imply the assumption that the third party's offer was in reality addressed to the Company.

- (v) Obtaining advantages or remunerations from third parties other than the Company and its group, associated to holding the office, except for mere courtesy attentions.
- (vi) Carrying out for their own account or as an employee activities involving effective competition, whether actual or potential, with the Company or activities that would put them anyway in permanent conflict with the Company's interests. Directors holding office in subsidiaries or investees of the Company are exempt from this prohibition.

The foregoing provisions shall also apply to the event when the beneficiary of the prohibited activities is a person associated to the director under the terms of article 231 of the Spanish Corporate Enterprises Act.

In any circumstances, the directors must inform the Board of Directors about any situation of direct or indirect conflict of interests between them or the persons associated to them, and the Company. The conflicts of interest incurred by the directors shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report.

D. 7. Is more than one company of the Group listed on the stock market in Spain?

- Yes
- No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E. 1. Explain the company's Risk Control and Management System, including risks of a tax nature:

The Group, in general, considers risk to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives. In this regard, the Group is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it from achieving its objectives and successfully implementing its strategies. For that reason the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant risks to be correctly identified, managed and controlled. For this purpose, the group centralises the review of the entirety of its risks through "The Group's General Policy of Risk Control and Management", by means of which it endeavours to have a document containing detailed and updated inventory of all the factors which could affect the operations of the group and its subsidiaries, facilitating the adequate management of those factors. On the basis of this document the Group's Risk Map is drawn up. The Policy should primarily allow:

- a) to achieve the defined strategic objectives;
- b) to provide the highest level of guarantees to the shareholders;
- c) to protect the results and the reputation of the Group;
- d) to defend the interests of shareholders, clients and other groups interested in the performance of the Company;
- e) to guarantee business stability and financial strength on a sustained basis throughout time;
- f) to separate the areas that assume risks besides those that control them;
- g) to apply the transparency and good governance practices; and,
- h) to act in compliance with the current legal regulations and the commitments established within the Corporate Responsibility framework.

In the fulfilment of this commitment the Board of Directors collaborates with the Audit Committee that, as a delegate and advisory body, supervises and informs about the adequacy of the system of evaluation and internal control of significant risks, with the support of the corporate Internal Audit Department.

According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure:

- a) Integrate the risk-opportunity vision in the management and strategy of the Company.
- b) Implement an appropriate separation of duties to guarantee an adequate level of independence.
- c) Guarantee the proper use of risk hedging instruments.
- d) Inform about the risks for the Group and about the implemented systems to mitigate them.
- e) Align the Policy with all the specific policies that need to be developed in the matter of risk.
- f) Ensure the adequate compliance with the corporate governance rules.
- g) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

The Group's General Policy of Risk Control and Management is carried out through the procedures, methodologies and support tools and includes the following guidelines:

- a) The identification of the significant risks of corporate governance, market, credit, liquidity, exchange rate, capital management, regulatory, operational, environmental, reputational and others.
- b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments as an essential element in the process of decision making in profitability-risk approach.
- c) The settlement of an internal structure of policies, guidelines and limits.
- d) The implementation and control of the compliance of policies and guidelines through adequate procedures and systems, including the contingency plans necessary in order to mitigate the impact of risk materialisation.
- e) The measurement and control of risks.
- f) The information and internal control systems, which allow to carry out a regular and transparent evaluation and information of the results of monitoring risk control and management, including compliance with the policies and the limits.
- g) The constant evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations concerning risks from the perspective of their possible incorporation into the model.
- h) The review of the entire control system by the Internal Audit Committee of the Group.

The Group's General Policy of Risk Control and Management is developed and complemented by the corporate risk policies that are established in relation to the business lines and/or companies of the Group, which are set out below, and which are also subject to supervision by the Audit Committee and subsequent approval by the Board of Directors. Depending on the risks identified and control measures to be implemented in order to mitigate them, these policies determine the Annual Plan of Internal Audit.

Some of the following corporate policies are being adapted and reviewed for the purpose of their adequate implementation next year.

Corporate Policies and Procedures which have been approved and implemented:

- Corporate Code of Ethics and Conduct.

- Disciplinary Rules and Sanctions.
- Handbook and general principles of criminal risk prevention.
- Internal Regulations for Conduct in the Securities Markets.
- General policy of risk control and management (including financial risks).
- Guidelines for accounting policies.
- Guidelines of the regulated information to be disclosed to the market.

Corporate Policies and Procedures which are undergoing a review:

- Delegation of authority.
- Guidelines for information security systems.
- Project finance process and project status.
- Acquisition and disposal of own shares procedure.
- System of Internal Control for Financial Information (ICFR).

E. 2. Identify the bodies within the company responsible for designing and executing the Risk Control and Management System, including tax risk:

AUDIT COMMITTEE

In order to adequate the impact of the risk, the Audit Committee, as a delegated and advisory Committee of the Board of Directors, apart from supervising the proposals of the Management and/or the Internal Audit Department, has the essential duty to support the Board of Directors in their supervisory tasks through periodic review of the economic and financial reporting process, the internal controls and the independence of the internal auditor. Moreover, the Committee shall draw up suitable proposals concerning the establishment of specific guidelines for the Group's risk limits, including tax risks, considered to be opportune, and then submit the proposals to the Board of Directors for approval.

Some of the main tasks of the Audit Committee include:

- Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.
- Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions.
- Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.
- Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.
- To inform, in advance, the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

The monitoring of the internal control and risk management systems within the organisation is carried out by the Internal Audit Department. Functionally, the body is subordinate to the General Management and reports directly to the Audit Committee.

Moreover, it should be mentioned that the Group's Finance Department analyses, oversees, manages and advises in regards to the risk of tax nature which affects various divisions and countries and its possible impact on the consolidated and individual financial statements of Audax Renovables.

BOARD OF DIRECTORS

Within the scope of its competence, with the support of the Audit Committee, the Board of Directors should ensure that the necessary mechanisms are introduced to identify measure, manage and monitor relevant risks of any type, establish the Company's risk strategy and profile, and approve the Group's risk policies.

In particular, the Board of Directors shall approve and supervise the risk control and management policy, as well as the monitoring of the system of internal control over financial reporting.

E. 3. Indicate the main risks, including tax risks, and – insofar as they are significant – the risks deriving from corruption (within the scope determined in the Royal Decree-Law 18/2017), which may affect the achievement of business objectives:

The Audax Renovables Group has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Group's general Policy of Risk Control and Management the risk factors are, among others, the ones specified below:

A) FINANCIAL RISKS:

- a) Credit risks: credit risk is the possibility that a counterparty to an agreement may fail to comply its contractual obligations bringing about an economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.
- b) Market risks: market risk present in the electricity sector is based on the complex process of price formation which affects the retailing activity as well as the energy generation activity.
- c) Commodity price volatility risk: in certain countries where the Group operates in the energy generation activity, the remuneration received by the Group has a regulatory component and a component which is linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile. Furthermore, it is impossible to ensure that the market prices will remain on such levels as to allow the collection of profit margins and desired levels for investments recovery.
- d) Liquidity risk: the management of that risk results from the demand for financing the Group's activities because of temporary differences between the needs and cash generation, and is based on maintaining a sufficient level of cash and securities, as well as the availability of financing through adequate amount of committed credit facilities and the appropriate ability to settle market positions.
- e) Interest rate risk: any rise in interest rates would increase the Group's financial expenses in relation to the portion of its debt at a floating rate, which would be mitigated by the interest rate hedging policy.
- f) Guarantee terms risk: In order for Audax Renovables to be able to carry out its activity as retailer, it has to provide the guarantees linked to the electricity purchase. The guarantees are provided in the form of bank guarantees, some of which are secured by the positive net liquidity position of the Group. Should the financial institutions that grant the guarantees decide to cancel them, the Group's activity would become severely limited, which could affect its own viability.
- g) Access to financing: in the division of energy generation the development of the facilities under construction, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

B) RISKS RELATED TO THE BUSINESS SECTOR:

- h) Regulatory risks: those resulting from regulatory changes established by the different regulators, such as the changes in the remuneration for the regulated activities or of the required conditions of supply, environmental regulations, tax regulations, labour regulations, among others.
- i) Competition risk: in the retailing activity it is possible to be exposed to a significant risk due to the existing market entry barriers and which could materialise in a decrease of the offered price.
- j) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of certain external events, including their economic, social and/or environmental impact, as well as the legal risk.
- l) Risk of exposition to the Spanish market: the Group's activity currently depends primarily on the Spanish market.
- m) Dependence and concentration of qualified providers risk: the energy generation activity requires the supply and assembly of numerous technical components, such as wind turbines, for the wind energy generation facilities, which can be provided only by a limited number of suppliers.
- k) Weather conditions risk: electricity generation from wind energy is subject to weather conditions of the location of the power generation facilities and, particularly, wind conditions.

The Group may as well be affected by other risks of a different character, for instance:

- Reputational risks: potential negative impact of the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest groups: shareholders, clients, media, analysts, public administration, employees and people in general.
- Corporate governance risks: the Company assumes the need to secure the public interest and the strategy to boost in a sustainable manner the Company's economic value and its good performance in the long term, taking into consideration the legitimate interests, whether public or private, especially among the different interest groups.
- Tax risks: different tax regulations of the countries and possible changes in legislation are also an element which must be taken into account for the purpose of evaluating the risks to which Audax Renovables is exposed.

E. 4. Indicate whether the company has levels of risk tolerance, including tax risk:

The Group does not determine exact risk levels in its ordinary business management, nor does it quantify a particular level of risk tolerance, adapting it to specific circumstances, taking into account the risk/opportunity combination. Each risk is handled individually in order to minimise its possible negative impacts.

Nevertheless, at the quality level, the risk map of Audax Renovables (reviewed annually) is the identification and valuation tool of all risks of the Group. All risks considered are evaluated considering probability and impact indicators and are constantly monitored.

In accordance with these parameters, risks are classified as:

- Non-significant risk: risks which impact is very low or out of control of the company. These risks are managed to reduce the frequency in which they are produced only if its management is economically feasible.
- Low risk (tolerable): risks that occur with little frequency and that have a low economic impact. These risks are monitored to check that they are still tolerable.
- Medium risk (severe): frequent risks with a very high impact. These risks are monitored and, where appropriate, regularly managed.
- Top risk (critical): occur with low frequency but the economic/strategic/reputational impact is really high.

E. 5. Indicate which of the risks, including tax risks, have taken place over the year:

In the year 2019 the Group was affected by the events specified below:

On 8 May 2019 Audax Renovables reached an agreement with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group) on the purchase of 100% of shares of the companies Audax Solar SPV III S.L.U., Audax Solar SPV IV S.L.U., Audax Solar SPV V S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U. for the total amount of EUR 16,384 thousand. The main object of the acquired companies involves development of PV projects. The purchase price of these companies was endorsed by an independent expert through a Fairness Opinion report.

The agreement contains certain conditions precedent under which the buyer, i.e. Audax Renovables, may terminate the purchase. In this respect, on 20 December 2019, both parties concluded a novation of this purchase and sale agreement, in which they limit the purchase of 100% of shares to the companies Audax Solar SPV IV S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U. for a total amount of EUR 10,678 thousand.

Moreover, on 2 August 2019, Audax Renovables signed an agreement with the company Energy Pool España S.L. on the purchase of 100% of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L. The total cost of the acquisition of these companies, including the purchase right, amounted to EUR 15,652 thousand. The main object of the acquired companies involves development of PV projects.

On the other hand, throughout 2019 the Group carried out important divestments on the grounds of its asset rotation strategy. In the first half year 2019, Audax Renovables S.A. reached an agreement on the sale of 100% of shares of the company Parc Eolic Mudefer, S.L.U. to the company Helia Renovables II F.C.R.; the agreement is subject to certain conditions precedent. Finally, on 31 July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant profit before tax amounting to EUR 5,606 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Moreover, in the first half year 2019 the Company secured another agreement on the sale of its stake in Gestora Fotovoltaica de Castellón, S.L., which corresponds to 76% of the shares of that company, to the company Minerva Renovables S.A. the agreement was subject to certain conditions precedent. Finally, in July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant loss before tax amounting to EUR 890 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Additionally, on 21 November 2019, Audax Renovables S.A. carried out the sale of 100% of its shares of Parque Eólico Hinojal, S.L., to the company Green Swell, S.L. The impact of the sale meant loss before tax amounting to EUR 1,398 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets".

Finally, on 20 December 2019, Audax Renovables, S.A. signed an agreement on the sale of the entirety of its stake in Fecom Eólica, S.L.U. and Parc Eolic Coll de Som, S.L.U. to the company Nearco Renovables, S.L. The impact of this sale meant profit before tax amounting to EUR 1,546 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets".

Moreover, it should be highlighted that the business performance in the year 2020 will again be subject to the following risk factors:

- The probable acceleration of the withdrawal of the incentive programme of the Central European Bank, with the subsequent risk of the interest rate increase and, subsequently, of the financial expenses.
- The growing competition on the renewable energy tenders in different jurisdictions due to the appearance of new players with their aggressive bids, which may hinder the allocation of attractive and lucrative projects.
- The evolution of electricity and commodities prices in the countries where the Company operates.

E. 6. Outline the plans of response to and control of the main risks faced by the company, including tax risks, and the procedures implemented by the company to ensure that the board of directors responds to the new and emerging challenges:

The Group's usual procedures regarding the plans of response to and control of the main risks faced by the company does not differ from its ways of operation used in previous years: supervising the main risks through the functional business and corporate departments affected, as well as various established Committees and Boards.

This means that the Group used to identify which of the existing risks could affect the Group in any way, and which mitigating measures should be put in place in order to ensure the best coverage of that risk and minimise its impact. Furthermore, regarding other risks whose impact remains not covered, an executive schedule will continue to apply, developed together with an action plan and appropriate measures which, where possible, will help avoid any significant impact of these risks on the Group. For this purpose, corporate departments of Internal Audit and Finance Department carry out daily surveillance as well as necessary meetings for Spanish companies and for foreign subsidiaries in order to mitigate identified risks.

The implementation of these measures will be conducted by the Management of the Group, with the Audit Committee and, finally the Board of Directors being the two bodies responsible respectively for overseeing and approving of the implemented measures.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that constitute the risk control and management systems in relation to the financial reporting process (ICFR) of your company.

F.1. The entity's control environment.

Inform, indicating the main features, of at least:

- F. 1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter "ICFR") of the Audax Renovables Group (or the "Group") is part of its general system of internal control and is arranged as a set of procedures carried out by the Board of Directors, the Audit Committee, the Management and the employees of the Group, at various levels, in order to provide reasonable security concerning the reliability of the financial information subject to disclosure.

The Board of Directors of the Group is ultimate decision body of the Group, delegating the ordinary management to the executive bodies and the Management team, and thus concentrating its activity on supervising function which can be delegated to the Audit Committee; the Board of Directors has the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR system. It is also important to highlight that, since it cannot be otherwise, the Management of the Group is responsible for the adequate implementation of the ICFR system.

Among the direct responsibilities to be carried out by the Board of Directors, in terms of the internal control over financial reporting, without any prejudice to the effects that the delegations and powers granted may cause to third parties, and according to what is established in its own Regulations (article 4), there are, among others, the following duties:

- The determination of the risk control and management policy, including tax issues, and regular monitoring of the internal information and control systems.
- The determination of the corporate governance policy and of the Company and of the group being its dominant entity; its organization and operation and, in particular, the adoption and amendment of its own regulations.
- The approval of the financial information which the Company must regularly publish as a listed company.

Furthermore, article 7 section 3 of the Regulations of the Board of Directors specifies the activities and competence of the Audit Committee. For this purpose and in connection with the process of preparing and monitoring financial reporting, the Committee, under the Regulations of the Board of Directors, has the following duties:

- Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.

It is also important to point out that the Audit Committee has available the function of Internal Audit which, together with the monitoring of the former, ensures the proper functioning of the information systems and internal control evaluating periodically the efficiency of the ICFR system and informing regularly the Audit Committee of the weaknesses detected during the performance of its job and the possible infringements of the internal control policy and the timetable for the implementation of the proposed correction measures.

The members of the Audit Committee are systematically informed about all the regulatory changes which may occur in the relevant areas.

The responsibilities of the Group's Management, supervised by the Audit Committee, include designing, implementing and executing control procedures under consistent criteria and standards, as well as monitoring the correct functioning and sufficiency of the designed controls, as specified in the ICFR Organisation and Supervision Model. In this respect, the Management of the Group is responsible for performing the following functions in relation with the ICFR system:

- Revising and approving the policies and guidelines referring to the management of financial reporting;
- Establishing and spreading the needed procedure for the internal control over financial reporting;
- Establishing and carrying out the internal control over financial reporting in order to ensure its reliability and guarantee that the reports, facts, transactions and other relevant aspects are notified properly within the adequate time frame; and
- Monitoring and controlling the compliance of the internal control over financial reporting and of the internal controls and procedures aimed at spreading the information outside, as well as analysing and verifying the efficiency of the controls and their effectiveness.

Moreover, all the aspects related to the internal control over financial reporting are regulated in the corporate document ICFR Organisation and Supervision Model which is applicable to all the companies belonging to the Audax Renovables Group; the document establishes the functioning principles and the responsible bodies of the procedure. The document undergoes a review at least once a year.

Additionally, it should be highlighted that, as already stated in the Corporate Governance Report for the year 2018, due to the joint project of merger carried out in the second half of the year 2018 and beginning of the year 2019, the ICFR model has been undergoing a redefinition process in order to adapt it to the new dimension and business lines of the Group.

F. 1.2 If the following elements exist, especially those connected with the financial reporting process:

- The departments and/or mechanisms that are in charge of: (i) design and review of the organisational structure; (ii) clear definition of the lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

The Board of Directors of Audax Renovables assigns to the Management of the Group the responsibility for designing and reviewing the organisational structure connected with the financial reporting process as well for its modification whenever it is deemed necessary. In this respect the appropriate guidelines of authority and responsibility have been developed for each business unit of the Group, documented in the form of models of dependence which define the tasks and functions of the units. On the other hand, the ICFR Organisation and Supervision Model, a document formally approved by the Audit Committee, refers to the functions connected with the ICFR.

In order to attain the priority goal of obtaining a correct and reliable financial information, the Group has developed and approved the ICFR Operation Model. This document, approved also by the Audit Committee and submitted to the Board of Directors, defines the process of preparing the financial information, functioning of the reports and the executive reporting (identification of key controls, formats and the persons responsible for conducting the evaluation and supervision) to be performed by the Internal Audit Department and the evaluation and supervision of the overall ICFR system.

Therefore, the responsibility for the internal control over financial reporting is formally determined and assigned.

The Group's Internal Audit Department, together with the rest of the affected functional management, is in charge of disseminating information about the organisational structure and its possible variations regarding the activities connected with the process of formulating financial information.

Additionally, it should be highlighted that, as already stated in the Corporate Governance Report for the year 2018, due to the joint project of merger carried out in the second half of the year 2018 and beginning of the year 2019, the two documents mentioned in this section ("Organisation and Supervision Model" and "Operation Model") are undergoing a review aimed at adapting them to the new dimension and business lines of the Group.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (stating whether there are specific references to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions:

The Audax Renovables Group has a Corporate Code of Ethics and Conduct, approved by the Board of Directors, which explains the ethic commitments and responsibilities in the management of the business and in corporate activities assumed by its professionals, regardless of their post, position within the company, geographical situation or function carried out. Periodic review and update is assigned to the Audit Committee to be carried out with the support of the Internal Audit Department.

The document is part of the welcome pack handed in to the new employees together with a letter of agreement with the Corporate Code of Ethics and Conduct, subject to acceptance and signature by all Group employees. The main principles and values defined in this document are: ethics and trust, customer orientation, innovation, excellence, respect for the environment, professional and personal development and concentration on positive economic results and financial soundness.

The Corporate Code of Ethics and Conduct is comprised of the following principles and rules:

- The general principles which regulate the relationship with the involved parties (employees, clients, providers, shareholders, administrations, etc...) and which define the reference values for the Group's activities, as well as respect for the fundamental rights;
- The principles of conduct in the relationship with each type of involved party, providing specific guidelines and standards that the contributors of the Audax Renovables Group must abide by so as to respect the general principles and prevent the risk of non-ethic performance; and

- The implementation mechanisms, which describe the duties of the Audit Committee (concerning dissemination, implementation and control of the Corporate Code of Ethics and Conduct), and of the Internal Audit Department (supervision and issuing of reports as well as improvement proposals), and of the Management (by spreading its communications as well as information to the Group's employees).

Upon request of the Audit Committee, the Board of Directors in its meeting on 28 February 2019 approved the new Corporate Code of Ethics and Conduct, first approved on 19 December 2011 and amended at subsequent meetings. The content of the Code was communicated and made known to all the employees of the Group.

The Group applies the Regulation of disciplinary proceedings and sanctions system approved by the Board of Directors to complement the Corporate Code of Ethics in regulating the disciplinary procedures of the misdemeanours committed by the employees of the Group. The body in charge of analysing such misconducts and proposing the sanctions and/or corrective measures is the Board of Directors or the Executive Committee, either from the beginning or by request of the Management and after receiving a non-binding report of the Audit Committee.

Also, complying with the Code is understood without prejudice to the complying with the company's corporate governance and, in particular, of the Internal Regulations for Conduct in the Securities Market. The document was established for the first time by a resolution of the Board of Directors on 10 February 2004 and later on was subject to several updates and amendments, its current version being in force since 27 July 2017.

- Whistleblower channel that allows the communication to the Audit Committee of irregularities of financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities in the organisation informing, as the case may be, if it is of confidential nature:

The Audax Renovables Group has available a whistleblower channel, regulated in the Corporate Code of Ethics and of Conduct of the Group, which makes it possible for all the employees to notify, in a secure and confidential way, any behaviour that can imply an irregular or illegal act or conduct that can be contrary to the established rules. At the start point of the whistleblower channel all employees of the Group were informed about the implementation of such form of communication and about its functions. Moreover, as a consequence of the joint project of merger carried out in the year 2019, the Company's staff of professional employees increased substantially. For this reason and due to this process the Management considered it adequate to inform all the employees about the substance of the Good Corporate Governance System and its existing mechanisms, one of them being the aforementioned whistleblower channel and the way it works.

Besides, all the employees of the Group used to be, and continue to be reminded regularly (annually) about the aims and operating rules of the whistleblower channel.

Moreover, the established procedures for the use of this channel guarantee the total and strict confidentiality and anonymity, if desired, given that the received information is managed directly by an independent third party, the Chairman of the Audit Committee of the Group. The responsibility of handling of the complaints made through the Channel of complaints lies with the Chairman of the Audit Committee. The Group is working towards modifying the system, considering that a high number of possible complaints as a consequence of an exponential increase of the number of employees after completion of the merger process makes a redesign of the system necessary.

- Training and regular updating programmes for the employees involved in the preparation and review of the financial statements, as well the evaluation of the ICFR, that cover at least accountable standards, auditing, internal control and risk management:

The Group's Management assesses and strives to systematically update the knowledge of all the employees and management staff about the innovations related to the formulation and disclosure of financial information, whenever it proves necessary due to regulatory and legislative changes which affect the formulation of the financial statements of Audax Renovables (including the changes in the international accounting standards). Likewise, the Group's intention is to systematically provide specialised courses about the matters related to ICFR to the employees engaged in preparing the financial statements of the Group. Constant communications with the external auditors and other independent professionals ensure this permanent update.

Moreover, the Finance Department and various functional units receive periodically, both from external advisers and external auditor, information regarding regulatory changes or interpretations of regulations which could affect the formulation of financial information, regular communication having been established with them for the purpose of information, interpretation and adaptation of the changes as well as further communication within the Group to reach the areas which might be affected.

Additionally, the directors receive regulatory news through communications or presentations delivered by the external auditors as well as through other meetings, during which the main news related to the legal regulations, corporate governance and/or financial or tax matters are discussed.

F.2. Evaluation of the financial statements risk.

Inform, at least, of:

F. 2.1 Which are the main characteristics of the process of risk identification, including risk of error or fraud, regarding:

- **Whether the process exists and is documented:**

The process of risk identification and control of the activities and transactions which may affect materially the financial statements of Audax Renovables is carried out by the areas in charge of selected processes subject to review, supervised by the Management and the Internal Audit Department.

The objective of the risk identification process is to ensure that the risks of material error and fraud in the Group's financial information is handled correctly and there are sufficient control activities to guarantee the integrity and the true and fair view of the financial information subject to disclosure. For this purpose it is necessary to identify the accounts or information processes which are important to the formulation of financial information and the risks by which it is affected.

In order to carry out that procedure and identify significant accounts, several factors are taken into consideration, of quantitative (materiality) and qualitative nature (implies relevant accounting estimates and judgements, complexity of the transactions, non-recurrent transactions...):

- Qualitative: on the one hand, for the purpose of calculating the materiality, the Group follows the NIA-ES (ISA) 320 which defines the materiality in performing the task as "the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole".

- Qualitative: factors which contain inherent risk as well as control risk, regardless of referring to material accounts or not. The first group (inherent risk) would include the following:

- risk of fraud
- risk of unusual transactions;
- risk of transactions with related parties not eliminated in the consolidation process;
- risk of accounting judgements and estimates;
- risk of failure to identify in the risk map;

Whereas the second group (qualitative factors of the control risk) would include:

- risk of no automation;
- risk of separation of duties;
- risk of complexity in carrying out controls;
- risk of errors, inefficiency, non-compliance.

The risk identification process is carried out through development of risk and control matrices. It is composed of the following elements:

- Processes: identification of risks and control activities related to the key processes that have been identified.
- Risks: identification of risks is carried out for the risks of material error and fraud over financial information.
- Control Owner: the person in charge of the control defined in the matrix, requiring that someone from the affected department be accountable for the control.
- Process Owner: the person superior to the Control Owner, in charge of the process/subprocess as such, which may comprise several controls simultaneously ensuring the reliability of the specific process/subprocess.
- Controls: definition of the implemented controls or, if there are none, proposal of measures to be implemented and means of mitigation of the relevant risks.

The risk and control matrix is updated at least annually or earlier if circumstances so require.

Based on the criteria defined before, the following processes have been selected for assessment: Business processes: purchase process, sale process.
Support processes: financial reporting/accounts closing and ELC process (scope of control).

The Management of Audax Renovables, together with the Internal Audit Department, is in charge of applying these criteria, with a minimum frequency of once a year, in order to determine the items, accounts and breakdowns of the financial statements and, overall, of the processes within the scope of the review. However, this frequency may be altered in case of important changes, both internal and external, regulatory or technological.

The Audax Renovables Group implements General Policy of Risk Control and Management which, notwithstanding and as a consequence of the merger of the Company (as the acquiring company) with Audax Energía, S.A. (as the acquired company) carried out in the second half of the year 2018 and the beginning of the year 2019, the Management of the Group is reviewing and adapting to the new dimensions and new business model (now not only is it an energy producer, but also a retailer of electricity and gas). However, regardless of the internal review process that is being carried out in the year 2019 for the purpose of adapting it to the new situation of the Group, said Policy is intended to establish the basic principles and a general framework of action in terms of control and management of any kind of risk which the Group is exposed to. The policies are developed to supplement various systems of corporate policies regarding risk and specific risk policies which may be established for companies belonging to the Group. This way the Group has continued monitoring the main risks throughout the year 2018 as well as organising and implementing appropriate systems of internal control and information and supervising them.

- Whether the process covers all the objectives of financial information, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and, if so, how often:

Audax Renovables has implemented the System of Internal Control for Financial Reporting (ICFR) whose aim is to ensure the reliability of the financial information disclosed in compliance with applicable regulations. Specifically, the ICFR developed by Audax Renovables is defined as a set of processes carried out by the Board of Directors, in the first place, the Audit Committee, the Management and various departments involved, in order to ensure the reliability of financial reporting. The ICFR is designed based on the guidelines established by the CNMV and in cooperation with a consulting firm of recognised prestige.

Once the material accounting items have been determined, the business processes associated to them are identified within the scope of the ICFR with the following objectives:

- The transactions, facts and other events covered by financial information actually exist and were recorded at the appropriate moment (occurrence and existence).
- The transactions, facts and other events are recorded and measured in compliance with applicable regulations (measurement).
- The information reflects the entirety of the transactions in which Audax Renovables is an affected party (integrity).
- The financial information shows, at the date of the record, the rights and obligations through corresponding assets and liabilities in compliance with applicable regulations (rights and obligations).
- The transactions, facts and other events are classified, presented and disclosed in the financial and economic information in accordance with applicable regulations (comparability, itemisation and presentation).

These objectives are updated at least once a year.

- The existence of a process of identification of the consolidation scope, taking into account, among other aspects, the possible existence of complex business structures, instrumental entities or of special purpose vehicles:

The consolidation scope of Audax Renovables is monthly determined by the Group's Management, together with the Accountancy Department, and under a half-yearly inspection by an external auditor, in accordance with the criteria established by the International Accounting Standards (hereinafter, "IAS") 27, and other local accountancy regulations. The possible changes in the consolidation are communicated to all the Group's subsidiary companies. To this effect the Group conducts a constantly updated register of companies that covers the totality of shareholding, direct and indirect, as well as all the entities in which the Group has the possibility of exercising control, whichever the legal form in which such control may be assumed.

Any important change of the consolidation scope is reported to the Audit Committee.

- Whether the process takes into account the effects of the other typologies of risks (operating, technological, financial, legal, tax, reputational, environmental, etc.) according to the extent by which they affect the financial statements:

Within the process of risk assessment the effect of other types of risk (operational, financial, technological, legal and compliance) are taken into consideration for the purpose of identifying the risk of material error in financial reporting.

Additionally, for the purpose of control identification, information controls implemented by Audax Renovables are also included in order to cover the following aspects:

- Security of access to information;
- Appropriate separation of duties;
- Adequate model of determining authority.

Moreover, in the process of risk identification, other risks are evaluated which are external to the Group or its subsidiaries and which might affect noticeably the economic and financial information, such as:

- Changes in laws and regulations;
- Environmental aspects;
- Estimates;
- Lawsuits and provisions.
- Likelihood of fraud.

Nevertheless, and as it has been already stated in previous sections of this document, due to the joint project of merger completed in 2019, the ICFR model applied before that operation is undergoing an internal process of adaptation to the new business dimension and model, certain improvements being made throughout the adaptation process, as well as all internal regulations being adapted to the new reality.

- Which governance body of the entity supervises the process:

The System of Internal Control for Financial Reporting is supervised by the Group's Audit Committee, which is accountable for overseeing the internal system of risk management and control, assisted by the Internal Audit Department, and for ensuring the reliability and integrity of the financial information disclosed and made available to the regulators and to the markets.

F.3. Control activities.

Inform of the existence of at least the following elements indicating their main features:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, as well as documentation and flowcharts of activities and controls (including those related to risk of fraud) for the various types of transactions that may materially affect the financial statements, including the procedure for the closing of accounts and for the separate review of critical judgements, estimates, valuations and projections

Audax Renovables discloses financial information at least quarterly, in compliance with the regulations. The information is compiled through the reporting packages sent by the subsidiaries of the Group, and then it is processed by the Group's corporate Finance Department, subordinate to the Group's General Management. In order to ensure reliability of information, the Accountancy Department, in connection with the process of closure and consolidation of the accounting cycle, undertakes various control activities that ensure the reliability of financial reporting. Additionally, the Management Control Department analyses and supervises the information. Ultimately, the Management reviews and approves the general financial information as well as the specific information about the opinions, estimations, valuations, provisions and forecasts relevant for quantifying the assets, liabilities, income, expenses registered and/or disclosed in the Annual Accounts and financial statements of the Group. Ultimately, the financial information is submitted first to the Audit Committee and then to the Board of Directors for its review and approval. Once the approval of the Board has been obtained, the Group proceeds to disclose the information to the securities market.

The Audax Renovables Group applies the Manual of Regulated Information for Disclosure, duly approved by the Audit Committee and Management of the Group, in which all the obligatory communications are detailed as required by the regulator. Moreover, the aforementioned ICFR processes connected with Financial Reporting involve risk identification and a series of controls designed for that process as an integral part of the internal control process. Within this scheme, the Management are in charge of referring quarterly, semi-annually and annually the mandatory financial information to the stock market (CNMV) in coordination with the Internal Audit Department and the Secretary of the Board with the previous review and approval by the Board of Directors and the Audit Committee. This financial information is prepared through the various departments subordinate to the Management.

In respect of the information featured in the Annual Report on Corporate Governance the same procedure is followed as described in this section, with additional participation of the Internal Audit Department and the Secretary of the Board before disclosure of the information.

Simultaneously, the Audit Committee is responsible for supervising the process of preparing and presenting the relevant financial information as well as for supervising and ensuring the appropriate control framework of the ICFR system. During the closures of the accounting cycle that fall on the end of half year, the Audit Committee receives comments and conclusions provided by the external auditors of the Group based on the control results. Additionally, the Audit Committee (in reference to the half-year closures) informs the Board of Directors about its conclusions regarding the presented financial report, which, after being approved by this body, is forwarded to the stock markets.

As it was already mentioned, due to the merger of the Company, the ICFR model is being adapted to the new business dimension and model, with identified improvements being implemented as a consequence of said adaptation process. Due to this new situation, the Group works in two separate ways:

- On the one hand, reviewing, adapting and updating the processes which already existed in relation to the business line of electric power generation from renewable sources and which can materially affect the financial statements; it applies to the following processes (however, a closer review has been applied to the processes of "Sales" and "Cash and bank accounts"):

- Financial reporting process (accountancy closing and consolidation)
- Cash and bank accounts & Project Finance
- Sales

- On the other hand, in relation to the business segment that involves energy retailing (electricity and gas) the Group carries out a process of adaptation of the ICFR system model to this new dimension, identifying the most important processes that have the biggest impact on financial information, such as:

- Entity level (control environment)
- Financial reporting process (accountancy closing and consolidation)
- Sales process
- Purchase process

It should be mentioned that, historically, the company has been undertaking over the recent years an effort to formulate key actions meant to prevent, mitigate or diminish the risks of fraud within the Group, such as drawing up the Corporate Code of Ethics and Conduct, establishing the Channel of Complaints, centrally managing the appointment of proxies, creating the Investments, Purchases and Suppliers' Management Policy, as well as the Accounting Policies Manual and the Information Security Systems Manual. In this respect, and due to the new framework in which the Group operates, those policies and procedures are also being reviewed and, if necessary, adapted to the new situation throughout the year 2020.

Finally, it should be stated that since the year 2014 the Group used to have at its disposal the Criminal Risk Prevention Manual, verified and updated periodically and functioning as one of the important means of action aimed at preventing fraud and establishing the right internal control environment. Additionally, in the year 2016 the Group, on the basis of new requirements imposed by the reform of the Criminal Code (Organic Law no. 1/2015, of 30 March), has developed a Compliance Programme (also called "Corporate Defence") with the aim of executing a model of organisation and management involving the optimum supervisory measures which would prevent the commission of torts in the Group (the holding company and its subsidiaries). The aim of the Programme was to indicate the general principles of conduct and action which are expected of the Group's employees, and to indicate the Group's key values within the means to achieve business goals and for the purpose of preventing the occurrence of material threats within the company through avoiding situations of breach of law, and complying with current legal regulations. Therefore, and as a consequence of the joint project of merger, the Group has been reviewing the adjustment of the implemented model after adding the new business division (energy retailing), as it is exposed to different risks and different responsible bodies in comparison to the business of generating electricity from renewable sources.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes of financial reporting.

The Audax Renovables Group has been using information systems for the purpose of conducting a correct register and control of its operations and, subsequently, their correct functioning is a key element of special significance to the Group. Simultaneously the Group continually develops its information systems, creating and upgrading a map of individual applications and planned improvements through creating the right procedures and security devices. These guidelines and control environment – which, in some cases, are different depending on the geographic segment or type of solution and are undergoing a progressive homogenisation process – are applied above all to the information systems that support the important processes of generating financial information as well as to the necessary structure for their operation.

Currently, the Group's Management has been working intensely towards implementing a new system plan which, ultimately, seeks improvement and reliability of commercial processes as well as of those of accounting and financial nature besides a higher automation of the processes and controls, increasing the trustworthiness of the financial and operating information for all stakeholders.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services carried out by independent experts, when these may materially affect the financial statements.

Usually evaluations, calculations or appraisals commissioned to third parties, which may have direct influence on financial reporting, are deemed to be necessary actions within the scope of generating financial information, which, in individual cases, lead to identification of the prioritised kinds of error risks, which requires designing internal controls related to them. These controls include analysis and internal approval of key assumptions which may be implemented, as well as verifying evaluations, calculations of appraisals conducted by external entities, through juxtaposing them with calculations carried out internally. Therefore, in such cases when the company enlists the services of an independent entity, it ascertains the entity's competences, authorisations, independence as well as technical and legal capabilities. In any case the results or reports of individual experts independent in the area of audit, tax or legal matters, are monitored by persons responsible from the Management or other departments for the purpose of confirming the conclusions drawn.

Therefore, Audax Renovables does not outsource the entirety nor any part of its process of formulating the financial statements without the Group's supervision.

F.4. Information and communication.

Inform of the existence of at least the following elements indicating their main features:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policy area or department) and settling doubts or disputes arising from the interpretation thereof, maintaining regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The responsibility for applying the accounting policies of the Audax Renovables Group is unified for all the geographical area of its activity and is centralised in the Financial Department and within it the Group's Accountancy Department, whose responsibilities include:

- Draw up and update the Accountancy Policy Manual for the Audax Renovables Group;
- Analyse the operations and transactions undertaken or foreseen to be undertaken by the Group with the main aim of determining its suitable treatment in accordance with the accountancy policies;
- Monitor the projects of new international accounting standards and determine the impact of its implementation on the Group's consolidated financial statements; and
- Answer any question which may arise in any of the subsidiary companies of the Group about the application of the accountancy policies.

Generally, and also in those cases when the application of the accountancy regulations is especially complex, the Accountancy Department of the Group informs its external auditors about the conclusions of the accountancy analysis conducted by the Group and requests them their opinion regarding the analysed conclusion for a better consensus. Subsequently, the information is conveyed to the Audit Committee for analysis and approval.

Historically, the Accountancy Policies of the Audax Renovables Group are developed in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS"), with an explicit document available (called "Accountancy Policies Manual of the Audax Renovables Group") approved at the time by the Management and by the Audit Committee, and subsequently submitted to the Board, as well as supervised by the external auditor. The Group, through the Accountancy Department, and under the supervision of the Financial Management, developed and formalized during the year 2011 said Manual, which collects the accounting principles and criteria of the companies of the Group, determining the registry and valuation guidelines so as to homogenize the accountancy in all the subsidiary companies of the Group, thus making sure of the uniformity of the accountancy and financial information. The document details the sufficient information which the Accountancy Department and the Management have deemed necessary and relevant, thus ensuring that both the subsidiaries and the holdings have an adequate knowledge thereof. Likewise, the accounting principles applied by the Group are explained in the Consolidated Annual Accounts.

F.4.2 Mechanisms for the capture and preparation of financial information in standard format, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.

Audax Renovables has implemented an ERP (Murano) for the retailing companies and an ERP (Navision) for the subsidiaries of energy generation (proceeding from Audax Renovables before the downstream merger), the former being applied for the new companies which are integrated for the first time within the consolidation scope. The main feature of the ERP system of drafting and reporting accounting and financial information is that it has a uniform chart of accounts. The ERP satisfies, on the one hand, the needs of reporting of the individual financial statements and enables, on the other, the consolidation process and the subsequent analysis and review. The integrity and reliability of the information systems is confirmed by means of general control described in section F.3.2.

For the purpose of forwarding information to compile the monthly consolidated financial statements of the Audax Renovables Group, as well as the information which needs to be taken into consideration in the subsequent closing reports (quarter- or half-yearly) which are handed in to the Audit Committee and the Board of Directors, there is a standard reporting template. Moreover, for those subsidiaries, the ERPs differ depending on the subsidiary and the country of its origin. However, the financial managers of those subsidiaries report to the Financial Department of the Group through a reporting package adapted to the needs of the holding company, sent under the IFRS format according to the local accounting regulations of the country of origin.

F.5. Monitoring the system.

Inform of the existence of at least the following elements indicating their main features:

F.5.1 The activities of supervision of the internal control over financial reporting system (ICFR) performed by the audit committee, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the internal control over financial reporting system. Information is also to be provided concerning the scope of the assessment of the internal control over financial reporting system performed during the financial year and on the procedure whereby the person or division charged with performing the assessment informs of the results thereof, whether the entity has an action plan in place of describing possible corrective measures, and whether the impact thereof on financial information has been considered.

The Audax Renovables Group has an Internal Audit Department, subordinate, in terms of hierarchy, to the Audit Committee, and its main task is to effectively monitor, analyse and evaluate the system of internal control and management of risks significant to the company and the Group, explained in section F.2.1. This department conducts independent and periodic controls of the structure and actions of the internal control system, identifies shortcomings, and formulates recommendations regarding improvement actions to mitigate identified risks by drawing up the reports handed over to the Audit Committee during periodic meetings. The reports are presented to the Committee along with a plan of mitigation measures undertaken by the managers of every area and the Management of the Group, when appropriate.

The Audit Committee, in its work of verifying the ICFR and ensuring the quality of the financial information has centred its activity in the year 2019 and is supposed to continue in 2020 on designing effectively the processes which, after the process of merger undergone by the Group, are considered to be affecting materially the Audax Renovables' individual and consolidated financial statements. The adequate design, testing, verification and implementation of the processes described in section F.2.1, and given their scale and complexity, requires the cooperation of various corporate departments as well as of the most important subsidiaries of the Group. Carrying out its tasks, the Audit Committee is supported by the Internal Audit Department and always in touch with Audax Renovables' external auditor with whom periodic meetings are held.

In regards to the above, the Internal Audit Department keeps constant oversight of the plans and actions agreed upon with individual departments for the purpose of correcting identified weaknesses and implementing recommendations.

The Internal Audit Department carries out periodic controls of all the processes involved with formulating financial information, regarded as relevant in individual companies belonging to the Group and within the corporate finance area, at the closing of quarterly, half-yearly and yearly periods.

If any shortcomings are detected in the quality of the information or in the financial reporting control systems, necessary action plans are established in cooperation with the Internal Audit and the Group's Management in order to mitigate the weaknesses.

F.5.2 Whether there is a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the international audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall be also provided on whether there is an action plan to seek to correct or mitigate the weaknesses found.

The discussion procedure about the improvements and identified significant weaknesses of the internal control is based, generally, on regular meetings held by the intervening parties. The Internal Audit department informs periodically (at least half-yearly) the General Management and the Audit Committee about the conclusions related to the internal control of the ICFR system and the internal audits carried out during the year, as well as about the situation regarding the implementation of the action plans established in order to mitigate weaknesses.

Specifically, in accordance with the provisions of its Regulations (scope of competence), the Audit Committee has, among others, the task to analyse, together with the accounting auditors, significant weaknesses of the internal control system detected during the audit process.

The auditor of the Group has direct contact with the Finance Department and the Management through necessary periodic meetings (for referring half-yearly information, before preparing the annual accounts, to expose the incidences detected and before beginning the audit, to explain the scope thereof), both in order to obtain necessary information for the performance of the work and to communicate the control weaknesses detected. Moreover, every six months the auditor reports to the Audit Committee the conclusions of the half-yearly / yearly audit of the Group, including all the aspects considered as important.

Furthermore, the Accounting Department, responsible for the preparation of the consolidated financial statements, holds frequent meetings with the external auditors and the Internal Audit area and the Management, for the quarter, half year and year closure, in order to discuss relevant matters related to the financial reporting and possible shortcomings detected in the control system.



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F.6. Other important information.

There is no other important information to detail.

F.7. External auditor report.

Report on:

F.7.1 Whether the ICFR information disclosed to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons thereof.

Until the year 2018 Audax Renovables used to submit for review by the external auditor the ICFR information included in the ACGR.

After the merger, completed in the beginning of the year 2019, the Company, as it was confirmed in its Corporate Governance Annual Report for the year 2019, has been carrying out a process of adaptation and implementation of the ICFR system to its new dimension and business model, implementing identified improvements as a result of the adaptation process. For this reason, and given the dimension of the project, the ICFR information disclosed at the end of the year 2019 has not been submitted to the external auditor's review.

The process consists of various stages:

Model measuring - Quantitative and qualitative materiality criteria have been defined for the identification of the important areas /accounting items/ financial processes within the process of financial reporting.

Model documentation - For the companies included in the model, corresponding risk and control matrices have been documented as well as flow charts describing significant processes according to materiality and qualitative aspects which may be affected (Control Environment, Purchase, Sale, Cash, Project Finance and Financial Reporting). An evaluation has been carried out concerning the design of the key controls included in the model in order to verify the appropriate mitigation of the financial risks linked to those controls. We are currently at this stage of the project.

Model monitoring - Once the previous stage has been completed, the efficacy of the control system will be tested by assessing its correct operation through monitoring the key controls included in the model for all the companies. This final stage will serve to ensure the adequate implementation and operation of the ICFR system in the organisation.

Simultaneously, the Group has been working and deploying all its available resources, both human and financial, towards achieving improvement and adequate documentation of the control environment.

G. COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons in order to furnish the shareholders, investors and the market in general sufficient information to assess the company's course of action.

General explanation will not be accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchase on the market.

Complies [X] Explain []

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies [] Complies in part [] Explain [] Not applicable [X]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:

- a) Regarding the changes made since the previous annual general meeting.
- b) Regarding the specific reasons for which the company does not follow certain recommendations of the Good Governance Code and, possibly, which alternative procedures are implemented instead.

Complies [X] Complies in part [] Explain []

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies [X] Complies in part [] Explain []

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies [X] Complies in part [] Explain []

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor's independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on related party transactions.
- d) Report on corporate social responsibility policy.

Complies [X] Complies in part [] Explain []

During the financial year 2019 the company published on its website well in advance of the ordinary general meeting of shareholders all the reports specified above.

7. The company should broadcast its general meetings live on the corporate website.

Complies [] Explain [X]

Due to the Company's size and the profile of the majority of its shareholders there is no need to hold a broadcast, through the website, of the annual general meeting of shareholders. Also, none of the shareholders has expressed such a wish.

It should be noted that in the consolidated texts of the Articles of Association and the Regulations of the General Meeting of Shareholders a provision was made for the possibility of participation in the General Meeting and voting on resolutions by proxy or personally by a shareholder via post or electronic correspondence or via other means of communication, insofar as they enable sufficient identification of the person participating in the debates or vote, and ensure the security of electronic communication.

However, during the conducted General Meetings of Shareholders there has not been noted any interest in aforementioned electronic media on the part of the shareholders. However the Company nevertheless was duty bound to purchase certain services for the purpose of creating the possibility of making them available for the shareholders who might potentially want to make use of them.

Since the legislation did not require making available of such electronic media to the shareholders, and the matter was supposed to be regulated in a discretionary way based solely on the Articles of Association, it was deemed appropriate for the Board to determine each time when calling a General Meeting of Shareholders, whether electronic media would be made available, due to which both the Articles of Association and the Regulations of the General Meeting of Shareholders had been altered in this area in 2014. It was meant to serve, on the one hand, to eliminate the necessity to run such media each time, and on the other, to consider the possibility that the Board might decide to run them in regards to a particular General Meeting, in case in the future it was decided that the Company's shareholders are interested in making use of such kind of media (which interest, as mentioned before, has not been noted so far).



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8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies] Complies in part] Explain]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies] Complies in part] Explain]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies] Complies in part] Explain] Not applicable]

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies] Complies in part] Explain] Not applicable]

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

Y In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies [X]

Complies in part []

Explain []

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies [X]

Explain []

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

Y The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies []

Complies in part [X]

Explain []

Although in regards to the selection and appointment of directors the aforementioned criteria and goals are implemented, the analysis of the Company's situation and needs is conducted in reference to a particular situation in which the appointment or reappointment of a director is supposed to occur, and not in an abstract and general way.



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15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies [X]

Complies in part []

Explain []

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

The criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies [X]

Explain []

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies [X]

Explain []

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional and biographical profile.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company and any options on the same.

Complies []

Complies in part [X]

Explain []

The information on the website refers to points c, d and e.

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies [] Complies in part [] Explain [] Not applicable []

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies [] Complies in part [] Explain [] Not applicable []

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies [] Explain []

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in particular, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [] Complies in part [] Explain []

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

Y When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation also apply to the secretary of the board, even if she or he is not a director.

Complies [X] Complies in part [] Explain [] Not applicable []

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Complies [X] Complies in part [] Explain [] Not applicable []

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

Y The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies [] Complies in part [X] Explain []

The Company requires that the directors dedicate necessary time and effort to the efficient performance of their duties. However, there is no rule as to the number of directorships which the directors may hold.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies [X] Complies in part [] Explain []

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies [X] Complies in part [] Explain []

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book at the request of the person expressing them.

Complies] Complies in part] Explain] Not applicable]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies] Complies in part] Explain]

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies] Explain] Not applicable]

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded, of the majority of directors present.

Complies] Complies in part] Explain]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies] Complies in part] Explain]

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies] Complies in part] Explain]

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies [] Complies in part [] Explain [] Not applicable []

Article 6.1 of the Regulations of the Board of Directors declares that when the Chairperson of the Board of Directors is an executive director [...] a coordinating director must necessarily be appointed from among independent directors, who will be specifically empowered to request a meeting of the Board be called or new items be included in the agenda of an already convened meeting, coordinate and bring together the non-executive directors and conduct, if appropriate, the periodic evaluation of the Chairperson of the Board of Directors.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [] Explain []

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. The facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies [] Complies in part [] Explain []

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should act as secretary to the executive committee.

Complies [] Complies in part [] Explain [] Not applicable []

By virtue of a resolution of the Board of Directors of 25 March 2019, the Executive Committee was extinguished and made void, as a consequence of the Committee's scarce activity.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies [] Complies in part [] Explain [] Not applicable []

As it was indicated in point 37, the Executive Committee was extinguished and made void by a resolution of the Board of Directors of 25 March 2019.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies [] Complies in part [] Explain []

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies [] Complies in part [] Explain []

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [] Complies in part [] Explain [] Not applicable []

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration paid to the external auditor for their services does not compromise the quality of such services or the independence of the auditor.
- c) Ensure that the company notifies any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefor.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X]

Complies in part []

Explain []

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X]

Complies in part []

Explain []

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies] Complies in part] Explain] Not applicable]

45. Control and risk management policy should specify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies] Complies in part] Explain]

46. Companies should establish a risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, manager and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies] Complies in part] Explain]

These functions, right now, are assumed and carried out by the Internal Audit Department of the Audax Renovables Group and the Audit Committee is appropriately informed.

47. Appointees to the nomination and remuneration committee – or the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies] Complies in part] Explain]

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies] Explain] Not applicable]

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies [X] Complies in part [] Explain []

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to the directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officer's pay contained in corporate documents, including the annual director's remuneration statement.

Complies [X] Complies in part [] Explain []

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [X] Complies in part [] Explain []



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52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be recorded and a copy made available to all board members.

Complies [] Complies in part [] Explain [] Not applicable [X]

53. The task of supervising compliance with corporate governance rules, internal code of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at least the following functions:
- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
 - b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
 - c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, for the legitimate interests of remaining shareholders.
 - d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
 - e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
 - f) Monitor and evaluate the company's interaction with its stakeholder groups.
 - g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
 - h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X]

Complies in part []

Explain []

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
- The goals of its corporate social responsibility policy and the support instruments to be developed.
 - The corporate strategy with regard to sustainability, the environment and social issues.
 - Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
 - The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 - The mechanisms for supervising non-financial risk, ethics and business conduct.
 - The channels for stakeholders communication, participation and dialogue.
 - Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies Complies in part Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies Complies in part Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain

In accordance with the policy on directors' remuneration and article 18 of the articles of association approved by the ordinary general meeting of shareholders of the Company on 29 April 2019, the performance of executive functions by the directors, by law or by delegation of the board, shall be remunerated through a fixed amount of money.

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation, so that the elements of the performance measurement do not involve solely individual, sporadic or extraordinary events.

Complies [] Complies in part [] Explain [] Not applicable []

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [] Complies in part [] Explain [] Not applicable []

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies [] Complies in part [] Explain [] Not applicable []

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [] Complies in part [] Explain [] Not applicable []



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [] Complies in part [] Explain [] Not applicable []

63. Contractual agreements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies [] Complies in part [] Explain [] Not applicable []

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [] Complies in part [] Explain [] Not applicable []



ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

H. OTHER USEFUL INFORMATION

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report to the extent they are relevant and not reiterative.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code and date of adoption. In particular, indicate whether the company adheres to the Code of Best Tax Practices of 20 July 2010:

3. Audax Renovables, S.A. is a signatory entity in the UN Global Compact since 7 August 2013, and has joined it voluntarily. By this agreement, Audax Renovables recognizes its commitment to comply with the ten (10) Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

This annual corporate governance report has been approved by the Board of Directors of the Company at its meeting on:

26/02/2020

State whether any directors voted against or abstained from voting in the approval of this Report.

Yes
 No



**Non-Financial Information
Statement 2019**

**AUDAX RENEWABLES and
subsidiaries**

for the year ended on

31 December 2019

Non-Financial Information Statement of Audax Renovables and subsidiaries

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ABOUT THIS REPORT

This report features non-financial information of Audax Renovables and subsidiaries, hereinafter: "Audax Renovables" or "the Group", for the year 2019¹. Through this document, the Group responds to the requirements of Non-Financial Reporting and Diversity introduced by the Law 11/2018 of 29 December 2018.

This report contains information concerning the following companies:

- ≈ Audax Renovables S.A.
- ≈ Unieléctrica Energía and subsidiaries.
- ≈ ADS Energy 8.0 and subsidiaries.
- ≈ Generación Iberia.
- ≈ Audax Energía, S.R.L. (Italy).
- ≈ Main Energie (the Netherlands).
- ≈ Audax Sucursal in Portugal.
- ≈ Audax Energie GmbH (Germany).
- ≈ Audax Energia Sp. z o.o. (Poland).
- ⚡ Renewable energy subsidiaries (Generation division).

The scope of these companies covers 99.8% of the total number of employees in the year 2019 and represents 96.6% of the total turnover. It should be noted that the companies that are not included in the present scope of this NFIS are Eléctrica Nuriel S.L.U. (hereinafter: Eléctrica Nuriel), the legal person that holds a significant majority stake in Audax Renovables, and Excelsior Times S.L.U. (hereinafter: Excelsior Times), the owner of 100% of shares in Eléctrica Nuriel.

The following pages furnish information concerning the Group's environmental, social, labour or human rights matters, as well as corruption and bribery prevention, following the guidelines specified by the law. In regard to every matter the document outlines the policies that are applied and the measures that are undertaken, as well as the risks that arise from the business activity.

The report has been drawn up on the basis of the global sustainability reporting initiative **GRI (Global Reporting Initiative)** in its "Standards" version. The principles of comparability, reliability, materiality and relevance established in the Law on Non-Financial Information have also been applied:

- COMPARABILITY CRITERION: "The reporting organisation shall select, compile and communicate the information in a coherent manner. The information disclosed shall be presented in a way that will allow the stakeholders to analyse the changes in the organisation's performance and will support the analysis related to other organisations".
- RELIABILITY CRITERION: "The reporting organisation shall gather, register, compile, analyse and communicate the information and the processes used in the preparation of the report in order that they may be subject to revision and that they establish the quality and the materiality of the information".

¹ Should the information provided relate to other period than the year 2019, it will be stated within the pertinent paragraph.

- **MATERIALITY AND RELEVANCE CRITERION:** "The reporting organisation shall address the topics, which: reflect significant economic, environmental and social impacts of the reporting organisation; influence substantially the stakeholders in their evaluations and decisions".

In accordance with the **materiality and relevance** criterion, the Group's activities have been analysed in order to determine awareness of the aspects related to business strategy.

For that purpose, a materiality analysis has been conducted based on the following method:

- Direct interviews with the persons responsible for the Group's various companies.
- Preparation of an analysis of the business and the environment based on:
 - Internal analysis of the Group, taking into consideration various formal documents that have been formulated.
 - External analysis of the companies of the same sector.

Together with the analysis carried out, aspects of materiality for the Group have been identified in order to provide relevant information to the stakeholders.

The identified material aspects have been structured in 6 areas, in line with the provisions of the Law 11/2018 on Non-Financial Information and Diversity: Business Model and Corporate Governance, Natural Environment, Labour, Human Rights, Fight against Corruption and Bribery, and the Company. All the material aspects identified in each area are described below:

MATERIAL ASPECT	DESCRIPTION
Business Model	
Transparency, Ethics and Integrity	Being a socially responsible organisation, the Group shall be provided with necessary policies and procedures in order to ensure the transparency, ethics and integrity of its operations.
Risk Management	It is of utmost importance for the Group to continue working on the development of internal control systems, policies and procedures in order to ensure adequate risk management.
Information on Environmental Issues	
Efficient Management of Resources	Appropriate management of water and energy consumption and supply in all the facilities and offices of the Group's companies.
Biodiversity	Protecting flora and fauna in its surroundings is a material aspect of the business of Audax Renovables, due to the direct effect which its activity may have on biodiversity, if conducted without careful management.
Information on Labour Issues	
Employment	Quality job creation, adequate management and organisation of working time, and employment growth constitute significant matters in all the Group.
Equality and Diversity	Development of measures within the Group in order to boost diversity, ensure equal opportunities and inclusion, as well as to guarantee fair pay to all the employees.
Training and Retention of Talent	Programmes for the improvement of the employees' aptitudes through continuing training adapted to individual needs.
Health and Safety in the Workplace	Assurance that the workplace conditions guarantee health and safety of the employees.

System of Regulatory Compliance	
Regulatory Compliance	Policies and procedures which guarantee full compliance with applicable regulations by constantly monitoring any amendments made to said regulations.
Fight against corruption and bribery	Assurance of availability of measures taken to join the fight against corruption and bribery.
Information about the Company	
Supply Chain	A guarantee that all suppliers who are part of the Group's supply chain comply with the ethical principles outlined by the Group.
Customer Health and Safety	Availability of means necessary to ensure the health and safety of our customers in the course of the Group's rendering applicable services.
Quality of Services	Constant efforts made towards ensuring that the Group offers high quality services to all its clients.

NON-FINANCIAL INFORMATION STATEMENT

1. Business Model

1.1. Introduction to Audax Renovables.

Audax Renovables is an energy group with leading position in the SME segment in Spain, providing efficient supply of retailed energy (electricity and natural gas) through a process of vertical integration with the segment of renewable energy generation. The Group is undergoing the expansion process, is comprised of around **40 subsidiary companies**, has **544 employees**, and 338,141 clients (around 11% more than in 2018) and operates in **7 European countries as well as in Panama**.

Its objective is to offer energy at competitive prices while delivering products that adapt to the clients' needs and providing high-quality customer service.

The Group's main activities involve:

- Providing electricity and gas to individual clients as well as to companies through the **supply division**, which is present in many European countries: Spain, Portugal, Italy, Germany, Poland and the Netherlands.
- Developing all kinds of activity connected with electricity generation from 100% renewable sources, primarily wind and solar energy. The **generation division** manages a total portfolio of operating plants of 91 MW in Spain, France and Poland. Additionally, it has one wind power project of 66 MW under construction in Panama and has purchased several projects of photovoltaic facilities of 320 MW to be developed in Spain.

The Group's origins date back to the year 2000, when Audax Renovables (formerly Fersa Energías Renovables) was set up in Barcelona as a joint stock company for an indefinite period, engaged in *"all types of activities related to the development of electricity generation from renewable sources, for which purpose it can set up, acquire and hold shares, bonds, participations and rights in companies whose corporate objects are the development, construction and exploitation of facilities for the generation of electricity from renewable energy sources"*.

Some of the main milestones and key dates of Audax Renovables are outlined below:

- ◆ In 2003 the shares of Audax were admitted to trading on the secondary market of the Barcelona Stock Exchange, and Audax became the first independent company dedicated exclusively to produce renewable energy, listed on the Spanish stock exchange.
- ◆ Audax Renovables commenced the operation of its first wind farm in the year 2006. Today, Audax has international presence with operating power plants in France and Poland, and soon also in Panama, currently under construction.
- ◆ In 2007 the company was included in the Spanish Stock Exchange Interconnection System (SIBE) of the Madrid Stock Exchange.
- ◆ Between the years 2013 and 2017 the company enters gradually the following countries (by order or entry): Portugal, Italy, Poland, the Netherlands and Germany.

- ◆ Audax becomes the first Catalan SME to issue bonds on the Alternative Fixed-Income Market (MARF) in 2014.
- ◆ In 2016 Audax Energía acquires Fersa Energías Renovables through a takeover bid.
- ◆ In 2017 the Company changes its name for "Audax Renovables", formerly Fersa Energías Renovables.
- ◆ In 2018 a joint project of merger is presented and completed, by which Audax Renovables absorbs its parent company, Audax Energía. The Group continues to work towards making progress in offering clean energy and developing activities within this scope.
- ◆ In 2018 Audax Renovables commences construction works of the wind farm Toabré in Panama.
- ◆ The same year the energy retailer Unieléctrica Energía, from Córdoba, joins the Group.
- ◆ Since the end of 2018 the company has been focusing its efforts on signing PPAs (Power Purchase Agreements).

In 2019 ordinary income of Audax Renovables increased by 5.75% in comparison to 2018 and amounted to EUR 1,040.96 million.

Gross operating result (EBITDA) of Audax Renovables amounted to EUR 73.25 million in 2019.

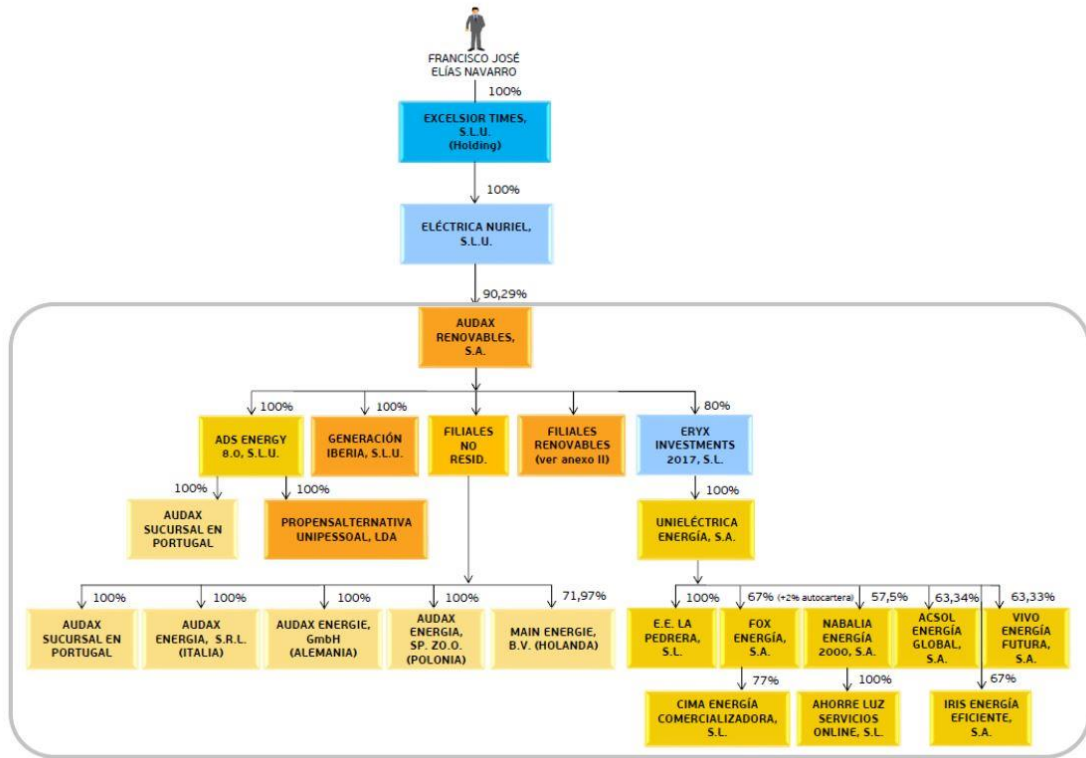
Due to its internationalisation strategy, Audax Renovables ended the year 2019 with net profit of EUR 25.4 million, 202.15% more than in the year 2018.

1.2. Main activities and services

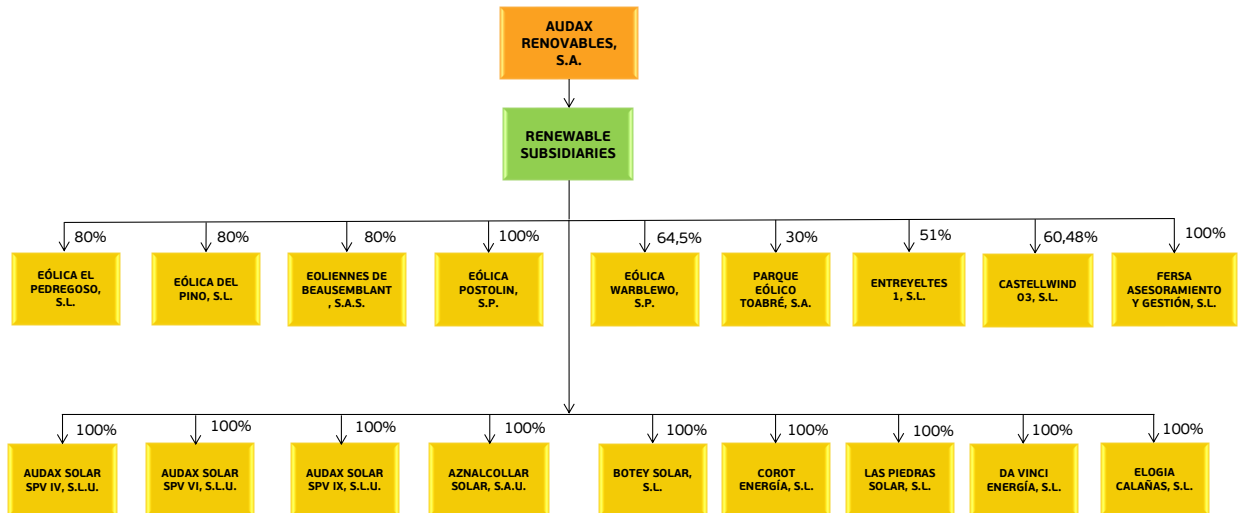
Currently, Eléctrica Nuriel is the majority shareholder of Audax Renovables. It gathers diverse subsidiary companies, joint ventures and associated entities which are part of the scope of this report and which focus their activity on electricity and gas supplying as well as on electricity production from 100% renewable sources.

All these entities comprise the parent company Excelsior Times. It should be noted that neither Excelsior Times nor Eléctrica Nuriel are featured within the scope of this report.

The graphic below shows the corporate structure as at 31 December 2019.



Within the "RENEWABLE SUBSIDIARIES" there are the following companies:



The following section contains an overview of the main activities of Audax Renovables and its subsidiary companies:

Audax Renovables consists of divisions dedicated to renewable energy production from 100% clean sources, as well as a division of electricity and gas retailing. The production is carried out in operating power plants, which the Group has in Spain, France and Poland. With its supply activity, the Group is present in Spain, Portugal, the Netherlands, Italy, Poland and Germany.

1.3. Corporate Social Responsibility of the Group

The Corporate Social Responsibility (CSR) is an essential feature of the business model and management of the companies that comprise the Group.

Therefore, each business line of the Group tackles diverse dimensions of the CSR:

Environment

- Through the activity of **electricity generation** from 100% renewable sources the Group directly contributes to combating climate change, supporting the increase of the clean energy offer within the Spanish energy mix. Moreover, many companies integrate environmental efficiency concepts into their own buildings. For example, Unieléctrica has the ISO 50001 energy management certification, having adapted its head office building (by the use of insulating materials for its construction) to protect it from heat and thus optimise the use of air conditioning.

Labour

- Ensuring health and safety of people, especially at work, is a fundamental principle for the Group. The Group also endeavours to ensure the employees' personal and professional development, and bolster the emotional well-being of all the staff.

Community

- In connection with the previously mentioned aspect, as well as with the aspect of Community, the Group contributes to creating quality employment through all its activities. This effect is especially noticeable in the regions where wind farms are being installed, which usually are rural areas, away from the most important towns, and employment there is created first in the construction and then in the maintenance of the power plants.
- Moreover, the business model of the Group has direct positive impacts on the community and on the environment, because, with its diverse businesses, it contributes to the achievement of Sustainable Development Goal² number 7: "Affordable and Clean Energy".

Within this Goal, the organisation contributes specifically to achieving targets 7.1 and 7.2;

² Sustainable Development Goals (SDG) overall comprise 17 goals and 169 targets inspired by the United Nations as a part of its 2030 Agenda.

- ◆ Target 7.1: "By 2030, ensure universal access to affordable, reliable and modern energy services".
- ◆ Target 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix".

Economy:

- Wealth is generated through the payment of taxes and fees to the municipalities, as well as the payment of lease fees to the owners of the affected land.
- An indirect impact is made on the local economy through the increase of consumption in the areas where the Group operates.

Another proof of the Group's commitment to Corporate Social Responsibility is provided in form of its 7-year membership of the United Nations Global Compact. This way the Group actively supports the 10 principles of the Global Compact, especially those related to the Natural Environment.

In regard to the set of aspects outlined before, the activities are carried out within the framework of mission, vision and values of the companies that comprise the Group. Below we present the mission, vision and values related to Audax Renovables³, the parent company of the Group, which fosters these corporate principles in all its subsidiaries.

AUDAX RENOVABLES

THE AUDAX RENOVABLES MISSION:

"Every day we strive to build our growth strategy based on sustainability, economic development, internationalisation and respect for our business environment, and in addition to all that we offer convenient proximity to our clients."

THE AUDAX RENOVABLES VISION:

"We want to be a private and independent listed company which brings to its clients, employees and partners differential value within the energy sector, while promoting innovation and transparency."

THE AUDAX RENOVABLES VALUES:

- ≈ **Ethics and trust:** we believe in fostering an honest relationship with our clients and partners.
- ≈ **Customer orientation:** focused on the customer satisfaction.
- ≈ **Innovation:** bringing new products and services in order to cater to the needs of the customers.
- ≈ **Excellence:** working every day in order to improve our processes.

³ Audax Renovables' Mission, Vision and Values refer to the parent company as well as to all the subsidiary companies belonging to the Group, which is traded on the four Spanish stock markets.

- ≈ **Respect for the natural environment and for the community**, contributing to the growth and development of our surroundings.
- ≈ **Professional and personal development**: because the staff is the key to the company's success.
- ≈ **Focus on the results**: good economic results and financial soundness.

2. Information on environmental issues

As it was mentioned in the previous section, the activity of the Group fosters protection and respect for the natural environment. The Group promotes policies which reinforce this commitment to the environment.

It should be noted that **Unieléctrica** obtained in 2016 the Energy Management System Certification 50001 which involved its whole production chain and confirmed its compliance with international regulations developed by ISO (International Standard Organisation), with the aim to maintain and improve the system of energy management within the organisation. Therefore, the activity of the organisation and the operation of all its facilities complies with this internationally recognised European quality standard. The achievement of the certification is a proof of the Group's commitment to energy efficiency regarding the services rendered to the customers, as well as a commitment to the customers themselves.

2.1. Sustainable use of resources

The Group strives to ensure **responsible use** of the natural resources, as far as its business and its operation allow it.

WATER CONSUMPTION

There is no significant water consumption in any of the Group's activities, because water is consumed only in the offices where business is managed. The water consumed comes from own providers, except for the wind farm El Pedregoso (located in Spain) where water is obtained from a well situated in the plot where the wind farm facilities are installed.

In the year 2019 total water consumption of the Group was of 2,224 m³.

Water consumption 2019⁴
2,224 m ³

ENERGY CONSUMPTION

Energy consumption of the Group takes place mainly in its diverse facilities, such as head offices and buildings where various subsidiary companies are located, as well as in the power plants of 100% renewable energy generation.

In the year 2019 electricity consumption amounted to 392.89 MWh⁵, of which 25% was generated from renewable sources. The Group's own consumption of natural gas amounted to 47.108 MWh⁶ (without taking into account the retail activity). The sum of both consumptions translates into

⁴ This figure refers exclusively to Audax Renovables and Unieléctrica.

⁵ This figure refers exclusively to Audax Renovables, Unieléctrica and Audax Energía (Italy).

⁶ This figure refers exclusively to Audax Energía (Italy).

energy intensity of 0.02 kWh per profit obtained. Moreover, the wind and solar power plants of Audax Renovables produced a total of 365,000 MWh in 2019.

An example of good practice in terms of energy management can be found in the Dutch subsidiary, **Main Energie**, which implemented an energy management system called "Energiescope" in order to determine the amount of electricity and gas consumed in each plant with its offices, and analyse possible efficiency improvements. On the other hand, the **Polish subsidiary** has installed a system of air conditioning provided with the "economy" programme, which allows it to reinforce energy saving.

MATERIAL CONSUMPTION

Due to the type of activity of the Group, the consumption of materials refers mainly to those materials which are typically used in office daily activities, such as shown in the following table:

Materials used:	Weight 2019
Sheets of paper ⁷	23.59 tonnes
Toner ⁸	0.06 tonnes
Computer materials ⁹	0.26024 tonnes

Table 1: Materials used

In regard to the efficient and sustainable use of resources, the **Polish** subsidiary carries out diverse activities within the scope of recycling of waste material, such as paper and toner recycling.

Furthermore, in order to reduce the consumption of plastics in the offices, in 2019 the Polish subsidiary and the head offices of **Audax Renovables** conducted a campaign against the use of plastic: each employee received a bottle made of recycled aluminium, and drinking fountains with filtered water were installed for water consumption in the office.

2.2. Climate Change

The Group is committed to fight climate change, developing year after year its division of 100% renewable electricity generation. The Group has been making efforts to integrate into its business the risks and opportunities connected with climate change, offering the opportunity of innovation in the products and services which allow our customers to reduce progressively their consumption of gas and electricity.

Moreover, the Group strives to contribute to the emissions reduction through initiatives and good practices in the companies' offices.

⁷ This figure refers exclusively to Audax Renovables, Unieléctrica and Audax Energía (Italy).

⁸ This figure refers exclusively to Audax Renovables and Unieléctrica.

⁹ This figure refers exclusively to Audax Renovables and not to its group and its subsidiary companies.

One of the initiatives has been carried out since 2018 by **Unieléctrica**, in accordance with the 2012/27/EU¹⁰ Energy Efficiency Directive, by which the Group endeavours to reduce by 1.5% the total annual energy consumption. To this purpose, the Group has implemented diverse energy efficiency measures which, as of today, continue to bring savings. Some of these measures are presented below:

- The lights in the rooms which are not in use shall be turned off.
- The air conditioning in the buildings shall be adjusted by smart thermostats.
- External lighting shall be controlled by a timer in order to reduce its operating hours and avoid failing to turn it off.
- Use of LED lighting.

It should be noted also that the cladding of the building of that subsidiary is made of diverse insulating materials which help optimise the use of air-conditioning and heating systems.

The final objective of all these initiatives is to reduce the environmental impact made by the emission of greenhouse gases (GHG).

In 2019 the total **scope 1** emissions (emissions directly related to the core business of the company) were of 24,025.38 tonnes of CO₂eq and included emissions related to natural gas. In the case of scope 2 emissions (indirect emissions), the result was of 84.95 tonnes of CO₂eq, including emissions related to electricity.

Year	Scope 1 emissions	Scope 2 emissions
2019	24,025.38	84,949,120.00

2.3. Circular economy and waste management

Similarly to what has been said about material consumption, the Group's activity as such contributes to the transition towards circular economy and reuse of waste materials generated.

In the case of waste management, due to the fact that the activities are carried out mainly in the offices, the Group strives to reduce to a minimum the environmental impact of the waste that is generated. For instance, the head offices of Audadx Renovables have been provided with recycling bins. In addition, the company has obtained a certificate of environmental management as ACS Recycling Electrónica de Catalunya collected 0.237 metric tonnes of computers and computer materials. It should be mentioned that all waste material is subject to environmental treatment in compliance with the Royal Decree 110/2015.

The main waste materials generated in the year 2019 are specified below:

¹⁰ The Energy Efficiency Directive, published on 25 October 2012 in the Official Journal of the European Union (OJ), sets out a series of goals for energy saving and efficiency at a global and sectoral level. It also includes a target of new annual savings of 1.5%.

HAZARDOUS WASTE ¹¹	
Waste type	Total managed 2019
Waste oil	1,100 litres
Contaminated material	2.30 tonnes
Contaminated filters	0.20 tonnes
Fluorescent tubes	0.01 tonnes
Oil filters	340 litres
Air filters, absorbent materials and cloths	974 litres
Antifreeze	0.02 tonnes
Contaminated plastic packaging	0.32 tonnes
Aerosols	0.01 tonnes
Batteries	0.001 tonnes
Mineral oil	1.40 tonnes
Computer materials	0.237 tonnes

Table 2: Hazardous waste

NON-HAZARDOUS WASTE ¹²	
Waste type	Total managed 2019
Destruction of confidential material	4.30 tonnes
Waste	0.83 tonnes
Packaging	0.10 tonnes
Metallic packaging	0.01 tonnes
Plastic packaging	0.01 tonnes
Scrap iron	0.10 tonnes

Table 3: Non-hazardous waste

2.4. Biodiversity protection

Biodiversity protection is a topic applicable only to the activity of Audax Renovables and, particularly, to the areas where its wind farms are located. While a wind farm is undergoing the construction process, research is carried out into local avian fauna for the purpose of understanding the behaviours of the species dwelling in the area as well as their flight paths. Once the construction is completed and the wind farm is in operation, an exhaustive process of monitoring and tracking the birds is put in place as an integral part of the everyday operation of the facility.

This research helps identify the species which may be vulnerable to being affected in the areas where the Group's wind farms are situated. These analyses also take under consideration the meteorological conditions which may cause particularly high numbers of accidents and collisions.

¹¹All figures in this table refer exclusively to Audax Renovables, specifically to Parque Eólico Hinojal and Parc Eòlic Mudéfer which were sold in July 2019 and November 2019, respectively.

¹²Ibid reference 9

This way the Group is prepared for the necessity to stop the turbines whenever they pose a danger to birds.

For example, in the wind farms located in the province of Cádiz (Parque de Pedregoso (A, B and D)) the **Environmental Monitoring Plan** was launched in 2010, which meets the requirements of Environmental Impact Declaration issued by the Delegación Provincial de Medio Ambiente of Cádiz¹³. Overseen and coordinated by **Fundación Migres**, this Plan includes information concerning birds dwelling in the area of these wind farms. In order to reduce the number of accidents involving birds, constant surveillance is carried out throughout all hours of the day (24 hours, 7 days a week) all year round, which allows to determine the circumstances in which these accidents occur. This way, as explained above, whenever the surveillance team detects a threat, they demand the turbines involved be stopped.

Another clear example of the Group's exhaustive work on biodiversity protection is the construction of the wind farm located in Panama, whose completion is planned for 2020. The farm's construction has been carried out in compliance with the Equator Principles for managing social and environmental risk and health and safety. Subsequently, a *Plan for Environmental Management* was developed, which includes a plan for rescue and relocation of flora and fauna as well as environmental education plan for local communities. As part of the rescue and relocation plan, reports are made concerning the rescues carried out in the area, which exhaustively describe the procedure implemented. This way a list is compiled of all operations conducted and it is ensured that the method implemented is appropriate for the protection of the specimens of the species in question.

¹³This Environmental Impact Declaration was processed in accordance with the Law 7/1994 on Environment Protection and the Decree 292/1995 on Environmental Impact Assessment as well as according to the protocol "Guidelines for the Environmental Monitoring Programmes in the Wind Farms of the Province of Cádiz".

3. Information on social and labour issues

3.1. The Group's personnel

The Group is aware that its team is the essential asset and the one who allows all the activities to be carried out and will make it possible to tackle all the future plans with success.

Therefore, the Group strives to offer high quality training programmes, promote measures concerning equality and non-discrimination, guarantee safe and healthy working environment as well as ensure the reconciliation of work, private and family life. There are also programmes for training needs analysis and the Group makes sure to attend and listen to the employees' requests in order to respond and cater to their needs.

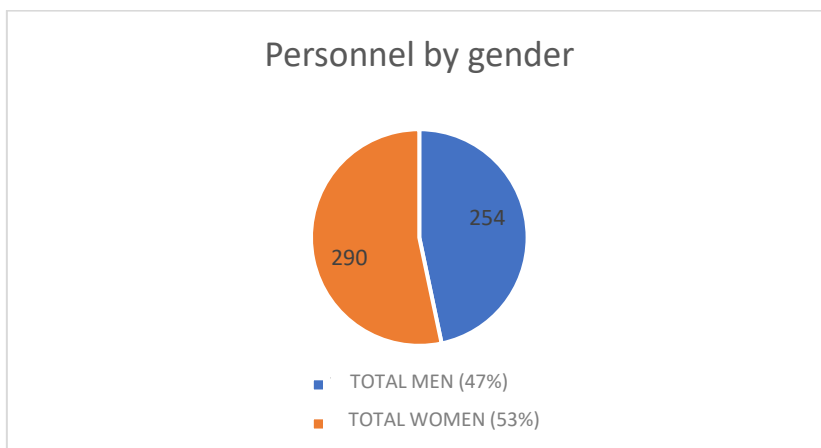
- **Audax Renovables** receives all new employees with a Welcome Pack comprised of the Corporate Code of Ethics and Conduct, a handbook about occupational risk prevention, the main internal rules and procedures, rules and procedures of entrance to and exit from the buildings, as well as the employment contract documents and the relevant authorisation for payroll management. These documents set out the guidelines to be followed in connection with various topics, such as the ethics and confidentiality of information concerning clients, and outline all the responsibilities of the employees of Audax Renovables.
- In addition to the Welcome Pack, Audax Renovables puts effort into raising awareness among its employees of the importance of equality and non-discrimination. Therefore the staff has been provided with Harassment Protocol and Complaint Channel, which are the tools made available to the employees in order to prevent, report, investigate and punish any discriminatory conduct which may occur in the workplace.
- Audax Renovables also implements policies of reconciliation of work, private and family life and adopts various measures to guarantee the health and safety of the working environment.

Accordingly, in all subsidiaries of the Group new policies and procedures have been drawn up, for example:

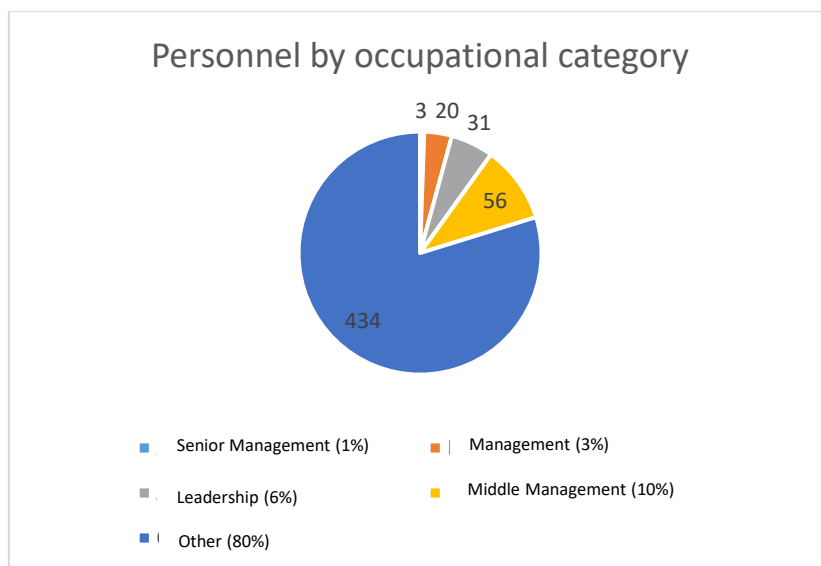
- Each new employee of the **Polish** subsidiary receives a document, which should be signed and returned, specifying, among other issues, the company obligations, the regulations concerning work organisation, confidentiality of information and financial responsibility of the employees.
- **Unieléctrica** has a welcome book for new employees, which explains all the key aspects of the company and the advantages of working in it. Moreover, Unieléctrica has signed a Protocol with ASPY (a company operating in the field of Occupational Hazard Prevention), which outlines the objectives related to occupational hazard prevention, such as employee health and safety improvement, workplace atmosphere improvement, visibility and efficacy increase (in terms of success rate of undertaken preventative actions). The Protocol aims to establish the course of action and common policy of occupational hazard prevention. Lastly, Unieléctrica's Human Resources department and Labour department are developing the Equality Plan which is designed to support equal opportunities in the workplace for men and women and which is scheduled to be approved in 2021.

Personnel data as at 2019

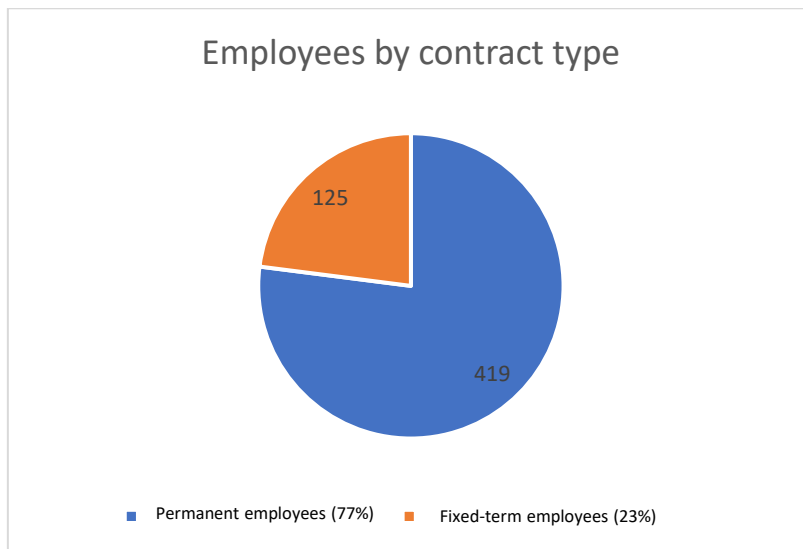
The Group has ended the year 2019 with a total of 544 employees, 53% women and 47% men, who work in various subsidiaries covered by this document. Audax Renovables encourages gender diversity in the workplace, therefore in 2019 gender representation in the Group is very balanced:



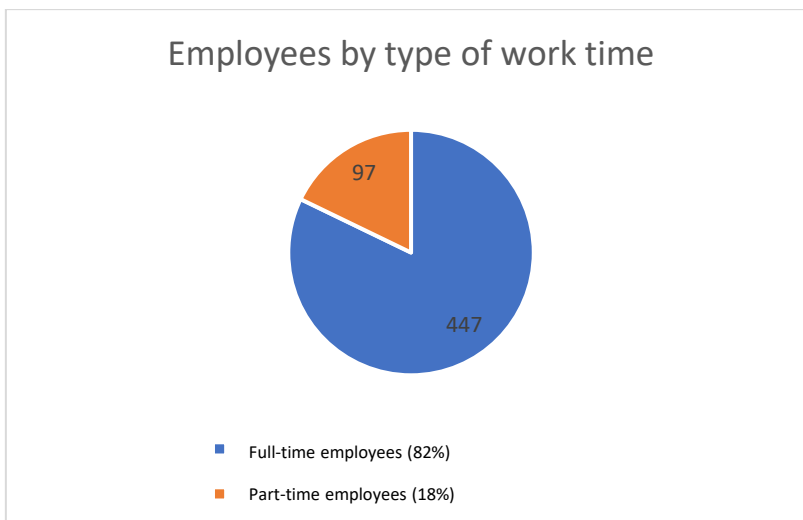
In 2019 the distribution of the professional staff of the Group has been as follows:



In line with the commitment to create stable and quality employment, the Group encourages indefinite employment contracts for professionals. Therefore, as at 31 December 2019, 77% of the employees had indefinite contracts.



In 2019, 82% of the employees had a full-time contract, and a minority had a part-time contract. The Group is aware of the importance of the ability to offer diverse employment options in order to adjust to the personal needs of its employees as well as to the Group's activity.



The following table shows the distribution of staff by country, gender, age and professional category:

	Age bracket	SENIOR MANAGEMENT		MANAGEMENT		LEADERSHIP		MIDDLE MANAGEMENT		OTHER	
		Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	<30	0	0	0	0	2	0	1	0	35	28
	30-50	1	2	2	0	8	6	6	14	87	139
	>50	0	0	4	0	0	2	1	1	8	17
	Total	1	2	6	0	10	8	8	15	130	184
	Total Spain	3		6		18		23		314	
THE NETHERLANDS	<30	0	0	0	0	0	0	0	0	16	8
	30-50	0	0	3	0	5	1	0	0	28	10
	>50	0	0	2	0	1	0	0	0	15	3
	Total	0	0	5	0	6	1	0	0	59	21
	Total the Netherlands	0		5		7		0		80	
ITALY	<30	0	0	0	0	0	2	3	5	0	0
	30-50	0	0	3	2	1	1	5	15	0	0
	>50	0	0	0	1	0	0	0	0	0	0
	Total	0	0	3	3	1	3	8	20	0	0
	Total Italy	0		6		4		28		0	
GERMANY	<30	0	0	0	0	0	0	0	0	0	1
	30-50	0	0	1	0	0	1	0	0	2	4
	>50	0	0	0	0	0	0	0	0	0	0
	Total	0	0	1	0	0	1	0	0	2	5
	Total Germany	0		1		1		0		7	
PORTUGAL	<30	0	0	0	0	0	0	0	1	1	0
	30-50	0	0	0	0	0	0	0	1	6	10
	>50	0	0	0	0	0	0	1	0	0	0
	Total	0	0	0	0	0	0	1	2	7	10
	Total Portugal	0		0		0		3		17	
POLAND	<30	0	0	0	0	0	0	0	0	2	3
	30-50	0	0	0	1	0	1	0	2	3	8
	>50	0	0	1	0	0	0	0	0	0	0
	Total	0	0	1	1	0	1	0	2	5	11
	Total Poland	0		2		1		2		16	
	Total by category	3		20		31		56		434	
	Total Group	544									

Table 4: Breakdown of staff by country, gender, age and professional category:

The following table shows the total number of employees with indefinite and fixed term contracts by gender, age and professional category:

	WOMEN	MEN	TOTAL	PERCENTAGE
No. of employees with indefinite contract	230	189	419	77%
No. of employees with fixed-term contract	60	65	125	23%
Total	290	254	544	100%

Table 5: Total number of employees by contract type and gender

	< 30 YEARS	30 – 50 YEARS	> 50 YEARS	TOTAL
No. of employees with indefinite contract	61	308	50	419
No. of employees with fixed-term contract	47	71	7	125
Total	108	379	57	544

Table 6: Total number of employees by contract type and age

	SENIOR MANAGEMENT	MANAGEMENT	LEADERSHIP	MIDDLE MANAGEMENT	OTHER	TOTAL
No. of employees with indefinite contract	3	20	30	51	315	419
No. of employees with fixed-term contract	0	0	0	6	119	125
Total	3	20	30	57	434	544

Table 7: Total number of employees by contract type and professional category

REMUNERATION POLICY

According to the remuneration policy, the remuneration is generally comprised of a fixed element and a variable part. The Group strives to ensure a remuneration based on the equality principle, as it is stated in individual human resource policies of the subsidiary companies of the Group.

This commitment is also noticeable in the Code of Ethics and Conduct of Audax Renovables, where it is explicitly stated that the Group "*promotes equal opportunities between men and women in recruitment, training and promotion of professionals in their working conditions*".

The following table shows the average remuneration of the staff by age, gender and professional category:

	Women	Men
Average remuneration	€22,393.53	€32,164.29

Table 8.1: Average remuneration by gender.

	< 30 YEARS	30 – 50 YEARS	> 50 YEARS
Average remuneration	€21,222.79	€27,488.75	€34,482.19

Table 8.2: Average remuneration by age

	SENIOR MANAGEMENT		MANAGEMENT		LEADERSHIP		MIDDLE MANAGEMENT		OTHER	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Average remuneration	€139,137.64	€64,998.01	€40,207.33	€107,048.06	€29,029.08	€51,775.14	€25,285.54	€29,833.18	€20,767.15	€22,922.90

Table 9: Average remuneration by professional category and gender

TRAINING

As previously mentioned, the Group is aware that success is the result of the work, commitment and professional skills of its team. Therefore the Group is committed to promote policies and schemes of talent retention and professional development directed to its employees.

Audax Renovables strives to detect and provide effective solutions to the needs of its clients. Accordingly, Audax Renovables decided to carry out various training courses in Excel (both basic and advanced level) and languages. Audax Renovables is aware that the employees are the company's paramount value and, therefore, evaluates and caters for their needs.

In 2019 the Group offered a programme of continuing training in order to ensure that the staff had the opportunity of personal and professional development. For example, the subsidiary in **Poland** provides quality active training organising internal courses on updated information about the company's products and activities, as well as courses on occupational risk prevention, courses on data protection law, on how to work with confidential documents, among others. Additionally, there are language courses during work hours in the same company.

Another good practice worth mentioning comes from the subsidiary of **Unieléctrica**, which organises regular meetings for all departments, where the employees may inform their managers about their concerns regarding training needs. In many cases it is the team leader who identifies such needs and suggests specific training in cooperation with the department of Human Resources.

For example, in 2019 the subsidiary offered various kinds of training, such as a course on Microsoft Excel, Information Technology and client or customer service, analysis and management of payment and collection instruments, and various specialisations for computer technicians.

In 2019 the Group invested a total amount of €72,838.21 in training.

The following table shows the total number of hours of training of the Group's employees by professional category:

	SENIOR MANAGEMENT	MANAGEMENT	LEADERSHIP	MIDDLE MANAGEMENT	OTHER
Total number of hours of training	0	261	174	167.5	1,221
Total	1,823.5				

Table 10: Total number of hours of training by professional category

Among the subjects of the courses offered this year, the following stand out:

- ◆ Languages
- ◆ Marketing
- ◆ Coaching
- ◆ Data protection
- ◆ Occupational health and safety management systems
- ◆ Occupational risk prevention

RECONCILIATION OF PERSONAL, PROFESSIONAL AND FAMILY LIFE

The Group is strongly committed to respect the personal and family life of all persons who are part of the Group. Consequently, it implements reconciliation programmes, which support the distribution between professional and personal time, such as flexible working hours (whenever it is possible according to the type of work) and working time reduction (at the employees' request).

The following table shows the typology of working day according to gender, age group and professional category, which confirms the flexibility as the Group's differential value.

	WOMEN	MEN	TOTAL	PERCENTAGE
No. of employees with full-time contract	225	222	447	82%
No. of employees with part-time contract	65	32	97	18%
Total	290	254	544	100%

Table 11: Total number of employees by workday type and gender

	< 30 YEARS	30 – 50 YEARS	> 50 YEARS	TOTAL
No. of employees with full-time contract	88	316	43	447
No. of employees with part-time contract	21	62	14	97
Total	109	378	57	544

Table 12: Total number of employees by workday type and age

	SENIOR MANAGEMENT	MANAGEMENT	LEADERSHIP	MIDDLE MANAGEMENT	OTHER	TOTAL
No. of employees with full-time contract	3	15	29	51	347	447
No. of employees with part-time contract	0	3	1	6	87	97
Total	3	20	30	57	434	544

Table 13: Total number of employees by workday type and professional category

As an illustration of the Group's commitment to reconciliation and flexibility, and beyond compliance with applicable local regulations, working hours in the Group are established according to the season. For example, in the subsidiaries in **the Netherlands, Poland and Germany**, the organisation offers flexible hours schedule, which allows employees to start the workday between 07:30 and 09:00 a.m. and finish between 4 and 5:30 p.m.

On the other hand, in all companies the rest time is determined by the specific collective agreement subject to the local applicable regulations.

Finally, in regard to switching off from work, the organisation has implemented various measures in this regard, such as not calling meetings at certain hours, and, in the specific case of **Unieléctrica**, sales coaches are not obliged to answer phone calls outside their working hours.

3.2. Diversity, equal opportunities and non-discrimination

The Audax Group is firmly committed to equality of treatment and opportunities, as well as to diversity. As an illustration of this commitment, there are various schemes and procedures, whose objective is to prevent and mitigate any discriminatory situation or a threat to the dignity of the persons who comprise the Group, in the following areas:

- Professional structure, access to employment and staff selection.
- Training.
- Remuneration.
- Reconciliation of personal, professional and family life.
- Use of gender-neutral language.
- Health and safety.

- Psychological, sexual or gender-based harassment.

Moreover, the Group explicitly rejects any forms of violence or physical, sexual, psychological or moral harassment, abuse of power in the workplace, and any and all other such behaviours.

Notably, the Dutch subsidiary, **Main Energie**, has implemented various measures designed to prevent any possible discriminatory conduct: the organisation has designated two employees as "**Confidential Advisers**". Their role is to offer advice to the employees who experience undesirable behaviour from others, such as bullying, discrimination, aggression, violence or sexual harassment. All conversations between the employees and the advisers are entirely confidential and private. The confidant shall advise and guide the employee offering an explanation of every possible option, so that the employee may adopt the best measure based on the advice received.

It is also worth mentioning that the subsidiary **Unieléctrica** has prepared information cards with the descriptions of work posts, which is a first step towards promoting equality in the organisation in all its dimensions, and helping to reduce the possibility of any kind of biased approach. At the same time, the Human Resources and Labour department of that subsidiary coordinates its work in order to draw up formal documents regarding this matter.

Lastly, the Group strives to guarantee workspace accessible for disabled persons, in compliance with current legislation, and has entrance ramps, lifts and other facilities. In this regard, in 2019, **Audax Renovables** has one employee with disability, and works with three employment centres for special needs.

3.3. Workplace health and safety conditions

Paying utmost attention to the health and safety of all staff members is another essential aspect of the Group's management.

Some of the measures implemented in 2019, which confirm the Group's commitment to continuing improvement of the staff's health and safety, are specified below:

- Training is offered on the subject of occupational risk prevention to all employees of the Group.
- Each year an analysis is conducted of accidents at work occurred in the Group, if there are any, in order to enable the implementation of prevention programmes. Moreover, as many of the jobs in the Group are office jobs, the main risks identified are of postural nature; for this reason, the Group works in close cooperation with ASPY in order to publish documents and leaflets explaining those risks to the employees and advising appropriate precautionary measures in order to prevent them. Additionally, Audax Renovables carries out specific health surveillance for Senior Management, including a complete yearly medical check-up.
- With the support of the Occupational Risk Prevention services of Aspy Prevención, **Audax Renovables** and **Unieléctrica** have been able to evaluate the occupational risks to which the employees are exposed (both in general and in their work stations). On the grounds of that study, necessary preventive measures have been established in order to eliminate or control each and every identified risk.
- The Dutch subsidiary, **Main Energie**, together with Preventix (a company hired for the purpose of Occupational Risk Prevention), draws up a document containing a checklist of various inspections carried out throughout the year and their result.

- Furthermore, **Audax Energia**, the Italian subsidiary, has another prevention service at its disposal and has implemented a formal procedure of occupational risk management, where the role of every individual participant involved in the prevention system is specified. Moreover, there are management guidelines for emergency situations as well as for identification and evaluation of the risks to which members of the staff are exposed.
- Lastly, in **Audax Renovables** the employees are offered the option of health insurance purchase. Additionally, in the **Polish subsidiary** 50% of the cost of basic doctor visits is covered by the company, and access to more than 400 sport centres is subsidised for the employees, which is a measure implemented in order to foster sport and other healthy habits among the staff.
- In addition to that, information cards have been drawn up describing work posts and detailing technical and personal requirements to be met in order to assume a particular work post within the Group.

MAIN FIGURES RELATED TO ACCIDENT RATES

The aim of the implementation of all these measures is to reduce to the minimum the accidents at work. In 2019 the results related to accident rates were as follows:

	2019 ¹⁴	
	MEN	WOMEN
Number of work accidents with sick leave	2	5
Number of days lost due to work accidents with sick leave	48	196
Frequency rate	3.09	8.24
Severity rate	0.07	0.32

Table 14: Number of work accidents, days lost, frequency rate and severity rate

3.4. Respect for human rights

The Group strives to promote respect for human rights, For this purpose, it has drawn up several documents, which comply with the Ten Principles of the United Nations Global Compact as well as with the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organisation.

For example, **Audax Renovables**, has promoted various actions in order to ensure compliance with Principle 1¹⁵ of the Guiding Principles:

¹⁴ The figures of accident rates relate to the subsidiaries of Audax Renovables and Unieléctrica.

¹⁵Principle 1: "Businesses should support and respect the protection of internationally proclaimed human rights within their scope of influence".

- Implementing the Corporate Code of Ethics and Conduct, whose acceptance is obligatory for each and every employee, to whom the Code is applicable¹⁶. That document specifies, for example, that equal opportunities, diversity and non-discrimination constitute guiding principles by which the company's activity is regulated. The document also affirms explicitly that the organisation shall carry out its activities with respect for the fundamental rights and human dignity, as well as for the right to privacy of its workers in all its manifestations.

It should be mentioned that all employees must declare their commitment to the principles of the Corporate Code of Ethics and Conduct, which is a part of the "Welcome Pack" received by each employee at onboarding in the company.

- The existence of the Whistle-blower Channel, a mechanism designed for the purpose of reporting types of conduct which might entail human rights violation.
- The harassment protocol of the organisation is aimed to keep the work environment free of any conduct susceptible of being considered as harassment or bullying in the workplace. The document also suggests measures which can be taken to prevent such types of conduct.
- Policy promoting reconciliation of work, private and family life.
- Measures implemented in order to ensure safe and healthy work environment.
- Lastly, Audax Renovables focuses its attention on Principle 2¹⁷ of the Guiding Principles, extending its commitment to promote human rights among the suppliers. In this respect, the company makes explicit reference to its Code of Ethics and Conduct and to the ethical commitments of the suppliers. In this line, it should be mentioned that, due to the Group's activity, there is no direct risk related to human rights abuse by its suppliers.

The subsidiary company **Unieléctrica** has implemented a code of criminal conduct, which contains a section on human rights and makes reference to the integrity, honesty, respect for the persons and objectivity in business operations.

On the other hand, the Group is committed to the following labour principles, in accordance with the fundamental conventions of the International Labour Organisation:

- Support freedom of association and effective recognition of the right to collective bargaining.
- Support elimination of all forms of forced or obligatory labour.
- Support effective abolition of child labour.
- Support elimination of discrimination in employment and occupation.

¹⁶ The scope of the Corporate Code of Ethics and Conduct includes, by now, Audax Renovables and subsidiary companies (listed company).

¹⁷Principle 2: "Businesses should make sure that they are not complicit in human rights abuses".

4. System of Regulatory Compliance of Audax Renovables.

The activity of the **Group** is founded on the culture based on its values and is carried out in strict compliance with applicable law.

The Group, being committed to go a step further, has drawn up the following formal documents, which set out its framework for action:

- ◆ **Corporate Code of Ethics and Conduct** of Audax Renovables and its subsidiary companies: this document makes known to all employees of the Group the values and principles which ought to govern their work and professional activity. Another objective of the document is to help the Group attain the goals set in its mission, vision and values.

The Code of Ethics addresses, among other issues, the respect for fundamental rights, the aspects related to the Group's employees and the ethical commitments to the environment and to the suppliers.

It also introduces the whistle-blower channel: a simple and quick confidential channel, through which the employees of the Group can report any conduct which goes against the standards established in the Code of Ethics.

- ◆ **Regulatory Compliance Handbook** of Audax Renovables and its subsidiary companies: this document constitutes a strong commitment to maintain compliance with the Criminal Code and the principles of ethics and good corporate governance. The Group's objective is to reinforce its corporate culture of regulatory compliance, where the ethical values of the Group are established as the central elements of its activity and decision making.

- ◆ **Disciplinary Rules and Sanctions – Corporate Code of Ethics and Conduct** of Audax Renovables and its subsidiary companies: a supplement to the Code of Ethics and Conduct, the document sets out the penalties for non-compliance with the principles and actions outlined in these documents.

- ◆ **Handbook and General Principles of Criminal Risk Prevention** of Audax Renovables and its subsidiary companies: makes reference to the standards of behaviour expected from all employees of the Group in order to prevent all kinds of criminal risk and, consequently, the non-compliance with the regulations applicable to the Group.

The document outlines general principles, for example, how to ensure the integrity of financial information, gives specific guidelines on relations with public administration or the use of personal data, among others.

- ◆ **Internal Regulations for Conduct in the Securities Markets** This regulation is designed to protect the investor on the basis of internationally accepted transparency rules.

For the purpose of implementation and compliance with all these documents, among other objectives, the Group has established the **Audit Committee**, a delegated body of the Board of Directors. Moreover, the Internal Audit Management of Audax Renovables draws up annually the Audit Plan, detailing the measures to be implemented throughout the year.

Additionally to the application of those documents, **Unieléctrica** has developed its own **Code of Good Practice** and **Code of Criminal Conduct**. The following obligations defined in the Code of Conduct should be emphasised: compliance with applicable law and internal regulations; integrity, honesty and objectivity in business operations; respect for persons and protection of health and physical integrity.

Furthermore, in May 2019 the Group reviewed and approved other existing documents, such as Audit Committee Regulations, General Policy of Risk Control and Management or Basic Internal Audit Standard, among others.

4.1. Risk management

The formulation of diverse formal documents as well as of those specified in the previous section and of this report has allowed the Group to carry out an identification of the principal risks¹⁸ which arise in the areas covered in this report:

- Major risks identified in the area of **Environment**: due to the nature of its business activity, the Group is exposed to environmental risks, such as weather conditions of the places where the facilities are located. Another issue considered as risk is the fauna conservation and management.
- Major risks identified in the area of **Labour**: this refers to all kinds of risk related to the work post and the activities of all the persons working in the Group. At the same time, talent retention is an issue to which special weight is attached, because the knowledge and skills of the employees are of the utmost importance for the Group, therefore it is necessary to identify professional needs and establish clear requirements for each work post, as well as to have available a portfolio of candidates whose profiles are potentially suitable for the most popular posts.
- Major risks identified in the area of **Human Rights**: to respect and guarantee compliance with the principal human rights of all persons is a key subject for the Group.
- Major risks identified in the area of **Fight against Corruption and Bribery**: risks related to violation of Criminal Code, with special attention given to corruption and bribery offences, as well as the risks related to the possible changes to legislation. For the purpose of preventing corruption and bribery, **Audax Renovables** has the following documents available: procedures for the approval of the employees' expenses, client acquisition procedure, contract validation handbook, investment and procurement policy, as well as others. Those documents establish the company's key procedures for mitigating risk of bad conduct of its employees. Moreover, the Corporate Code of Ethics and Conduct outlines the basic standards of conduct in third party relations (for example, with the suppliers).
- Major risks identified in the area of **Community**: refers to all those risks which may have direct impact on the community, on the supply chain and on the clients.
- Major risks identified in the area of **Economy**: these are, for instance, interest rate risk, exchange rate risk, commodity price of electricity risk, credit risk, liquidity risk, capital management, guarantee terms risk and availability of finance.

¹⁸The organisation understands risk management to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives.

5. Information about the Company

5.1. Company commitment to sustainable development

The Group's commitment to sustainable development has made it understand that its business activity is in constant relation with the environment and requires responsible behaviour.

For this purpose, the Group cooperates with various non-profit organisation, which promote protection of children at risk of social exclusion, research, respect for animals, sport or combating diseases.

The Group encourages the employees to take part in various activities carried out within the framework outlined before. Therefore, since 2017, internal mechanisms have been implemented in order to allow all the employees to suggest and vote for the organisations with which they want to cooperate. The mechanism works in the following way: the employees of the Group can suggest any non-profit association or NGO which operates on national or local level within the scope of issues such as assistance and help to marginalised communities or groups at risk, defence of human rights, defence and protection of animals or the natural environment, as well as others. Subsequently, the employees of the Group can vote to choose two entities with which they want to cooperate over the year.

In recent years **Audax Renovables** has cooperated with various associations, such as:

- ◆ **Fundació MONA**, rescues exploited primates and fights against commercial exploitation of wildlife species. For this purpose Audax Renovables donated the total amount of **€349** in 2019.
- ◆ **Proyecto Solidario Chascar**, raises funds to build the biggest Paediatric Cancer Centre in Europe. Thanks to the donation of **€1,000** (in cash and in kind) of Audax Renovables, the Paediatric Centre will help cover the costs of the accommodation of the families, invest in research and in improving the well-being of children and their families.
- ◆ **Fundación Síndrome 5P**, helps improve the life of children and families with 5p-Syndrome. The symptoms include a characteristic cry of affected infants, microcephaly, poor growth, intellectual disability and communication problems. In 2019 Audax Renovables donated **€500**.
- ◆ **Fundació Arrels**, works in the area of assistance and orientation of homeless people who live in the streets of Barcelona, prioritising the attention to those who have been living in the streets for years and are in the most vulnerable situation. Audax Renovables contributed to the activity of the foundation with a total gift of **€1,117** in cash and in kind.
- ◆ **Fundación de Oncología Infantil Enriqueta Villavecchia**, works to improve the well-being of children with cancer and of their families, for whom Audax purchased chocolate bars for the total amount of **€600**.
- ◆ **Spartan Sharks Team**, a water sports club, which takes part in non-profit sport competitions. With this club Audax Renovables has signed an agreement on sport cooperation, sponsoring their activity with a total amount of **€500** in 2019.
- ◆ Lastly, Audax Renovables cooperates with special employment centres which foster inclusion of persons with disabilities in the labour market. These persons are being engaged in various services for companies, such as fruit selling (**Simplefruit** and

Refruiting), plastic collection (**Femarec**) and confidential document destruction (**Xappy People**).

In 2019 the subsidiary **Unieléctrica** cooperated in the campaign "Solidarity Boots", a social project of support for sport and education initiatives, and donated football boots for the most disadvantaged children for the amount of **€1,300**.

The **Polish** subsidiary cooperated with "You can do more", an association, which promotes the protection of children at risk of social exclusion, and donated computers for reuse to the most disadvantaged children. With this donation the company endeavours to help those children and their families bolster their integration, inclusion and development. Moreover, the subsidiary cooperates with the local employment agency in campaigns promoting employment of persons close to retirement age.

Another example of the Group's commitment in this area is its affiliation to such entities, as:

- ◆ **ANESE** (Association of Energy Services Companies).¹⁹
- ◆ **A3E** (Association of Energy Efficiency Companies).²⁰
- ◆ **CECO** (Confederation of Companies of Córdoba).²¹
- ◆ **ASNEF** (National Association of Credit Finance Institutions)²².
- ◆ **AEE** – Association of Wind Energy Companies²³
- ◆ **EOLICCAT** – Catalan Wind Energy Association²⁴
- ◆ **UNEF** (Spanish Photovoltaic Union)²⁵
- ◆ **Energie Nederland**²⁶
- ◆ **Camera di Commercio di Spagna in Italia**²⁷.

5.2. Supply Chain

In regard to the supply chain, the Group wants its supplying companies to operate on the basis of the same ethics commitments which the Group defined for its own activities.

For this reason, the Code of Ethics and Conduct features a section dedicated exclusively to the Ethical Commitment of the Suppliers. The section contains the following statements:

- "Ethical principles should regulate the activity of all suppliers".

¹⁹ This affiliation refers to Unieléctrica.

²⁰ This affiliation refers to Unieléctrica.

²¹ This affiliation refers to Unieléctrica.

²² This affiliation refers to Audax Renovables and Unieléctrica.

²³ This affiliation refers to Audax Renovables.

²⁴ This affiliation refers to Audax Renovables.

²⁵ This affiliation refers to Audax Renovables.

²⁶ This affiliation concerns the Dutch subsidiary.

²⁷ This affiliation concerns Italy.

- "The suppliers will base their actions on the principles of ethics and transparency" and will therefore comply with all policies and regulations of the group in the matter of corruption.
- In regard to the conflicts of interest, "the suppliers must remain independent".
- Concerning the suppliers' duty of secrecy, "the information shared with the supplier is confidential".
- "Suppliers must be diligent about their subcontracting practices".

In regard to the application of the criteria of social responsibility in the supplying companies, the Group endeavours to work with companies of recognised standing.

Moreover, the Group prioritises contracting local suppliers. Proof of it is that 67% of its annual expense for the year 2019 was spent on that type of suppliers.

5.3. Commitments to the community and stakeholders

The Group undertakes to maintain fluent and transparent relations with stakeholders, considering it as essential to understand their main concerns related to the Group's activity and the risks to which they might be exposed.

An example of this commitment may be found in the Code of Ethics and Conduct of **Audax Renovables**, which contains an explicit reference to the obligations towards the stakeholders, and constitutes a key pillar of ethical conduct of the employees. Some of these commitments are presented below:

- In regard to the **shareholders**, the document highlights that these relations shall be governed by the general principle of transparency. Consequently, there are various channels made available for the purpose of communication and inquiry, such as the Shareholders' Corner on the corporate website.
- In regard to the **investors**, since Audax Renovables is a listed company, it has implemented the Internal Regulations for Conduct in the Securities Markets. The objective of that document is to protect the investor by promoting transparency rules.

In order to ensure communication with these stakeholders, apart from other established communication channels, the organisation has created the Investor Relations Department and has an email address for shareholders and investors.

- Regarding **authorities, regulatory bodies and public administration**, the Code of Ethics and Conduct states that these relations shall follow the principles of lawfulness, fidelity, reliability, professionalism, cooperation, reciprocity and good faith. Contractual obligations that have been undertaken shall also be fulfilled.
- Lastly, in regard to the **clients**, the Group assures that it shall continue working towards guaranteeing high quality personalised services.

Accordingly, in various subsidiary companies there are communication channels made available to the clients in order to fulfil this commitment.

Communication channels for stakeholders

The Group has assumed a major responsibility towards all its stakeholders, especially to the clients. For this reason **Audax Renovables and all the subsidiaries** have a department dedicated to the Client Service where they can resolve any possible concern or issue.

The **Polish** subsidiary also has a direct communication channel for its clients, and the communication with the employees is carried out through the person in charge of each department. The persons in charge are responsible for ensuring that the employees' concerns and inquiries are processed correctly.

Unieléctrica offers a communication channel for its clients and suppliers on the company's website, letterbox and complaint form, email and postal mail. There is also a telephone number for customer service. In order to maintain fluent communication with the employees, the persons in charge of departments of Unieléctrica are responsible for transmitting the employees' concerns to the management; for example, in matters of training, they organise periodic meetings to talk about their training needs and suggest them to the Human Resources department.

Commitment to our clients

The Group is aware that its clients are its most valuable asset, and consequently makes available to them various communication mechanisms (website "www.audaxrenovables.com", postal address, telephone number, generic mail and specific mail for the investors) for the purpose of resolving any issue or complaint. Upon receiving a complaint, the systems puts in operation a procedure²⁸ designed to resolve any issue which may have arisen in the customer service:

- The request/complaint is registered on the Intranet.
- If the request/complaint is resolved online, it is closed automatically.
- Otherwise, it stays open and the complaints department receives a signal and starts investigating the issue and, when appropriate, takes the necessary measures in order to resolve it.

The following table shows the total number of complaints and/or requests received over the year²⁹, resolved and remedied (complaints resolved by offering a solution or alternative option to the client).

No. of complaints and/or requests received	No. of complaints and/or requests handled	No. of complaints and/or requests resolved and remedied
14,330	13,315	13,306

Table 15: Number of complaints and/or requests received and resolved

Furthermore, the Group considers that it is important to adopt appropriate measures in order to ensure the protection and confidentiality of sensitive data provided by the clients for the purpose of using products and services offered to them.

Therefore, the subsidiary **Unieléctrica** has commissioned a specialised firm (Fepamic) to carry out destruction of confidential data, which the company may have obtained in the course of its activities. Fepamic undertakes to issue a Certificate of Destruction which, apart from certifying the

²⁸ This procedure refers to Audax Renovables.

²⁹ All the complaints specified in the table refer to the companies Audax Renovables, Unieléctrica and Main Energie.

compliance with environmental regulations concerning material recycling, guarantees safe destruction of data in absolute confidentiality.

Similarly, the **Polish** subsidiary has developed a Protocol for destruction of used paper and confidential documents, establishing guidelines to be followed in order to avoid the risk of loss and manipulation of sensitive data in possession of the company.

Additionally, it should be mentioned that, upon entry into force of General Data Protection Regulation (GDPR) in May 2018, the Group initiated a process of adaptation to the law. Thanks to the involvement of all the interested departments and to the support of an external firm, the Group analysed its control environment and identified the main risks to which the organisation and its clients could be exposed. Subsequently, the legal department, together with the IT department, put great effort into reviewing and adapting all the information systems and privacy measures to the requirements of the law, as well as into modifying contract clauses and advertising messages on the website. Moreover, the Group continues working towards reinforcing preventive measures against cyberattacks. To date, all these processes are undergoing continuous improvement.

5.4. Tax information

Below we present the main figures of finance and tax nature, required by the Law on Non-Financial Information and Diversity³⁰.

It should be mentioned that profits specified in the table refer only to the companies within the scope of this document.

	Figures of 2019
SPAIN	
PROFITS OBTAINED	20,460,459
ITALY	
PROFITS OBTAINED	1,194,559
THE NETHERLANDS	
PROFITS OBTAINED	-1,257,365
PORTUGAL	
PROFITS OBTAINED	2,867,820
POLAND	
PROFITS OBTAINED	2,732,651
GERMANY	
PROFITS OBTAINED	-1,466,976
FRANCE	
PROFITS OBTAINED	886,214

³⁰Only profit of the companies within the scope of this report is presented.

APPENDIX I: TABLE OF CONTENTS OF THE LAW 11/2018 AND GRI STANDARDS

Contents of the Law 11/2018 on non-financial information and diversity		Standard	Reference Chapter	Comments
BUSINESS MODEL				
Description of the group's business model	Brief description of the group's business model including its business environment, its organisation and structure, the markets on which it operates, its objectives and strategies, as well as the main factors and trends, which may affect its future development.	GRI 102- 2	1.1. Introduction to the Group	
		GRI 102-3	1.1. Introduction to the Group	
		GRI 102-4	1.1. Introduction to the Group	
		GRI 102-6	1.1. Introduction to the Group	
		GRI 102-7	1.1. Introduction to the Group	
		GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
INFORMATION ON ENVIRONMENTAL ISSUES				
Policies	Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted.	GRI 103-2	2. Information on environmental issues	
		GRI 103-3	2. Information on environmental issues	
Main risks	Main risks related to environmental issues, connected with the group's activities and, if applicable and proportionate, its commercial relations, products or services, which may have negative impact on those areas, and how the group handles those risks, explaining the procedures used to detect and evaluate the risks in accordance with the national, European or international frame of reference for each matter. Information on detected impacts should be included, specifying in particular the impacts on short, medium and long-term risks.	GRI 102-11		This aspect does not apply to the organisation.
		GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-30	2. Information on environmental issues	
		GRI 201-2		Audax Renovables, S.A. has initiated a process of transformation of all its issues of green bonds. The aim is to carry out this process for outstanding as well as for new issues.
General	Current and expected impacts of the company's activities on the environment and, if applicable, on health and safety.	GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-29	About this report	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-31	About this report	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
	Environmental assessment or certification procedures	GRI 102-11		This aspect does not apply to the organisation.
		GRI 102-29	About this report	A general risk analysis has been carried out in order to prepare the

				Non-Financial Information Statement.
		GRI 102-30	2. Information on environmental issues	
	Environmental risk prevention means	GRI 102-29	About this report	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
	Application of Precautionary Principle	GRI 102-11		This aspect does not apply to the organisation.
	Environmental risk provisions and guarantees	GRI 307-1		In 2019 no breach of applicable laws or regulations took place.
Pollution	Measures to prevent, reduce or repair carbon emissions seriously affecting the environment, taking into account any form of pollution specific to the activity, including noise and light pollution.	GRI 103-2	2.2. Climate change	
		GRI 302-4	2.2. Climate change	
		GRI 302-5		This aspect is immaterial to the organisation, due to the nature of its activity.
		GRI 305-5		Currently, the organisation has not implemented a system for the measurement of GHG emissions reduction.
		GRI 305-7		The organisation does not produce significant emissions to the air. Therefore, this index is not applicable.
Circular economy and waste prevention and management	Measures to prevent, recycle, reuse, recover and eliminate waste. Actions to combat food waste	GRI 103-2	2.3. Circular economy and waste management	
Sustainable use of resources	Water consumption and water supply within local limits	GRI 303-3	2.1. Sustainable use of resources	
		GRI 303-5	2.1. Sustainable use of resources	Information regarding water consumption of the wind parks is based on an estimate.
	Raw material consumption and measures adopted to improve material efficiency	GRI 103-2	2.1. Sustainable use of resources	
		GRI 301-1	2.1. Sustainable use of resources	The organisation is working towards being able to provide more precise information regarding materials next year.
		GRI 301-2		
	Energy: Consumption - direct and indirect; Measures adopted to improve energy efficiency, Use of renewable energy	GRI 301-3		This aspect does not apply to the organisation.
		GRI 102-2	2.1. Sustainable use of resources	
		GRI 302-1	2.1. Sustainable use of resources	The total natural gas consumption includes Italy. The rest of subsidiaries do not have this type of consumption.
		GRI 302-2		This aspect does not apply to the organisation's business, because the use of its products does not require energy consumption.
		GRI 302-3	2.2. Climate change	
		GRI 302-4	2.2. Climate change	
		GRI 302-5		This aspect is immaterial to the organisation, due to the nature of its activity.
	Climate change	Greenhouse Gas Emissions	GRI 305-1	2.2. Climate change
GRI 305-2			2.2. Climate change	

		GRI 305-3		The organisation has not made an estimate of carbon footprint of indirect scope 3 emissions. Currently, the Dutch subsidiary applies a policy, under which it can only rent or buy "green label" cars (electric and/or hybrid).
		GRI 305-4		GHG emission intensity is of 0.0033 MWh per profits obtained.
	Measures taken to adapt to the consequences of Climate Change	GRI 102-15		A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 103-2	2.2. Climate change	
		GRI 201-2		Audax Renovables, S.A. has initiated a process of transformation of all its issues of green bonds. The aim is to carry out this process for outstanding as well as for new issues.
		GRI 305-5		Currently, the organisation has not implemented a system for the measurement of GHG emissions reduction.
	Medium and long-term voluntary reduction goals to reduce GHG emissions, and measures adopted for that purpose	GRI 103-2	2.2. Climate change	
Biodiversity protection	Measures taken to preserve or restore biodiversity	GRI 103-2	2.4. Biodiversity protection	
		GRI 304-3		This aspect does not apply to the organisation.
	Impacts made by activities or operations on protected areas	GRI 304-1		The organisation is building a wind farm in Panama. Due to the stage of the construction, it is impossible yet to specify its area in detail.
		GRI 304-2	2.4. Biodiversity protection	
		GRI 304-4	2.4. Biodiversity protection	In various studies of birds, which are carried out during the construction of the wind farms and, later, when the wind farm is in operation, particular attention is paid to the species of conservation concern. It concerns the species included in Annex I to the Directive 79/409, the Legislative Decree 2/2008 and the IUCN.
INFORMATION ON SOCIAL AND LABOUR ISSUES				
Policies	Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted.	GRI 103-2	3.1. The Group's personnel	
		GRI 103-3	3.1. The Group's personnel	
		GRI 102-35	3.1. The Group's personnel	
Main risks	Main risks related to environmental issues, connected with the group's activities and, if applicable and proportionate, its commercial relations, products or services, which may have negative impact on those areas, and how the group handles those risks, explaining the procedures used to detect and evaluate the risks in accordance with the national, European or international frame of reference for each matter. Information on	GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-30	3.1. The Group's personnel	

	detected impacts should be included, specifying in particular the impacts on short, medium and long-term risks.			
Employment	Total number and distribution of employees by gender, age, country and professional category	GRI 102-7	3.1. The Group's personnel	
		GRI 102-8	3.1. The Group's personnel	
		GRI 405-1b)	3.1. The Group's personnel	
	Total number and distribution of types of employment contracts	GRI 102-8	3.1. The Group's personnel	
	Annual average number of indefinite-term, definite-term and part-time contracts by gender, age and professional category	GRI 102-8	3.1. The Group's personnel	
	Number of dismissals by gender, age and professional category	GRI 401-1b)		In 2019 a total number of 44 dismissals took place in the organisation (20 women and 24 men). Of those, 3 persons were in the <30 age bracket, 35 persons in the 30-50 age bracket, and 6 persons in the >50 age bracket. A total of 0 persons belonged to the category of Senior Management, 0 persons to the category of Management, 1 person to the category of Leadership, 2 persons to the category of Middle Management, and 41 to Others. The turnover rate is of 0.14 for women and of 0.15 for men.
	Average remuneration and its development, according to gender, age and professional category or similar	GRI 405-2		All the remunerations presented have been equated to full time and full year.
	Pay gap	GRI 405-2		The Group's pay gap is presented by professional category: in the case of Senior Management - 114% ³¹ , in Management it is of 27%, in Leadership of 26%, in Middle Management of 26%, and in Others it is of 6%. The average of all pay gaps is 10%.
	Remuneration of equal work posts or of local average	GRI 202-1		The average ratio of standard entry level wage by gender compared to local minimum wage for the Group is 1.38% ³² In Spain the ratio is 1.10%, in the Netherlands it is 1.38, in Portugal it is 1.18 and in Poland it is 1.88.
	The average remuneration of directors and managers, including variable remuneration, allowances, compensations, payments to long-term saving and retirement plans and any other payment, distributed by gender	GRI 102-35		The average remuneration of the Directors amounts to €48,321.33, whereas the average remuneration of the managers amounts to €68,471.76. ³³
		GRI 102-36	3.1. The Group's personnel	
		GRI 201-3		The Group does not have its own pension plan.
	Implementation of arrangements for disconnecting from work	Qualitative	3.1. The Group's personnel	
Employees with disability	GRI 405-1. b)			

³¹The pay gap has been calculated only for the subsidiary Audax Renovables.

³² The ratio of Italy is not included in this calculation, because in Italy there is no local minimum wage.

³³ The average remuneration of the directors refers to the subsidiaries Audax Renovables and Audax Energía (Italy). The average remuneration of the managers includes the subsidiaries Audax Renovables, Audax Energía (Italy), Audax Energie (Germany) and Audax Energía (Poland)

				In 2019 the total number of employees with disability is 6.
Work organisation	Organisation of working time	GRI 102-8 c)	3.1. The Group's personnel	
	Number of hours of absenteeism	GRI 403-9		In 2019 there were 3,105 days of absenteeism and 32,948 hours. These include days lost because of contingencies and work accidents.
	Measures designed to help conciliation between work and family life and encourage co-responsible use of the rights by both parents.	GRI 103-2	3.1. The Group's personnel	In 2019 a total of 114 employees had the right to parental leave, of which 23 used that leave.
Health and Safety	Workplace health and safety conditions	GRI 103-2	3.3. Workplace health and safety conditions	
	Work accidents (frequency and severity) by gender	GRI 403-9	3.3. Workplace health and safety conditions	
	Occupational diseases (frequency and severity) by gender	GRI 403-10		In 2019 no leave was taken in connection with occupational diseases.
Social Relations	Organization of social dialogue, including procedures of information, consultation and negotiation with employees	GRI 102-43	3.3. Workplace health and safety conditions	
		GRI 402-1		The minimum term for operational changes is the one established in applicable law
		GRI 403-4	3.3. Workplace health and safety conditions	
	Percentage of employees covered by collective agreement, by country	GRI 102-41		100% of employees in Spain, Italy and Portugal are covered by collective bargaining agreements. In the Netherlands this figure is 0%.
	Balance of collective agreements, particularly in the area of occupational health and safety	GRI 403-1		
		GRI 403-4	3.3. Workplace health and safety conditions	
Training	Policies implemented in the area of training	GRI 103-2	3.1. The Group's personnel	
		GRI 404-2	3.1. The Group's personnel	
	Total number of hours of training by professional category	GRI 404-1	3.1. The Group's personnel	
Accessibility	Universal accessibility for persons with disabilities	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
Equality	Measures adopted in order to promote equal treatment and equal opportunities for men and women	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
	Equality plans	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
	Measures taken in order to promote employment	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
		GRI 404-2	3.1. The Group's personnel	

	Protocols against sexual and gender harassment	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
	Integration and universal accessibility for persons with disabilities	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
	Policy against any type of discrimination and, if applicable, diversity management	GRI 103-2	3.2. Diversity, equal opportunities and non-discrimination	
		GRI 406-1		In 2019 the Audax Group has not received complaints concerning possible cases of discrimination and/or harassment in the workplace.
INFORMATION ON RESPECT FOR HUMAN RIGHTS				
Policies	Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted.	GRI 103-2	3.4. Respect for Human Rights	
		GRI 103-3	3.4. Respect for Human Rights	
		GRI 412-2		In 2019 the Group did not carry out special training on Human Rights issues.
Main risks	Main risks related to environmental issues, connected with the group's activities and, if applicable and proportionate, its commercial relations, products or services, which may have negative impact on those areas, and how the group handles those risks, explaining the procedures used to detect and evaluate the risks in accordance with the national, European or international frame of reference for each matter. Information on detected impacts should be included, specifying in particular the impacts on short, medium and long-term risks.	GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-30	3.4. Respect for Human Rights	
Human Rights	Application of due diligence procedures in Human Rights	GRI 103-2	3.4. Respect for Human Rights	
		GRI 414-2		No negative social impacts have been identified in the Group's supply chain.
	Human rights violation risk prevention and, if applicable, measures to mitigate, manage and compensate possible abuses committed	GRI 103-2	3.4. Respect for Human Rights	
		GRI 412-1		In 2019 the Group did not subject its operations to evaluation concerning human rights.
		GRI 410-1		In 2019 the Group did not carry out security staff training on human rights.
	Complaints about cases of human rights violation	GRI 102-17	3.4. Respect for Human Rights	
GRI 103-2		3.4. Respect for Human Rights	In 2019 the organisation did not receive any complaint related to human rights violation.	

		GRI 411-1		This aspect is immaterial to the organisation.
		GRI 419-1		In 2019 Audax Renovables received 17 fines for non-compliance with the law or regulations in social and economic field. It should be mentioned that most of the complaints were lodged because of pre-contractual breaches or energy supply interruptions. These incidents are usual in the sector.
	Promotion and compliance with the provision of the ILO fundamental conventions related to the freedom of association and the right to collective bargaining, elimination of discrimination in employment and occupation, abolition of forced labour, and effective abolition of child labour.	GRI 103-2	3.4. Respect for Human Rights	
INFORMATION RELATED TO THE FIGHT AGAINST CORRUPTION AND BRIBERY				
Policies	Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted.	GRI 103-2	4. System of Regulatory Compliance of the Group.	
		GRI 103-3	4. System of Regulatory Compliance of the Group.	
		GRI 205-2		Towards the end of 2018 and at the beginning of 2019, the organisation carried out several training sessions of mandatory attendance on matters concerning Good Corporate Governance. The sessions were directed to all the personnel of Audax Renovables.
Main Risks	Main risks related to environmental issues, connected with the group's activities and, if applicable and proportionate, its commercial relations, products or services, which may have negative impact on those areas, and how the group handles those risks, explaining the procedures used to detect and evaluate the risks in accordance with the national, European or international frame of reference for each matter. Information on detected impacts should be included, specifying in particular the impacts on short, medium and long-term risks.	GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-30	4. System of Regulatory Compliance of the Group.	
		GRI 205-1		In 2019 the organisation did not evaluate operations with corruption-related risks.
Corruption and bribery	Measures adopted to prevent corruption and bribery	GRI 103-2	4. System of Regulatory Compliance of the Group.	
	Measures designed to fight money laundering	GRI 103-2		This aspect is immaterial to Audax as it is not directly subject to the law. However, the organisation has implemented some simplified measures of due diligence based on the law.

		GRI 103-2	4. System of Regulatory Compliance of the Group.	
	Contributions to foundations and non-for-profit entities	GRI 201-1		In 2019 the organisation made donations in the amount of €5,367. This amount includes purchase of charity products from associations and other non-profit entities.
		GRI 203-2		No analysis has been carried out in order to quantify indirect economic impacts of the Group's activity.
		GRI 415-1		The organisation's Code of Ethics and Conduct states specifically that any connection, affiliation or cooperation of the employees with political parties must be carried out in such a way as to highlight its personal character and avoid any connection with the Group.
INFORMATION ABOUT THE COMPANY				
Policies	Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted.	GRI 103-2	5. Information on social matters	
		GRI 103-3	5. Information on social matters	
Main risks	Main risks related to environmental issues, connected with the group's activities and, if applicable and proportionate, its commercial relations, products or services, which may have negative impact on those areas, and how the group handles those risks, explaining the procedures used to detect and evaluate the risks in accordance with the national, European or international frame of reference for each matter. Information on detected impacts should be included, specifying in particular the impacts on short, medium and long-term risks.	GRI 102-15	4.1. Risk management	A general risk analysis has been carried out in order to prepare the Non-Financial Information Statement.
		GRI 102-30	5. Information on social matters	
Company commitment to sustainable development	The impact of the company's activity on local employment and development	GRI 203-1		In 2018 the organisation commenced the construction of a wind farm in Panama. Although the plant is not located in an indigenous population area, but it is in a region of high diversity of wildlife. Therefore, the farm's construction is being carried out in compliance with the Equator Principles for managing social and environmental risk and health and safety. Moreover, research on bird migration is being conducted, a plan for environmental, social and water monitoring has been implemented, and wildlife rescues are carried out.

				Lastly, the construction is supervised by an external consultant.
		GRI 203-2		No analysis has been carried out in order to quantify indirect economic impacts of the Group's activity.
		GRI 204-1	5.2. Supply chain	The organisation uses local suppliers such as supplying companies located in the country where it operates. Suppliers include all those registered in the system.
		GRI 413-1	5.1. Company commitment to sustainable development	
		GRI 413-2		No operation of significant impact on local community has been identified.
	Impact of the company's activity on local communities and areas	GRI 203-1		In 2018 the organisation commenced the construction of a wind farm in Panama. Although the plant is not located in an indigenous population area, but it is in a region of high diversity of wildlife. Therefore, the farm's construction is being carried out in compliance with the Equator Principles for managing social and environmental risk and health and safety. Moreover, research on bird migration is being conducted, a plan for environmental, social and water monitoring has been implemented, and wildlife rescues are carried out. Lastly, the construction is supervised by an external consultant.
		GRI 203-2		No analysis has been carried out in order to quantify indirect economic impacts of the Group's activity.
		GRI 413-1	5.1. Company commitment to sustainable development	
		GRI 413-2		No operation of significant impact on local community has been identified.
	Relations and modalities of dialogue with members of local communities	GRI 102-43	5.1. Company commitment to sustainable development	
		GRI 413-1	5.1. Company commitment to sustainable development	
	Association or patronage activities	GRI 102-13	5.1. Company commitment to sustainable development	
		GRI 203-1		In 2018 the organisation commenced the construction of a wind farm in Panama. Although the plant is not located in an indigenous population area, but it is in a region of high diversity of wildlife. Therefore, the farm's construction is being carried out in compliance with the Equator Principles for managing social and environmental risk and health and safety. Moreover, research on bird migration is being conducted, a plan for environmental, social and

				water monitoring has been implemented, and wildlife rescues are carried out. Lastly, the construction is supervised by an external consultant.
		GRI 201-1		In 2019 the organisation made donations in the amount of €5,367. This amount includes purchase of charity products from associations and other non-profit entities.
Subcontracting and suppliers	Including social, gender equality and environmental issues in the procurement policy	GRI 103-2	5.2. Supply chain	
	Recognising own social and environmental responsibility in relations with suppliers and subcontractors	GRI 102-9	5.2. Supply chain	
		GRI 103-3	5.2. Supply chain	
		GRI 204-1	5.2. Supply chain	The organisation uses local suppliers such as supplying companies located in the country where it operates. Suppliers include all those registered in the system.
		GRI 308-1		Currently the organisation does not conduct evaluations of suppliers according to environmental criteria.
		GRI 308-2		No negative environmental impacts have been identified in the organisation's supply chain.
		GRI 407-1		This aspect does not apply to the organisation.
		GRI 409-1		This aspect does not apply to the organisation.
		GRI 414-1		Currently the organisation does not conduct evaluations of suppliers according to social criteria.
	GRI 414-2		No negative social impacts have been identified in the organisation's supply chain.	
	Supervision and audit systems and their results	GRI 308-1		Currently the organisation does not conduct evaluations of suppliers according to environmental criteria.
		GRI 308-2		No negative environmental impacts have been identified in the organisation's supply chain.
		GRI 414-2		No negative social impacts have been identified in the organisation's supply chain.
	Consumers	Measures for the consumer health and safety	GRI 103-2	5.3. Commitment to the clients
GRI 416-1				
GRI 416-2				In 2019 the organisation did not receive any complaint about health and safety of its products.
GRI 417-1				This aspect does not apply to the organisation.
Complaint systems, complaints received and resolved		GRI 102-17	5.3. Commitment to the clients	
		GRI 103-2	5.3. Commitment to the clients	
		GRI 418-1		In 2019 Audax Renovables faced two complaints made to the Spanish Data Protection Agency, related to the invasion of client privacy and loss of client's data, which were resolved by the payment of two fines by Audax Renovables.
Tax information	Profit obtained by country	GRI 201-1	5.4. Tax information	

	Income tax paid	GRI 201-1	5.4. Tax information	The total amount of income tax paid by the consolidation Group is the tax paid by the parent company, Excelsior Times. Therefore, the Group does not pay direct income tax on the profit obtained.
	Public subsidies received	GRI 201-4		In 2019 the Group did not receive public subsidies.