Auditors' Report on Audax Renovables, S.A.

(Together with the annual accounts and directors' report of Audax Renovables, S.A. for the year ended 31 December 2020)

(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 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 ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Audax Renovables, S.A. (the "Company"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

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 Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. 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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Paseo de la Castellana, 259C 28046 Madrid

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

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

Key Audit Matters

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

Recoverable amount of investments in and loans to Group companies and associates **See note 7 to the annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020 the Company has non-current investments in and loans to Group companies and associates amounting to Euros 401,406 thousand. The recoverable amount of investments in Group companies is calculated, in the case of companies showing indications of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the significance of the amount of investments in and loans to Group companies and associates, the aforementioned estimates have been considered a key audit matter.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to the valuation of investments in and loans to Group companies and associates. - evaluating the indications of impairment, as well as the methodology and assumptions used to estimate the recoverable amount of investees in which indications of impairment exist, - the involvement of our valuation specialists in the assessment of the reasonableness of the main assumptions used. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

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Recognition of revenue from unbilled energy supplied **See note 18 to the annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
Recognition of revenues from energy trading 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. Trade and other receivables at 31 December 2020 include Euros 24,680 thousand in unbilled energy supplied in the period from the last meter reading to year end. 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.	Our audit procedures included the following: - analysis of the design and implementation of the key controls related to the calculation of the unbilled energy supplied, - retrospective analysis of the estimates made at previous years' closes, - assessment of the reasonableness of the volume of unbilled energy through an analysis of historical information and other internal and data, - assessment of whether the timing of the recognition is correct based on a selection of transactions after the reporting date. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2020 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report 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 observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

In preparing the annual accounts, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the 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 annual accounts.

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

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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of Audax Renovables, S.A. 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 entity'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.

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

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the 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

European Single Electronic Format

We have examined the digital file of Audax Renovables, S.A. for 2020 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Audax Renovables, S.A. are responsible for the presentation of the 2020 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 26 February 2021.

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

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 9 July 2020 for a period of one year, from the year ended 31 December 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since 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)

This report corresponds to stamp number *20/21/01533* issued by the Catalan Institute of Registered Auditors (Col.legi de Censors Jurats de Comptes de Catalunya).

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

RESPONSIBILITY STATEMENT FOR THE ANNUAL FINANCIAL REPORT

AUDAX RENOVABLES, S.A. AND INVESTEE COMPANIES

Annual Accounts and Directors' Report as at 31 December 2020

The members of the Board of Directors of Audax Renovables, S.A., in compliance with article 8 of the Royal Decree 1362/2007, confirm that to the best of their knowledge the individual annual accounts and the consolidated group's annual accounts for the year ended on 31 December 2020 and drawn up on the meeting on 25 February 2021 have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of Audax Renovables, S.A. and of the entities included in the consolidation taken as a whole, and that the directors' report includes a fair review of the development and performance of the business and the position of Audax Renovables, S.A. and of the entities included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, duly signed by all Directors.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro
Chairman

Mr Eduard Romeu Barceló
Member

Mr Rubén Clavijo Lumbreras
Member

Mr Ramiro Martínez-Pardo del Valle
Member

Mr Josep Maria Echarri Torres
Member

Badalona, 25 February 2021.

AUDAX RENOVABLES, S.A.

Annual Accounts
as at 31 December 2020

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AUDAX RENOVABLES, S.A.

Balance Sheet
(EUR thousands)

BALANCE SHEET - AUDAX RENOVABLES, S.A.

ASSETS	Note	31/12/2020	31/12/2019
NON-CURRENT ASSETS		**412,556**	**279,942**
Intangible assets	5	**1,782**	**1,838**
Property, plant and equipment	6	**634**	**551**
Long-term investments in group companies and associates	7, 20	**401,406**	**272,200**
Equity instruments		300,302	163,503
Loans to companies		101,104	108,697
Long-term financial investments	8	**5,598**	**2,595**
Equity instruments		1	1
Debt securities		45	45
Derivatives		11	-
Other financial assets		5,541	2,549
Deferred tax assets	17	**3,136**	**2,758**
CURRENT ASSETS		**436,760**	**209,555**
Inventory		**873**	**774**
Trade and other receivables	9	**66,875**	**60,885**
Receivables from sales and services		54,879	49,211
Trade receivables from group and associated companies	20	5,053	4,121
Sundry receivables		2,914	6,447
Staff		2	3
Current tax assets		248	248
Other receivables from Public Administration		3,779	855
Short-term investments in group companies and associates	7, 20	**42,030**	**9,642**
Loans to companies		40,855	8,932
Other financial assets		1,175	710
Short-term financial investments	8	**74,375**	**22,079**
Equity instruments		2,732	2,696
Loans to third parties		9	5,030
Debt securities		-	-
Derivatives		3,331	195
Other financial assets		68,303	14,158
Short-term accruals		**8,017**	**6,677**
Cash and other cash equivalents	10	**244,590**	**109,498**
TOTAL ASSETS		**849,316**	**489,497**

LIABILITIES AND NET EQUITY	Note	31/12/2020	31/12/2019
NET EQUITY	11	**196,366**	**167,904**
Shareholders' Equity		**195,580**	**168,338**
Capital		44,029	44,029
Share premium account		420,316	420,316
Reserves		(287,962)	(312,820)
Profit (loss) for the year		19,197	16,813
Valuation adjustments		**786**	**(434)**
Hedging transactions		786	(434)
NON-CURRENT LIABILITIES		**403,529**	**147,386**
Long-term provisions	12	**-**	**269**
Long-term debts	13	**402,006**	**146,295**
Bonds and other negotiable securities		371,123	143,184
Amounts owed to credit institutions.		29,147	3,016
Derivatives		1,736	95
Other non-current liabilities	14	**439**	**439**
Deferred tax liabilities	17	**1,084**	**383**
CURRENT LIABILITIES		**249,421**	**174,207**
Short-term provisions	12	**49**	**49**
Short-term debts	13	**164,505**	**91,961**
Bonds and other negotiable securities		136,754	67,534
Amounts owed to credit institutions.		27,193	23,748
Derivatives		558	679
Short-term payables to group companies and associates	20	**43,984**	**33,312**
Trade and other payables	15	**40,819**	**48,821**
Suppliers		11,804	15,337
Suppliers, group companies	20	229	67
Sundry payables		17,577	23,868
Personnel (outstanding wages and salaries)		634	182
Current tax liabilities		(35)	(35)
Other payables to Public Administration		10,610	9,402
Other current liabilities	14	**64**	**64**
TOTAL LIABILITIES AND NET EQUITY		**849,316**	**489,497**

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

AUDAX RENOVABLES, S.A.
Income Statement
(EUR thousands)

INCOME STATEMENT - AUDAX RENOVABLES, S.A.

	Note	2020	2019
Net turnover	18	**355,535**	**414,091**
Sales		341,557	399,858
Provision of services		5,607	9,058
Income on dividends		8,371	5,175
Change in inventory of finished goods and work in progress		**99**	**42**
Procurement	18	**(312,204)**	**(378,667)**
Consumption of goods		(309,734)	(373,933)
Work performed by other entities		(2,470)	(4,734)
Other operating income		**4,401**	**4,035**
Non-core and other current operating income		4,401	4,035
Staff costs	18	**(9,381)**	**(9,411)**
Wages and salaries and similar		(7,495)	(7,587)
Employer contributions		(1,849)	(1,796)
Other social expenses		(37)	(28)
Other operating expenses	18	**(14,973)**	**(17,561)**
External services		(10,776)	(11,024)
Taxes		(2,655)	(3,512)
Loss, impairment and change in provisions from business operations		(1,126)	(2,787)
Other current operating expenses		(416)	(238)
Amortisation and depreciation	5, 6	**(888)**	**(1,176)**
Surplus provisions		**1,414**	**3,439**
Impairment and profit (loss) on disposal of fixed assets		**-**	**2,889**
Reversal/(Impairment) and profit/(loss)		-	899
Profit (loss) on disposal and others		-	1,990
OPERATING PROFIT (LOSS)		**24,003**	**17,681**
Financial income	18	**6,867**	**5,864**
From shareholdings in equity instruments		10	**-**
In third parties		10	-
From negotiable securities, loans and other financial instruments		6,857	5,864
In group and associated companies	20	6,491	5,571
In third parties		366	293
Financial expenses	18	**(12,072)**	**(9,035)**
From liabilities to group companies and associates		(174)	(429)
From liabilities to third parties		(9,245)	(7,501)
Other financial expenses		(2,653)	(1,105)
Change in fair value of financial instruments		**-**	**25**
Trading book and others		-	25
Exchange differences	18	**(343)**	**(82)**
Impairment and profit (loss) on disposal of financial instruments		**1,942**	**-**
Reversal/(Impairment) and profit/(loss)		2,009	-
Profit (loss) on disposal and others		(67)	-
FINANCIAL PROFIT (LOSS)		**(3,606)**	**(3,228)**
INCOME BEFORE TAX		**20,397**	**14,453**
Corporate Income Tax		(1,200)	2,360
PROFIT (LOSS) FOR THE YEAR		**19,197**	**16,813**

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

AUDAX RENOVABLES, S.A.
Statement of changes in equity
(EUR thousands)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	2020	2019
Profit (Loss) of Income Statement	19,197	16,813
Releases to income statement	1,220	(7,690)
Cash flow hedges	1,627	(10,253)
Tax effect	(407)	2,563
Total valuation adjustments	1,220	(7,690)
TOTAL RECOGNISED INCOME AND EXPENSES	20,417	9,123

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

AUDAX RENOVABLES, S.A.
Statement of changes in equity
(EUR thousands)

B) STATEMENT OF CHANGES IN TOTAL EQUITY

	Share capital	Share premium account	Reserves	Profit (loss) for the year	Valuation adjustments	TOTAL
CLOSING BALANCE FOR 2018	**308,204**	**420,316**	**(596,652)**	**19,975**	**7,256**	**159,099**
Reduction of share capital (Note 11)	(264,175)	-	264,175	-	-	-
Total recognised income and expenses	-	-	-	16,813	(7,690)	9,123
Other changes in net equity	-	-	-	-	-	-
- Other movements						
- Distribution of earnings	-	-	19,975	(19,975)	-	-
CLOSING BALANCE FOR 2019	**44,029**	**420,316**	**(312,820)**	**16,813**	**(434)**	**167,904**
Total recognised income and expenses	-	-	-	19,197	1,220	20,417
Other changes in net equity	-	-	-	-	-	-
- Other movements (Note 13)	-	-	8,045	-	-	8,045
- Distribution of earnings	-	-	16,813	(16,813)	-	-
CLOSING BALANCE FOR 2020	**44,029**	**420,316**	**(287,962)**	**19,197**	**786**	**196,366**

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

AUDAX RENOVABLES, S.A
Statement of Cash Flows
(EUR thousands)

CASH FLOW STATEMENT - AUDAX RENOVABLES, S.A.			
	Notes	**2020**	**2019**
Profit (loss) for the year before tax		**20,397**	**14,453**
Adjustments to results		**(4,335)**	**(4,312)**
Amortisation and depreciation	5.6	888	1,176
Valuation adjustments due to impairment	7	1,126	2,787
Changes in provisions		(1,414)	(3,439)
Profit (loss) on derecognition and disposal of fixed assets		-	(27)
Profit (loss) on derecognition and disposal of financial instruments		(1,942)	(2,862)
Financial income	18	(6,867)	(5,864)
Financial expenses	18	12,072	9,035
Exchange differences	18	343	82
Income on dividends		(8,371)	(5,175)
Changes in fair value of financial instruments		(170)	(25)
Changes in working capital:		**(19,968)**	**75**
Inventory		(99)	3,304
Accounts receivable	9	(7,182)	(3,462)
Other current assets		(6,095)	411
Accounts payable	15	1,798	(178)
Other current liabilities		(8,131)	-
Other payables/receivables		(259)	-
Other cash flows from operating activities		**1,154**	**(142)**
Payments of interest		(7,021)	(9,581)
Collections of dividend		7,906	4,928
Collections of interest		269	4,511
Cash flows from operating activities		**(2,752)**	**10,074**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments of investments		**(298,021)**	**(22,527)**
Group and associated companies		(240,004)	(5,045)
Acquisition of fixed assets		(930)	(942)
Other financial assets		(57,087)	(16,540)
Collection on divestments		**101,657**	**48,832**
Group and associated companies		96,637	39,249
Derecognition of fixed assets		20	1,198
Other financial assets		5,000	8,385
Cash flows from investment activities		**(196,364)**	**26,305**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for financial liability instruments:		**334,207**	**38,813**
Issuing:			
Bonds and other negotiable securities		441,682	61,199
Amounts owed to credit institutions.		91,579	13,000
Payables to group companies and associates		-	13,000
Return and repayment of::			
Bonds and other negotiable securities		(135,200)	(16,460)
Amounts owed to credit institutions.		(62,004)	(29,598)
Payables to group companies and associates		-	(2,329)
Other debts		(1,850)	-
Cash flows from financing activities		**334,207**	**38,812**
NET INCREASE/DECREASE IN CASH OR EQUIVALENTS		**135,092**	**75,191**
Cash and equivalents at the beginning of the year		109,498	34,307
Cash and equivalents at the end of the year		244,589	109,498

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

1. General information

Audax Renovables, S.A., (hereinafter: the 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 Calle Temple 25, 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, which is 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 Calle Temple, nº 25, Badalona, Barcelona, Spain. The Excelsior Group's consolidated annual accounts for the year 2019, formulated on 27 May 2020, 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 2019 were approved by the General Meeting of Shareholders on 09 July 2020 and were submitted to the Commercial Register in Barcelona.

The annual accounts of Audax Renovables, S.A. for the year 2020 were formulated by the Directors on 25 February 2021 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

2. Bases of presentation of the annual accounts

The Directors have formulated these annual accounts in compliance with the regulatory framework of financial information applicable to the Company, which is the one established in:

a) The Commercial Code and other commercial legislation.

b) The Spanish General Accounting Plan approved by the Royal Decree 1514/2007 with amendments introduced by the Royal Decree 1159/2010 of 17 September 2010.

c) The mandatory standards approved by the Accounting and Auditing Institute while developing the Spanish General Accounting Plan as well as its complementary standards.

d) The rest of the Spanish applicable accounting rules.

These annual accounts have been obtained from the accounting records of the Company and are presented in accordance with the current applicable financial legislation and in particular, the accounting principles and criteria therein contained, such as to show a fair image of the equity, the financial situation and the results of the Company and the cash flows that have taken place during the year. These annual accounts, which have been formulated by the Company's Board of Directors, will be submitted to the approval of the Ordinary General Meeting of Shareholders, and are expected to be approved without any modification.

The figures in the balance sheet, income statement, statement of recognised income and expenses, statement of changes in net equity, the cash flow statement and in the notes to the annual accounts are stated in thousands euro, unless indicated otherwise.

The consolidated annual accounts of the Audax Renovables Group for the year 2020 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EC) No. 1606/2002 of the European Parliament and the Council.

The main figures shown in the audited consolidated annual accounts are as follows (in EUR thousands):

Total Assets	1,146,616
Equity attributed to the Parent Company	143,224
Non-controlling interests	7,818
Net turnover	967,438
Profit (loss) after tax attributable to the Parent Company	26,385

Comparison of the information

As required by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2020 is presented uniquely and exclusively for comparative purposes with the relevant information for the year 2019.

Relative importance

So as to determine the information that needs to be broken down in the notes for each of the different accounts of the financial statements or other items, the Company has considered its relative importance in relation to the current annual accounts for the year 2020.

3. Regulatory framework

We describe below the main features of the regulations to which the business of Audax Renovables is subject.

a) Energy retailing segment

a.1) Spanish electricity market

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.

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 Official State Gazette BOE ("**RDL 15/2018**"). RDL 15/2018 introduces measures for consumer protection grouped in two chapters: (i) the first chapter is dedicated to vulnerable consumers and energy poverty prevention; and (ii) 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.

Accordingly, the range of electricity price components is presented below:

- Connection fees: See detailed explanation in a previous paragraph of this section III.5.1.4.
- Cost of energy: Cost of commodity purchase.

- Capacity payments: Supply guarantee cost.
- System operator cost: The amount collected by Red Eléctrica de España in order to maintain the balance between production and demand.
- Marketing margin.
- Taxes: Municipal tax.
- Transmission and distribution losses: Adjustments by the System Operator for electricity transmission and distribution losses.

On 6 April 2019, the Royal Decree 244/2019 was published in the BOE, 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, in 2019 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.

Electricity tariff for 2020:

The year 2020 was marked by the impact of COVID-19 on the sector, with regard to the consumption as well as to the measures adopted to mitigate its effects, especially on the most vulnerable groups, and the measures aimed at bolstering - in an organised and quick method - the energy transition towards a system of 100% renewable electricity and at supporting the economic reactivation in line with the European Green Deal of 11 December 2019 which establishes the climate roadmap of the European Union for the next years.

In the firs group there is RDL Royal Decree-Law 26/2020, of 7 July, Royal Decree-Law 30/2020, of 29 September and Royal Decree-Law 37/2020, of 22 December, establishing extensions to the applicability of social tariffs and restrictions on cutting off power supply to households.

With regard to the measures aimed at supporting the businesses and bolstering economic reactivation, RDL 23/2020, of 23 June, approved measures related to energy matters and other issues and RDL 34/2020 establishing the transfer of the income from CO2 emissions to costs of the electricity sector.

As regards taxes, Law 11/2020, of 30 September, on the General State Budget for the year 2021, with amendments concerning retailing.
On the other hand, Order TEC/1258/2019, of 20 December 2019, establishes various regulated costs of the electricity system for the year 2020 and extends the connection fees established by Order TEC/1366/2018, of 22 December 2018, beyond 1 January 2020.

a.2) Natural gas market in Spain

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.

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.

b) Renewable energy production segment in Spain

The renewable energy generation industry in Spain is a regulated sector which, 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.
- 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.

4. Accounting and valuation standards

4.1 Intangible assets

Licences and trademarks

The licenses and trademarks which have a defined useful life are stated at cost less accumulated amortisation and impairment provisions recognised. The amortisation is calculated using the straight-line method in order to assign the cost of the trademarks and licenses during their estimated useful life (4 years).

Computer software

Licenses for computer software acquired from third parties or developed by the company itself are capitalised on the basis of the costs incurred to acquire and prepare them for a specific program use. These costs are amortised 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.

4.2 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.

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 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:

	Years of estimated useful life
Plant and machinery	10 – 25
Other plants, facilities and equipment	10
Other property, plant and equipment	10

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.

4.3 Financial instruments

a) Recognition:

The Company recognises a financial instrument when it becomes an obliged party to an agreement or a legal transaction according to the provisions thereof.
Debt instruments are recognised from the date when the actual legal right to receive (or the actual legal obligation to pay) arises. Financial liabilities are recognised on the date of the contract.

b) Classification and separation 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.
The Company classifies the financial instruments into different categories according to their nature and the intentions of the Company at the moment of the initial recognition.

c) Claims and receivables:

Claims and receivables are non-derivative financial assets with fixed or determinable collections that are not listed on a stock exchange. They are included in current assets, except when they mature in more than 12 months as from the balance sheet date on which they were classified as non-current assets.

These financial assets are initially measured at their fair value, including the directly attributable transaction costs, and later measured at their amortised cost, recognising the interest accrued based on their effective interest rate, understood as the revaluation rate which equalises the book value of the instrument to all its estimated cash flows until maturity. Notwithstanding the above, trade debtors falling due in no more than one year are measured both at the time of initial recognition and afterwards at their nominal value provided that the effect of not restating the flows is insignificant.

Provisions required for impairment are recorded at least at year end if there is objective evidence that the outstanding amounts will not be received.

The amount of the value impairment is the difference between the asset's book amount and the present value of estimated future cash flows, discounted at the effective interest rate when initially recognised. The amount of the provision and the reversal of the provision are recognised in the income statement

d) Investments held to maturity:

Financial assets held to maturity are debt securities with fixed or determinable maturities that are traded on an official market and which Company Management plans and has the capacity to hold to maturity. If the Company sells a not insignificant amount of the held-to-maturity financial assets, the entire category is reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months as from the balance sheet date, which are classified as current assets.

The valuation criteria for these assets are the same as those used for loans and receivables.

e) Investments in the equity of group companies, multi-group companies and associates:

They are considered Group companies those linked to the Company by a control relationship, and partner companies those over which the Company exercise a significant influence. Additionally, the multi-group category includes those companies over which, by virtue of an agreement, it is exercised a joint control together with one or more partners.

These investments are stated at cost less, as where appropriate, the accumulated impairment losses. However, if there is an investment prior to its qualification as a group or multi-group company or associate, its predecessor book value prior to being treated as such is considered to be cost of the investment. Own work carried out by the Company is included in the cost of the investment. The prior provisions recorded directly in net equity are held there until they are derecognised.

If there is objective proof that the book value is not recoverable, provisions are recorded in the amount of the difference between book value and the recoverable amount, understood as the greater of fair value less cost of sale and present value of the cash flows generated by the investment. The provision, and, if any, its reversal, is recorded in the income statement for the year in which it occurs.

f) Available-for-sale financial assets:

This account includes debt securities and equity instruments that are not classified in any of the above categories. They include non-current assets unless Management plans to sell the investment within the 12 months following the balance sheet date.

Unrealised gains and losses from changes in the fair value are recognised in net equity. When sold or impaired, the adjustments accumulated in the Reserve for value adjustments are taken to the income statement.

In the case of available-for-sale financial assets, provisions are recorded if there is objective evidence that their value has been impaired as a result of a reduction or delay in the estimated future cash flows of debt instruments acquired or lack of recoverability of the book value of the asset for investments in equity instruments. The provision is the difference between costs or amortised cost less, if it was the case, any provision previously recognised in the income statement and the fair value at the time the valuation is carried out.

If there is objective evidence of impairment, the Company recognises in the income statement the accumulated losses recognised previously in net equity due to the decrease in fair value.

If the market for a financial asset is not active, the Company establishes fair value using valuation techniques that include the use of recent transactions between interested, duly informed parties, involving substantially similar instruments, discounting methods for estimated future cash flows and models for establishing option prices making maximum use of observable market data and relying as least as possible on subjective considerations of the Company.

g) Losses due to impairment of assets:

Assets, and financial assets in particular, are subject to impairment tests whenever any event or change in circumstances indicates that their book value might not be equal to the recoverable amount. A loss due to impairment is recognised in the income statement when the book value of an asset exceeds its recoverable amount which is understood to mean its fair value reduced by the sales costs or its use value, depending on which one is higher. For the purposes of assessing impairment, the assets are grouped on the lowest level which has its own individually determined cash flows (cash-generating units "CGU"). When determining fair value, future expected cash flows are calculated at their current value. In case of impairment, controls are conducted on each balance sheet date in order to verify whether there have been reversals of the loss.

h) Financial liabilities:

Financial liabilities

Financial liabilities are recognised initially at fair value, and the costs incurred in obtaining them are also recorded. The difference between the funds obtained and their redemption value is recognised in the income statement during the term of the financial liability using the effective interest rate.

Financial liabilities are classified as current liabilities unless their maturity is longer than 12 months as from the balance sheet date or if they include tacit renewal clause.

Trade and other payables

This account includes debits for trade and non-trade operations. These borrowings are classified as current liabilities unless the Company has an unconditional right to defer their payment for at least 12 months after the balance sheet date.

These liabilities are recognised initially at their fair value adjusted by the costs directly attributable to the transition and are recorded at their amortised cost using the effective interest rate method. This effective interest rate is the actualisation rate that joins the book value of the instrument to the cash flow expected from the future payments foreseen until the liability matures.

However, trade payables falling due in less than one year that do not have a contractual interest rate are stated, consequently, initially and afterwards, at their nominal value when the effect of not restating the cash flows is not significant.

i) Financial derivatives:

The Company uses financial derivative instruments for the purpose of hedging the risks to which its future cash flows are exposed. Basically, these are the risks related to electricity price fluctuations.

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 Company 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%.

The Company uses only cash flow hedge derivatives. 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 profit or loss related to the settlements of these contracts is recognised under the heading of Procurements of the 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.

j) Deposits:

The deposits received as a consequence of lease agreements on letting the meters to the clients are measured according to the criteria applied to financial liabilities. The difference between the received amount and the fair value is recognised as advance collection allocated to the income statement during the lease period (during the period when the service is provided). The advance payments whose application is going to take place in a long term are subject to financial adjustments at the balance sheet date of every year, depending on the market interest rate at the moment of its initial recognition.

k) Derecognition and modification of financial liabilities:

The Company 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 Company 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.

l) Issuance and acquisition of equity instruments and financial instruments and recognition of dividends:

The Group classifies issued, incurred or assumed financial instruments as financial liabilities in its entirety or in one of its parts, providing that, depending on the economic situation, it means for the Group a direct or indirect contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with third parties under conditions that are potentially unfavourable.

The Company recognises the increases and decreases of capital in net equity when the issuance and subscription has been carried out.

In the issuance of compound financial instruments with equity and liability components the Group measures the equity component at the residual amount obtained after subtracting from the fair value of the instrument as a whole, the amount of the liability component, including any derivative financial instrument. The liability component is measured at fair value of a similar instrument which does not contain an equity component. However, if an issued instrument is puttable at any time at the investor's request or because of a contingency which cannot be controlled by the Group, the initial value of the financial liability is equal to its issue price. Derivative financial instruments are later measured at fair value through profit or loss. The liability component of the financial instrument is later measured at amortised cost. Transaction costs related to an issue of a compound financial instrument are allocated according to the carrying amount of each of the components at the time of classification.

In an issue of convertible bonds the Company recognises the conversion option as other equity instruments, providing that it is not classified as a derivative financial instrument. The financial liability component and transaction costs are recognised as stated above.

At the date of the conversion the Company cancels the liability component and proceeds to credit the capital account and, if applicable, the share premium account. Moreover, the original component of net equity is reclassified to the share premium account.

In case of agreement on bonds repayment, the Company cancels the liability and, at the difference against consideration paid, accounts for the result of the transaction in the financial margin of the consolidated income statement. Likewise, the original net equity component is reclassified to the reserves.

When the Company cancels a convertible bond before maturity, through early redemption or repurchase where conversion terms remain unchanged, the Company distributes the consideration paid and transaction costs related to the redemption or repurchase between the liability and equity components of the instrument at the date of the transaction, in a way which is congruent with the method used in the distribution carried out for the initial recognition of the instrument.

Once the allocation of the consideration paid between the two components is made, the resulting gain or loss related to the cancellation of liability is recognised in the consolidated profit or loss, and the amount corresponding to the equity component is recognised directly in a reserves account.

If the initial terms of the convertible instrument are amended in order to induce early conversion, the difference, at the date when the terms are amended, between the fair value of the consideration the investor is to receive on conversion of the instrument under the new terms and the fair value of the consideration that the investor would have received under the original terms is recognised as a financial profit or loss in the consolidated income statement.

4.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost is determined by the weighted average cost.

The cost of inventories includes the cost of raw materials and all costs directly attributable to the purchase and/or manufacturing, including the costs incurred in bringing the inventories to their present location.

The Company’s inventories correspond only to the minimum stock of gas necessary to carry out the retailing activity.

4.5 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 Company's cash flow statement, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Company's cash management. Bank overdrafts are recognised in the balance sheet as financial liabilities from borrowings from credit institutions.

The Company classifies as financing the cash flows related to the interest collected and paid and as operating - the dividends collected.

4.6 Net equity

Share capital is represented by ordinary shares.

The costs of issuing new shares or options, net of tax, are presented directly against the net equity, as reduced reserves.

In the event of acquiring treasury shares, the compensation paid, including any incremental cost attributable directly, is deducted from net equity until its settlement, new issuance or disposal. When subsequently these shares are sold or are issued again, any received amount, net of any incremental cost of the transaction attributable directly, is included in net equity.

The dividends on ordinary shares are recognised as a reduced value of equity when they are approved by the Company’s shareholders.

4.7 Provisions and contingent liabilities

The Directors of the Company have established a difference in the 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 Company’s will.

Provisions are recognised when the Company 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.

4.8 Corporate income tax

The expense or income for income tax purposes is the amount which, for this item, accrued during the year and comprises both the expense or income for the current and deferred tax.

Both the current and deferred income tax expense or income is recorded in the income statement. However, the tax effects related to items that are recorded directly in net equity are recognised in net equity.

The current tax assets and liabilities will be stated at the amounts expected to be paid or refunded from the tax authorities, in accordance with current legislation and legislation pending enactment at the year end.

The deferred tax is calculated using the liability method on the basis of the temporary differences that arise between the tax bases of the assets and liabilities and their book value.

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction does not affect either accounting profit or taxable income, it is not recognised. The deferred tax is determined by applying the legislation and tax rates in force or about to come into force on the balance sheet date and which is expected to be applied when the respective deferred tax asset is realised or the deferred tax liability is settled.

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.

4.9 Net turnover

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 Company's normal course of business, minus returns, price reductions, discounts and value added tax.

The Company recognises income when it can be reliably measured, and when it is probable that future economic profit will be generated for the Company and the undermentioned specific conditions for each activity are met. Income cannot be reliably valued until all the contingencies related to a sale have been resolved. The Company bases its estimates on historical results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

The discounts offered to clients are recognised as a reduction in sales income when it is probable that the conditions which determine the application of the discount will be fulfilled.

a) Sales income

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.

b) Provision of services

Additionally, the Company provides different types of services to Group companies as well to third parties. The income from these service agreements for provision of services is recognised generally in the period in which the services are provided, on a straight-line basis over the duration of the agreement.

c) Income on dividends

The Company records in the Net turnover the Income on dividends in accordance with the response from the Accounting and Auditing Institute published in the BOICAC 79 concerning the enquiry submitted in connection with the accounting classification of income and expenses of a holding company in its individual financial statements and regarding the net amount of turnover of the entity.

4.10 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 balance sheet. The part of the interest on the financial charge is taken to 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.

4.11 Transactions in foreign currency

The Company's annual accounts are stated in euro, which is its functional and presentation currency. The payables and receivables in foreign currency are stated at the year-end exchange rate. 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 income statement.

4.12 Related party transactions

Related party transactions are carried out and recognised at fair value according to the criteria and methods established in section 6 of the current Conceptual Framework of the General Accounting Plan and the valuation standards set out before, except for the following transactions:

- Non-monetary contributions of a business to a group entity are measured at book value of the assets that comprise the contributed business.

• In transactions of merger, spin-off and non-monetary contribution of a business corresponding to a direct or indirect subsidiary, the acquired assets are measured at the amount attributed to them in the consolidated annual accounts upon completion of the transaction. If the transaction is carried out with other company from the group, which is not a direct or indirect subsidiary, the acquired assets are measured at accounting values existing before the transaction in the individual annual accounts. The differences that arise are recorded in reserves.

In transactions of merger and spin-off between companies from the group, the date of accounting effects is the initial date of of the year in which the merger is approved, providing that it is later than the moment in which the companies are incorporated into the group.

4.13 Cash flow statement

The cash flow statement has been prepared using the indirect method, and using the following expressions as defined below:

a) Operating activities: activities that make up the ordinary revenues of the Company, 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.

4.14 Critical aspects of the measurement and estimation of uncertainty

The preparation of the annual accounts requires the use of certain estimates and judgements. These estimates and judgements, by definition, will rarely coincide with real future data. We set out below the estimates and judgements where there is a significant risk that they will give rise to a material adjustment to the amounts of assets and liabilities recorded in the following financial year:

a) *Recoverability of equity instruments and receivables from Group companies*

Equity instruments and receivables from Group companies are measured as a whole at cost less the accumulated amount of valuation adjustments due to impairment (carrying amount). The impairment is determined as the result of the comparison between the book value of the investment to its recoverable value understood as the greater of the fair value less the costs of sale and the present value of the cash flows that are expected to be received. The recoverable values have been calculated on the basis of the calculations of value in use from discounted cash flows based on the Company's assumptions. These calculations require the use of judgements, which, amongst others, mainly include the discount rate and sales prices of electricity (Note 7). In addition, the Company'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 7 sets out a sensitivity analysis for reasonable variations of key judgements which has been established by the Company's Management.

b) *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 Spain. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgments.

The Company 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.

c) *Provisions*

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Company 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.

d) *Energy income and expenses estimates*

Ordinary income from sale of energy is recognised considering the energy supply estimates at the closing date. These estimates of energy supply are based on the data received from the distributors and obtained from the meter read of each supply and are prorated by the days passed until de closing date, as well as from internal data estimates of the meters regarding which the information from distributors is not yet available, and internal estimates of supply prices.

Ordinary income arising from service provision is recognised according to the extent of realisation of the service at the date of the balance sheet when the result of the transaction can be reliably estimated. This circumstance occurs when the amount of the income, the extent of the realisation, the costs already incurred and those yet not incurred can be measured in a reliable manner and it is probable that economic profit will be obtained from the service provision.

e) *Estimates for the fair value of derivatives*

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 Company 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.

5. Intangible assets

The breakdown and movement in the accounts under “Intangible assets” are as follows:

	Computer software	Licences and trademarks	Total
Net book value at 31- 12- 2018	**1,983**	**-**	**1,983**
Additions	660	-	660
Depreciation charge	(805)	-	(805)
Net book value at 31- 12- 2019	**1,838**	**-**	**1,838**
Cost	4,207	56	4,263
Accumulated depreciation	(2,365)	(56)	(2,421)
Impairment provision	(4)	-	(4)
Net book value at 31- 12- 2019	**1,838**	**-**	**1,838**
Additions	612	-	612
Depreciation charge	(668)	-	(668)
Net book value at 31- 12- 2020	**1,782**	**-**	**1,782**
Cost	4,819	56	4,875
Accumulated depreciation	(3,033)	(56)	(3,089)
Impairment provision	(4)	-	(4)
Net book value at 31- 12- 2020	**1,782**	**-**	**1,782**

The recognitions in the year 2020 and 2019 correspond mainly to the development and implementation of various platforms and operating software by means of using both external and internal resources, recorded in the Other operating income account of the Company's income statement.

As at 31 December 2020 the intangible assets, still in use and completely amortised or impaired amount to EUR 623 thousand (EUR 65 thousand in 2019).

6. Property, plant and equipment

The breakdown and movement in the accounts under "Property, plant and equipment" are as follows:

	Property and constructions	Plant and machinery	Other plants, facilities and equipment	Information processing equipment and other fixed assets	Means of transport	Total
Net book value at 31- 12- 2018	**7**	**1,345**	**82**	**368**	**8**	**1,810**
Additions	-	255	-	27	-	282
Derecognitions	-	(1,170)	-	-	-	(1,170)
Depreciation charge	(3)	(157)	(13)	(191)	(7)	(371)
Impairment provision	-	-	-	-	-	-
Net book value at 31- 12- 2019	**4**	**273**	**69**	**204**	**1**	**551**
Cost	8	293	195	584	20	1,100
Accumulated depreciation	(4)	(20)	(111)	(380)	(19)	(534)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31- 12- 2019	**4**	**273**	**69**	**204**	**1**	**551**
Additions	-	287	-	31	-	318
Derecognitions	(7)	(3)	(2)	(8)	-	(20)
Transfers	3	(3)	-	-	-	-
Depreciation charge	-	(25)	(14)	(175)	(1)	(215)
Impairment provision	-	-	-	-	-	-
Net book value at 31- 12- 2020	**-**	**529**	**53**	**52**	**-**	**634**
Cost	-	576	193	605	20	1,394
Accumulated depreciation	-	(47)	(125)	(553)	(20)	(745)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31- 12- 2020	**-**	**529**	**53**	**52**	**-**	**634**

The most significant recognitions of the year 2020 and 2019 correspond to equipment and facilities for electric power generation.

The derecognitions of the year 2019 corresponded to the sale of technical facilities 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.

As at 31 December 2020 the tangible assets, still in use and completely depreciated or impaired amount to EUR 189 thousand (EUR 48 thousand as at 31 December 2019).

As at 31 December 2020, the Company does not have commitments to purchase fixed assets.

The Company has taken out a number of insurance policies to cover risks relating to Property, plant and equipment. The coverage provided by these policies, which is verified annually, is considered by the management of the Company to be sufficient.

7. Shareholdings in group and multi-group companies and associates

Non-current investments in group and multi-group companies and associates

The variations throughout the year in the accounts under non-current investments in group companies and associates are as follows:

	Equity instruments in Group companies	Loans to Group entities	Equity instruments in associates and multi-group companies	Loans to multi-group companies and associates	Total
Net book value at 31- 12- 2018	**165,595**	**111,771**	**7,916**	**9,863**	**295,145**
Increases	23,784	26,452	-	1,607	51,843
Divestments/derecognitions	(107,521)	(39,260)	(271)	(108)	(147,160)
Transfers	-	-	-	-	-
Changes in provisions	73,729	(1,736)	271	108	72,372
Balance at 31- 12- 2019	**155,587**	**97,227**	**7,916**	**11,470**	**272,200**
Cost	210,176	102,503	7,916	11,470	332,065
Financial Instruments Provision	(54,589)	(5,276)	-	-	(59,865)
Net book value at 31- 12- 2019	**155,587**	**97,227**	**7,916**	**11,470**	**272,200**
Increases	133,355	41,080	-	-	174,435
Divestments/derecognitions	(793)	(48,508)	-	-	(49,301)
Transfers	2,163	(2,163)	-	-	-
Changes in provisions	2,074	1,998	-	-	4,072
Balance at 31- 12- 2020	**292,386**	**89,634**	**7,916**	**11,470**	**401,406**
Cost	344,901	92,912	7,916	11,470	457,199
Financial Instruments Provision	(52,515)	(3,278)	-	-	(55,793)
Net book value at 31- 12- 2020	**292,386**	**89,634**	**7,916**	**11,470**	**401,406**

The breakdown of shareholdings in Group companies specifying recorded impairment and accumulated provision as at 31 December 2020 and 31 December 2019 is as follows:

2020	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	17,619	1,287	(14,673)	2,946
Plants under construction in Spain	88,970	-	-	88,970
Operating plants in France	3,498	-	-	3,498
Operating plants in Poland	41,153	(7)	(25,528)	15,625
Plants under construction in Poland	12,232	-	(12,232)	-
Total generation activity	**163,472**	**1,280**	**(52,433)**	**111,039**
Energy retailing				
Audax Netherlands, B.V. (the Netherlands)	53,886	-	-	53,886
Eryx Investments, S.L.U. (Spain)	75,322	-	-	75,322
Fox Energia, S.A. (España)	10,400	-	-	10,400
Audax Energía, S.R.L. (Italy)	14,740	-	-	14,740
Audax Energia Sp. z o.o. (Poland)	10,437	-	-	10,437
E.ON Energiakereskedelmi Kft (Hungary)	13,934	-	-	13,934
Others	2,710	-	(82)	2,628
Total retailing activity	181,429	-	(82)	181,347
Total	**344,901**	**1,280**	**(52,515)**	**292,386**

2019	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	17,619	(673)	(15,960)	1,659
Plants under construction in Spain	24,578	-	(793)	23,785
Operating plants in France	3,498	-	-	3,498
Operating plants in Poland	41,153	3,377	(25,522)	15,631
Plants under construction in Poland	12,232	-	(12,232)	-
Total generation activity	**99,080**	**2,704**	**(54,507)**	**44,573**
Energy retailing				
Audax Netherlands, B.V. (the Netherlands)	38,500	-	-	38,500
Eryx Investments, S.L.U. (Spain)	46,714	-	-	46,714
Audax Energía, S.R.L. (Italy)	14,740	-	-	14,740
Audax Energia Sp. z o.o. (Poland)	8,443	-	-	8,443
Others	2,699	-	(82)	2,617
Total retailing activity	111,096	-	(82)	111,014
Total	**210,176**	**2,704**	**(54,589)**	**155,587**

The breakdown of loans in Group companies specifying recorded impairment and accumulated provision as at 31 December 2020 and 31 December 2019 is as follows:

2020	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	17,374	729	(1,137)	16,237
Plants under construction in Spain	26,104	-	-	26,104
Operating plants in France	1,554	-	-	1,554
Operating plants in Poland	-	-	-	-
Plants under construction in Poland	2,214	-	(2,141)	73
Total generation activity	**47,246**	**729**	**(3,278)**	**43,968**
Energy retailing				
Audax Energía, S.R.L. (Italy)	18,078	-	-	18,078
Eryx Investments, S.L.U. (Spain)	12,621	-	-	12,621
Audax Energia Sp. z o.o. (Poland)	4,390	-	-	4,390
Others	10,577	-	-	10,577
Total retailing activity	45,666	-	-	45,666
Total	**92,912**	**729**	**(3,278)**	**89,634**

2019	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	16,425	(1,664)	(1,866)	14,559
Plants under construction in Spain	5,623	-	(1,269)	4,354
Operating plants in France	1,551	-	-	1,551
Operating plants in Poland	-	-	-	-
Plants under construction in Poland	2,141	(72)	(2,141)	-
Total generation activity	**25,740**	**(1,736)**	**(5,276)**	**20,464**
Energy retailing				
Excelsior Times, S.L.U. (Spain)	46,356	-	-	46,356
Audax Energía, S.R.L. (Italy)	13,571	-	-	13,571
Others	16,836	-	-	16,836
Total retailing activity	76,763	-	-	76,763
Total	**102,503**	**(1,736)**	**(5,276)**	**97,227**

a) Equity instruments in Group and multi-group companies and associates

The Appendix II includes detailed information on equity instruments as at 31 December 2020 and 31 December 2019.

Changes in the year 2020

Acquisition of E.ON Energiakereskedelmi Kft. (Hungary)

On 6 July 2020 the Company signed a purchase and sale contract with the company E.ON Hungária Zrt., a subsidiary of the German multinational group E.ON, for the purchase of 100% of share capital of the company E.ON Energiakereskedelmi Kft. (hereinafter Audax Hungría), an electricity retailer in Hungary.

The sale and purchase contract was subject to the fulfilment of certain conditions precedent which came to fruition on 24 September 2020, considered as the effective date of the acquisition.

The total amount of the purchase was EUR 42,260 thousand, of which the amount of EUR 13,934 thousand corresponds to the price paid for 100% of share capital of the company E.ON Energiakereskedelmi Kft., and EUR 28,326 thousand to a loan granted to that Hungarian company.

Purchase of photovoltaic projects

On 30 December 2020 Audax Renovables signed an exclusive purchase 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 VII, S.L.U., Audax Solar SPV XXVI, S.L.U., Audax Solar SPV X, S.L.U, Solar Buaya Inversiones, S.L.U. for the total amount of EUR 66,225 thousand. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects. The purchase price of this transaction was endorsed by an independent expert through a Fairness Opinion report at the request of the governing bodies and their delegated committees, as it was a case of related party transaction.

Moreover, on 28 July 2020 Audax Renovables S.A. signed an agreement with Energy Pool España, S.L. for the purchase of 100% of shares of the company Corinto Solar, S.L. for the amount of EUR 236 thousand.

Increase of shareholdings in companies

On 24 April 2020 Audax Renovables, S.A. entered into an agreement on the purchase of 28.03% of the share capital of the Dutch company Main Energie, B.V. (formerly Audax Netherlands B.V.) for the amount of EUR 15,385 thousand. Through this transaction Audax Renovables, S.A. became the sole shareholder of the company, and previous cross-option agreements were exercised for put and call options over the shares of the company.

On 29 June 2020 Audax Renovables purchased 20% of share capital of the company Eryx Investments 2017, S.L. - the parent of a group of energy retailing companies, including Unieléctrica Energía, S.A. Through this transaction Audax Renovables, S.A. has become the sole shareholder of that company. The purchase price of this transaction amounted to EUR 28,608 thousand. The seller of this non-controlling interest is the related company, Eléctrica Nuriel, S.L.

On 29 June 2020 Audax Renovables purchased 20.46% of the share capital of the company Fox Energía, S.L. - a subsidiary of Unieléctrica Energía, S.A. involved in energy retailing. The purchase price of this transaction amounted to EUR 10,400 thousand. The seller of this shareholding is a related company, Eléctrica Nuriel, S.L.

Other transactions

In 2020 the dissolution and liquidation of the companies Castellwind-03, S.L., Entreyeltes 1, S.L. and Fersa Asesoramiento y Gestión, S.L. was approved. The dissolution of the companies did not involve any significant impact on the current financial statements.

In 2020 the companies Masqluz 2020, S.L., Alset Comercializadora, S.L., By Energyc Energía Eficiente, S.L., Love Energy, S.L., Energía Ecológica Económica S.L. and Feed Energia, S.L. were set up, in all of them Audax Renovables S.A. has a shareholding of 75% and all of them will be dedicated to the energy retailing in Spain.

Changes in the year 2019

Purchase of photovoltaic projects

The additions over the year corresponded to the acquisition of certain companies dedicated to the development of photovoltaic projects.

On 8 May 2019 Audax Renovables signed an agreement on purchase of shares with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group), for the purchase of 100% of the shares of the following 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., and Aznalcollar Solar S.A.U. for the total amount of EUR 16,384 thousand. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects. The purchase price of this transaction was endorsed by an independent expert through a Fairness Opinion report at the request of the governing bodies and their delegated committees, as it was a case of related party transaction.

This agreement contained certain conditions subsequent by which the buyer could terminate the purchase, and in this respect, on 20 December 2019 both parties concluded a novation of this purchase and sale agreement, in which they limited 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., and Aznalcollar Solar S.A.U. for a total amount of EUR 10,678 thousand.

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 assumed 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. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects. The purchase price of this transaction was endorsed through a Fairness Opinion report issued by an independent expert.

On 2 August 2019 Audax Renovables reached an agreement with the company Energy Pool España S.L., an entity not related to the Company, on the purchase of 100% of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L. and Da Vinci Energía, S.L. On 26 September 2019 the purchase of these companies was carried out for the amount of EUR 12,547 thousand. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects. The purchase price of this transaction was endorsed through a Fairness Opinion report issued by an independent expert.

The total amount paid for the acquisition of these shares, including the right to purchase them from Audax Fotovoltaica was EUR 15,652 thousand.

Additionally, on 18 December 2019, Audax Renovables reached 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 Calañas, S.L. for the amount of EUR 350 thousand. The main object of the acquired company involves development, construction and operation of photovoltaic power generation projects. The purchase price of this transaction was endorsed through a Fairness Opinion report issued by an independent expert.

Taking into account the cost of the assignment of the agreement on purchase of shares by Audax Fotovoltaica, the total cost of the acquisition of the company Elogia Calañas was of EUR 609 thousand.

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 was 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 5,651 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Moreover, in the first half year 2019, Audax Renovables S.A. secured another agreement for the sale 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 1,121 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 in 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 4,075 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Additionally, on 20 December 2019, Audax Renovables S.A. carried out the sale of the entirety of its shares in Fercom Eólica, S.L.U, and Parc Eólic Coll de Som, S.L.U, to a third non-related company, Nearco Renovables, S.L. The impact of the sale meant profit before tax amounting to EUR 1,507 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Before 12 December 2019 Audax Renovables carried out a contribution to the Shareholders' Equity of Parc Eòlic Coll de Som, S.L.U. related to the shareholding and the claim to Berta Energies Renovables, S.L. amounting to EUR 271 thousand and EUR 108 thousand, respectively.

As a consequence of all these transactions, Audax Renovables ceased to hold shares indirectly in the investees of the sold companies: Berta Energies Renovables, S.L, Aprofitament d'Energies Renovables de l'Ebre, S.L., Subestación y Linea 2004, A.I.E, and Aprofitament d'Energies Renovables de la Terra Alta, S.A.

Other changes in the year 2019

In December 2019, a merger between the Dutch companies Audax Netherlands, B.V. and Main Energie, B.V. was carried out. The transaction did not have any significant impact on the annual accounts for that year.

As at 31 December 2019, Audax Renovables, S.A. held 71.97% of the Dutch company Main Energie, B.V, additionally, the Company had the right to purchase the remaining 28.03% for the estimated amount of EUR 15,227 thousand, and the minority shareholders also had the sale option over these shares. However, the rights and obligations related to these shares had not been transferred at that moment, and therefore the Company considered that its shareholding as at 31 December 2019 amounted to 71.97% and did not recognise any liability from the purchase of these shares either.

Assets impairment test:

The Company has conducted impairment tests using cash flow projections in order to determine the recoverable amount. The impairment tests were made at the year-end date. As a result of these tests, a reversal of the impairment provision was recorded in the amount of EUR 1,989 thousand in the year 2020 (reversal of allocation to the provision amounting to EUR 890 thousand in the year 2019), which breaks down as follows:

	2020	**2019**
Provision for shareholdings	1,280	2,704
Loans to group entities	729	(1,736)
Commercial loans to group entities	(21)	(9)
Other assets	1	(69)
Total	**1,989**	**890**

These reversals and impairments are recorded under the heading of Impairment and profit (loss) on disposal of financial instruments, except for the impairment of commercial loans to Group entities, which is registered as loss, impairment and change in provisions from business operations.

The breakdown of the allocation to the net impairment provision by geographical segment is as follows:

	2020	2019
Spain	2,069	(2,406)
Poland	(80)	3,296
Total	**1,989**	**890**

Provisions for shareholdings

In the current year 2020, valuation adjustments due to impairment have been carried out, recorded on certain shares owned by the Company. The breakdown of the movement in the provision by geographical segment is as follows:

Geographical segment	Accumulated provision 31.12.19	Allocation / (reversal)	Transfers	Derecognitions / Divestments	Accumulated provision 31.12.20
Spain	16,833	(1,287)	-	(794)	14,752
Poland	37,756	7	-	-	37,763
Total	**54,589**	**(1,280)**	**-**	**(794)**	**52,515**

Derecognitions in the year 2020 correspond to the liquidation of shares in the companies Castellwind 03, S.L, Entreyeltes1, S.L., and Fersa Asesoramiento y Gestión, S.L.

The following are the main assumptions used to calculate the recoverable amount:

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 2020

	2020						
	Spain	France	Poland	Italy	the Netherla	Hungary	Germany
Risk-free discount rate	2.17%	1.82%	2.22%	3.62%	1.52%	3.02%	1.52%
Risk premium *	5.15%	4.63%	5.27%	5.63%	5.61%	5.93%	5.38%
Capital cost	7.32%	6.45%	7.49%	9.25%	7.13%	8.95%	6.90%
Cost of debt	2.17%	1.87%	2.22%	3.62%	1.84%	3.02%	2.81%
After-tax weighted average cost of capital**	5.02%	4.54%	5.19%	6.46%	4.66%	6.29%	4.56%

Year 2019

	2019					
	Spain	France	Poland	Italy	the Netherlan	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%

* 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 Netherla nds	Hungary	Germany
Before-tax weighted average cost of capital 2020	6.15%	5.62%	5.79%	8.25%	5.58%	8.29%	4.88%

The Company uses after-tax weighted average cost of capital differentiated between generation and retail (WACC). The geographical segments of Italy, the Netherlands, Hungary 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.

a) Prices: The sale prices of electricity have been estimated on the basis of past experience, external sources of information as well as observable data from the market regarding future prices. 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.

b) 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 as well as by independent third parties.

c) Gross margin and growth rates: the Company 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 Directors 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 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):

Year	Spain	the Netherlands	Poland	Italy	Germany
2020	80%	54%	81%	80%	76%
2019	82%	58%	83%	71%	88%

In the year 2020, as a consequence of the improvement and update of certain assumptions, among others the decrease of the discount rate, the company carried out a reversal of the provision of EUR 2,069 thousand of financial assets related to the energy generation in Spain.

Likewise, in the year 2019, as a consequence of revising certain assumptions, the Company made a reversal of the provision for financial investments in the amount of EUR 3,296 thousand, related primarily to the Postolin wind farm in Poland. Moreover, the revision of certain assumptions made it necessary to create a provision for certain assets, mainly investments and loans to companies dedicated to power generation in Spain.

The Company conducts impairment tests when there are indications of impairment. The main signs which the Company takes into account in order to evaluate the existence of impairment indications are the following:

- Recurring losses in the evaluated companies.

- Significant harmful change in one of the key assumptions on which the cash flows forecasts are based: production, prices, number of clients, discount rates, gross margins, etc.

- The existence of contingent liabilities in the companies subject to valuation; significant sanctions, failure to meet certain ratios related to financial liabilities.

The Company, as the parent of a Group, prepares forecasts of cash flows for the purpose of measuring individual CGUs in order to formulate the consolidated annual accounts, at least once per year. In this respect, the existence of cash forecasts which lead to a recoverable amount of the measured assets lower than their net carrying amount suggests also the impairment of the Company's assets.

Therefore, the majority of financial investments and loans to group companies are subject to impairment tests.

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, the production hours, and the sale prices of electricity. The sensitivity of the results to reasonably possible changes in these assumptions, according do different geographic segments, on which Management have based their determination of the recoverable amount of the power plants, is as follows:

For the year 2020

	Effect on profit and loss before tax		
	Discount rates	Commodity price	Exchange rate
	Increase of 10%	Increase of 10%	Increase of 10%
Western Europe	(1,070)	3,232	-
Eastern Europe	(511)	1,683	2,895
Total	**(1,581)**	**4,915**	**2,895**
	Decrease of 10%	Decrease of 10%	Decrease of 10%
Western Europe	1,030	(3,232)	-
Eastern Europe	483	(1,683)	(2,632)
Total	**1,513**	(4,915)	(2,632)

For the year 2019

	Effect on profit and loss before tax		
	Discount rates	Commodity price	Exchange rate
	Increase of 10%	Increase of 10%	Increase of 10%
Western Europe	(1,332)	3,383	-
Eastern Europe	(534)	1,732	3,211
Total	**(1,866)**	**5,115**	**3,211**
	Decrease of 10%	Decrease of 10%	Decrease of 10%
Western Europe	1,293	(3,076)	-
Eastern Europe	504	(1,575)	(2,919)
Total	**1,797**	(4,651)	(2,919)

b) Loans to Group and multi-group companies and associates

Changes in the year 2020

As a consequence of the liquidations of companies carried out in 2020 and specified in paragraph a), Audax Renovables, S.A. decided to derecognise the loans to Group entities granted to those companies in the amount of EUR 1,268 thousand.

Over the year 2020 new contributions were made to the photovoltaic companies acquired in 2019: 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., Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L. and Da Vinci Energía, S.L., in the amount of EUR 18,644 thousand, under the credit line signed in 2019, the total amount drawn down as at 31 December 2020 being of EUR 22,973 thousand. In the year 2020 annexes were signed with the companies Las Piedras Solar, S.L. y Da Vinci Energía, S.L to increase the limit of their credit line, increasing the total limit of the credit lines of these companies up to the amount of EUR 83,664 thousand.

A credit line was signed also with the photovoltaic company Corinto Solar, S.L.U. acquired in the year 2020, up to the maximum amount of EUR 4,000 thousand. As at 31 December 2020, the amount drawn down of this credit line is EUR 1,033 thousand, it accrues interest at the rate of 3,6% in the year 2020 and its maturity period is up to 5 years.

Moreover, the Company signed in 2020 an agreement on credit line with the company Elogia Calañas, S.L.U. for the maximum amount of EUR 3,000 thousand, maturity period of up to 5 years and interest rate of 3.6% over the year 2020. As at 31 December 2020, the amount drawn down is EUR 1,728 thousand.

In the year 2020 the Company made contributions to Eryx Investments, S.L.U. in the amount of EUR 4,503 thousand. As at 31 DEcember 2020 the total amount drawn down of its credit line is EUR 12,219 thousand, which made it necessary to sign an annex increasing the limit of the loan up to the maximum amount of EUR 12,500 thousand.

Also in 2020 Audax Renovables, S.A. made new contributions to Audax Energia, S.R.L. in the amount of EUR 4,507 thousand, and to ADS Energy, S.L. in the amount of EUR 6,317 thousand.

Over the year 2020 debt settlements between Audax Renovables and various companies from the Excelsior Group were carried out in order to offset the payables of Audax Renovables towards the company Eléctrica Nuriel S.L for the purchase of non-controlling interests of Eryx Investments 2017, S.L.U. and Fox Energía, SA, and towards Audax Fotovoltaica, S.L. for the purchase of various photovoltaic companies, with other loans which Audax Renovables, S.A. had granted to Excelsior Times, S.L.

Changes in the year 2019

As a consequence of the divestment transactions carried out in 2019 and specified in paragraph a), Audax Renovables, S.A. decided to derecognise the loans to Group entities granted to those companies in the amount of EUR 11,285 thousand.

Additionally, due to the assignment to Parc Eòlic Coll de Som, S.L. of the loan granted to Berta Energías Renovables, S.L., the loan in the amount of EUR 108 thousand was derecognised from the account Loans to multi-group companies and associates, together with the relevant provision.

The purchase of the photovoltaic 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., Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L. and Da Vinci Energía, S.L. in the year 2019 involved granting credit facilities to those companies amounting to EUR 81,664 thousand in order to address their needs of financing to conduct their businesses. As at 31 December 2019, the amount drawn down of these credit lines was EUR 4,329 thousand, they accrue interest at the rate of 3,6% in the year 2020 and their maturity period is up to 5 years.

In the year 2019, Audax Renovables, S.A. also entered into an agreement on credit line with Eryx Investments, S.L.U. for a maximum amount of EUR 10,000 thousand with maturity period of 5 years and an interest rate of 5% p.a. As at 31 December 2019, the amount of EUR 7,716 thousand was drawn down.

Also in 2019 Audax Renovables, S.A. made new contributions to some of its subsidiaries in the amount of EUR 11,884 thousand, mainly to Audax Energia, S.R.L. in the amount of EUR 7,274 thousand.

Moreover, all the loans that the Company had granted to its subsidiaries accrued interest over the year amounting to EUR 4,129 thousand.

The loans that the Company granted to the Group companies, associated companies and multi-group companies accrue financial interest based on a market rate.

The loans to the group companies, associated companies and multi-group companies generally have a maturity period of over one year and an annual interest rate between 1.4% and 7%.

The breakdown by business segment as at 31 December 2020 and 2019 is as follows:

At 31.12.2020						
Business segment	**Retailing**			**Generation**		
Geographical segment	**Loans to group companies and**	**Provisions**	**Net value**	**Loans to group companies and**	**Provisions**	**Net value**
Spain	19,845	-	19,845	43,477	(1,137)	42,340
Italy	18,078	-	18,078	-	-	-
Poland	4,390	-	4,390	2,214	(2,141)	73
Germany	3,354	-	3,354	-	-	-
France	-	-	-	1,554	-	1,554
Panama	-	-	-	11,470	-	11,470
Total	**45,667**	**-**	**45,667**	**58,715**	**(3,278)**	**55,437**

At 31.12.2019						
Business segment	**Retailing**			**Generation**		
Geographical segment	**Loans to group companies and**	**Provisions**	**Net value**	**Loans to group companies and**	**Provisions**	**Net value**
Spain	55,455	-	55,455	22,048	(3,135)	18,913
Italy	13,571	-	13,571	-	-	-
Poland	4,133	-	4,133	2,141	(2,141)	-
Germany	3,604	-	3,604	-	-	-
France	-	-	-	1,551	-	1,551
Panama	-	-	-	11,470	-	11,470
Total	**76,763**	**-**	**76,763**	**37,210**	**(5,276)**	**31,934**

c) Current investments in group and multi-group companies and associates

The balances of the accounts which comprise current investments in group companies and associates are as follows:

	At 31.12.2020	**At 31.12.2019**
Loans to companies	40,855	8,932
Other financial assets	1,175	710
Investments in group companies and associates	**42,030**	**9,642**

The balance of loans to companies for the year 2020 and 2019 corresponds primarily to the balances of current accounts with group companies.

The increase of loans to companies over the year 2020 is due to the loan granted to the company of the group E.ON Energiakereskedelmi Kft in Hungary in the amount of EUR 28,346 thousand.

The amount of Other financial assets for they year 2020 and 2019 corresponds to dividends receivable from other group companies.

8. Financial investments

The breakdown of financial investments, without considering Trade and other receivables (Note 9), is as follows:

	At 31.12.2020	At 31.12.2019
Equity instruments	1	1
Debt securities	45	45
Derivatives	11	-
Other financial assets	5,541	2,549
Total long-term financial investments	**5,598**	**2,595**
Equity instruments	2,732	2,696
Loans to third parties	9	5,030
Derivatives	3,331	195
Other financial assets	68,303	14,158
Total short-term financial investments	**74,375**	**22,079**

Equity instruments

As at 31 December 2020 and 2019, the balance of current and non-current Equity Instruments includes mainly the amounts held by the Company in different investment funds with short-term and long-term maturity, respectively.

Loans to third parties

In the year 2020 the amount of EUR 5,000 thousand was collected from a loan granted to a third party.

Derivatives

The Company is exposed to energy price fluctuations. For this reason, the Company entered into hedging contracts for commodity price fluctuations in order to hedge part of the risk of commodity price volatility. This hedge against price changes is carried out for group companies as well as for third parties.

As at 31 December 2020 and 31 December 2019 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	At 31.12.2020		At 31.12.2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivative financial instruments				
Commodity price cash flow hedge				
Non-current	11	1,736	-	95
Current	3,331	558	195	679
Total	**3,342**	**2,294**	**195**	**774**

As at 31 December 2020, the Company holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Company hedges against the risk of energy price changes for the maximum net volume of 137MW for the year 2021, 22MW for the year 2022, and 30MW for the following years. As at 31 December 2020 the net fair value of these derivative financial instruments is a profit amounting to EUR 1,048 thousand (liability of EUR 579 thousand as at 31 December 2019).

As at 31 December 2020 the Company does not hold any derivative which would not fulfil the criterion of hedge accounting application established by the standards of the General Accounting Plan, therefore the changes in the value of these financial instruments are recorded (net of their tax effect) in the net equity. The impact on the net equity of these hedges is the positive amount of EUR 786 thousand (negative amount of EUR 434 thousand in 2019).

Other financial assets

As at 31 December 2020 and 2019 this account is comprised mainly of fixed-term deposits in financial entities, classified as non-current or current assets according to their maturity date, which accrue interest at a market interest rate.

9. Trade and other receivables

The composition as at 31 December 2020 and 2019 is as follows:

	At 31.12.2020	At 31.12.2019
Trade receivables	68,715	61,452
Trade receivables from group and associated companies (Note 20)	5,295	4,406
Sundry receivables	2,914	6,447
Staff	2	3
Current tax assets	248	248
Other receivables from Public Administration	3,779	855
Valuation adjustments due to impairment (Note 20)	(14,078)	(12,526)
Trade and other receivables	**66,875**	**60,885**

The balance of the clients account as at 31 December 2020 and 2019 corresponds to the receivables for energy supplies and includes the accumulated balance of electricity and gas retail which has not yet been invoiced as at the end of the year (see note 18.a).

The account Receivables from group companies and associates includes provided services of technical, accounting and administrative assistance as well as the bilateral energy sales activity, price hedges and representation services provided to various companies of the group.

The accounts receivable are not insured and accrue no interest.

There are no significant differences between the book values and fair values in Trade and other receivables. There are no Trade or other receivables falling due in more than 12 months.

As a general rule, no interest is charged on outstanding invoice receivables.

Impairment movement

The analysis of the movement of the adjusting accounts representing impairment loss originated by the credit risk of financial assets measured at amortised cost for the years 2020 and 2019 is as follows:

	Adjustment due to client impairment	
	2020	**2019**
Balance at beginning of year	**(12,526)**	**(11,426)**
Allocations	(2,149)	(2,534)
Reversals	480	518
Derecognition from liquidation of companies (Note 7)	117	916
Balance at beginning of year	**(14,078)**	**(12,526)**

10. Cash and other cash equivalents

	At 31.12.2020	**At 31.12.2019**
Cash and bank accounts	244,590	109,490
Other cash equivalents	-	8
Total	**244,590**	**109,498**

As at 31 December 2020 there are no restrictions to the disposable cash. (Restrictions for the amount of EUR 837 thousand as at 31 December 2019).

11. Net equity

a) Share capital

The Company was incorporated in Barcelona on 10 July 2000 as a joint stock company for an unlimited duration.

As at 31 December 2020 and at 31 December 2019 the share capital of the Company is represented by 440,291,054 shares of a value of EUR 0.1 each.

The Extraordinary General Meeting of Shareholders of the 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 Audax Renovables, S.A. adopted a resolution approving a transaction under which several business groups made contributions to the Company in the form of companies with operating wind farms and at different stages of administrative process. In consideration thereof, the 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 4 August 2008, Audax Renovables, S.A. and Fomento de Inversiones de Capital, S.L. (Foinca), fully owned by Audax Renovables, S.A., were merged by means of a takeover of the latter by the former, with the transfer en bloc of the equity of the latter to Audax Renovables, S.A. All the information referring to this transaction is presented in the 2009 Annual Accounts of Audax Renovables, S.A.

The General Meeting of Shareholders of 30 June 2009 adopted a resolution in favour of the takeover merger by Audax Renovables, S.A. (merging company) and Energía Renovables Mestral, S.L.U. (merged company) through the winding up without liquidation of the latter. All the information referring to this transaction is presented in the 2009 Annual Accounts of Audax Renovables, S.A.

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 2016 amounted to EUR 98,003 thousand and was represented by 140,003,778 shares, with individual value of EUR 0.7 each, which had been fully subscribed and paid up. All the shares had the same economic and voting rights. As a result of this transaction a special fund was created amounting to EUR 42,001 thousand.

On 19 May 2016 Audax Energía, S.A.U. 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.U. 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 merger by absorption was approved between Audax Renovables S.A. (acquiring company) and Audax Energía S.A.U. (acquired 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. The transaction was entered into the Commercial Register on 25 January 2019.

Previously, on 28 June 2018, a merger was approved for Audax Energía, S.A. to acquire the companies Orus Energía S.L.U. and A-Dos Energía S.L.U. The merger was entered into the Commercial Register on 19 October 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.

On 19 October 2018, the sole shareholder of Audax Energía, S.A.U. carried out a non-cash increase of capital of Audax Energía, S.A.U. by the amount of EUR 352 thousand, with a share premium account of EUR 68,574 thousand. The increase was wholly subscribed and paid up 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 the share capital of that company and 3,000 shares in the company Eryx Investments 2017, S.L. representing 80% of the share capital of that company (Note 7). These contributions were taken into account at the moment of calculating the swap ratio in the merger by absorption of Audax Energía, S.A.U.

All the information referring to these transactions of merger and non-monetary contribution carried out in the year 2018 is presented in the 2018 Annual Accounts of Audax Renovables, S.A.

The merger process carried out in the year 2018 brought about a situation of imbalance in the shareholders' equity of the Company. In order to restore the equilibrium to the financial situation of the Company, on 29 April 2019 the General Meeting of Shareholders approved a reduction of the share capital reducing by EUR 0.6 the nominal value of the shares, which involved an increase of the reserves by EUR 264,175 thousand.

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 2020 of the Company's shares was of EUR 1.94 per share (EUR 2.14 as at 31 December 2019).

The Company's shareholders holding more than 10% of shares as at 31 December 2020 and 31 December 2019 are the following:

	At 31.12.2020	At 31.12.2019
Shareholders	**%**	**%**
Eléctrica Nuriel, S.L.(*)	72.09%	90.29%
Rest of shareholders	27.91%	9.71%
Total	**100.00%**	**100.00%**

(*) Additionally, Eléctrica Nuriel, S.L.U. has various rights to purchase 48,000,000 shares of Audax Renovables, S.A., which represent 10.90% of the Company

b) Share premium

This account can only be affected by resolutions of the General Meeting of Shareholders of the Company.

c) Reserves

The legal reserve has been funded in compliance with article 274 of the Corporate Enterprises Act, pursuant to which, under any circumstances, the amount equal to 10 per cent of the profit for the year shall be allocated to the legal reserve, until it reaches at least 20 per cent of the share capital.

This reserve must not be distributed and, if it is used to compensate losses, when there are no other reserves available with sufficient funds for that purpose, it shall be replenished with future profits.

As at 31 December 2020, the Company has this reserve funded with the minimum amount established by the Consolidated Text of the Corporate Enterprises Act.

	At 31.12.2020	At 31.12.2019
Legal and internal		
Legal Reserve	8,806	19,027
Other reserves		
Other reserves	(296,768)	(331,847)
Total	**(287,962)**	**(312,820)**

The changes occurred in the reserves account in the year 2020 and 2019 are detailed in the Statement of Changes in Net Equity.

d) Treasury shares

As at 31 December 2020 and 2019 the Company does not own treasury shares.

e) Distribution of earnings

The Company's General Meeting of Shareholders held on 9 July 2020 agreed to distribute the profit for the year 2019 amounting to EUR 16,813 thousand and to offset the losses from the previous years.

The proposed allocation of earnings of Audax Renovables, S.A. for the year 2020 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 (profit)	19,197,650
Total	**19,197,650**

Base of distribution	**EUR**
To Dividends	10,000,000
To compensate losses from previous years	9,197,650
Total	**19,197,650**

f) Earnings per Share

The breakdown of basic and diluted earnings per share is as follows:

	31/12/2020	**31/12/2019**
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	440,291,054
Average number of shares diluted	446,376,189	440,291,054
Profit (loss) of the Company (EUR thousands)	19,198	16,813
Diluted profit (loss) of the Company (EUR thousands)	19,484	16,813
Profit / (loss) per share (euro per share)		
- Basic	**0.0436**	**0.0382**
- Diluted	**0.0436**	**0.0382**

The basic gain per share is calculated by dividing the profit for the year attributable to the holders of equity instruments of the Company by the weighted arithmetic mean of ordinary shares circulating over the year.

The diluted gain per share is calculated by adjusting the profit for the year attributable to the holders of equity instruments of the Parent Company and the weighted arithmetic mean of ordinary shares circulating by all the dilutive effects inherent to the potential ordinary shares.

Equity component of compound financial instruments

As a consequence of the issue of convertible bonds for the amount of EUR 125 million (Note 13), the Company has recorded as compound financial instruments in equity a total amount of EUR 8,035 thousand.

12. Provisions

The breakdown of provisions as at 31 December 2020 and 2019 is as follows:

	At 31.12.2020	At 31.12.2019
Non-current provision for liabilities	-	269
Current provision for liabilities	49	49
Total	**49**	**318**

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities. As at 31 December 2020, the Management of the Company considers that there are no contingencies requiring to be provisioned for.

In 2020 non-current provisions were paid in the amount of EUR 269 thousand.

The Company's Management estimate that the contingent liabilities which could occur as a result of the commitments indicated in Note 19 would not have a significant impact on these annual accounts

13. Financial liabilities

The breakdown of financial liabilities, excluding liabilities towards the Group, trade and other payables, as at 31 December 2020 and 2019 is as follows:

	At 31.12.2020	At 31.12.2019
Bonds and other negotiable securities	371,123	143,184
Amounts owed to credit institutions.	29,147	3,016
Derivatives (Note 8)	1,736	95
Total long-term debts	**402,006**	**146,295**
Bonds and other negotiable securities	136,754	67,534
Amounts owed to credit institutions.	27,193	23,748
Derivatives (Note 8)	558	679
Total short -term debts	**164,505**	**91,961**

Bonds and other negotiable securities

In January 2017 Audax Renovables, 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 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. Later, on 30 March 2020, Audax Renovables, S.A. carried out a new increase registered under the name of "Audax 2020 Note Programme" with a maximum outstanding balance of EUR 200,000 thousand, and the maturity date on 30 March 2021. As at 31 December 2020, the total drawn down balance amounts to EUR 156,824 thousand (EUR 74,478 thousand as at 31 December 2019).

On 26 June 2020 Audax Renovables, S.A. registered a Euro-Commercial Paper Programme (ECP) of a maximum outstanding amount of EUR 300,000 thousand on the Irish Stock Exchange. As at 31 December 2020 the Company has not drawn down any amount under this programme.

On 3 July 2020 the Company registered a fixed income green bond programme for a nominal amount of up to EUR 400,000 thousand under the name of “EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020” in the Alternative Fixed-Income Market ("MARF"). On 3 September 2020 the Company carried out the first issuance under this programme, for the amount of EUR 20,000 thousand, named "Issue Number 1 of Senior Unsecured Notes of Audax Renovables, S.A. 2020" with maturity in April 2022, which was redeemed ahead of schedule on 3 December 2020.

The Company approved in 2017 a programme for issuing plain bonds on the Alternative Fixed-Income Market (MARF), of which bonds of a nominal value of EUR 65,000 thousand with maturity in June 2022 and fixed nominal annual interest of 4.20% were subscribed.
Also in 2018 the Company approved a new programme for issuing bonds worth EUR 35,000 thousand, which was later increased by another EUR 35,000 thousand, with maturity in October 2023 and fixed nominal annual interest rate of 5.5%.

On 30 November 2020 the Company announced an offer of swap transaction for the holders of those bonds for a new issue of green bonds by the Company under its programme named "EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020" in exchange for the early redemption of the Existing Bonds owned by the holders.

As a consequence of this swap transaction the Company carried out a second issue of green bonds named “Issue Number 2 of Senior Unsecured Notes of Audax Renovables, S.A. 2020” for the amount of EUR 200,000 thousand, at the interest rate of 4.20% and with maturity on 18 December 2027. This new issue was subscribed partly by the previous holders of the 2017 and 2018 emissions, and partly by new investors.

As at 31 December 2020 the outstanding balance of the 2017 bond amounts to EUR 26,600 thousand and the outstanding balance of the 2018 bond amounts to EUR 17,505 thousand, corresponding to the holders who did not take part in the swap transaction offered by the Company.

On 18 November 2020 the Board of Directors of the Company approved the issue of senior plain green convertible unsecured bonds (hereinafter "the convertible bonds") for the amount of EUR 125,000 thousand of nominal value and at the annual interest rate of 2.25% to 2.75% payable half-yearly, with maturity on 30 November 2025.

The convertible bonds may be converted in ordinary shares of the Company, either of a new issue or those already issued on the continuous market. The conversion option has an underlying of 51.7 million shares of the Company, which correspond to 11.74% of the total of issued shares. The necessary conditions which need to be met for the conversion to be carried out involve the approval by the General Meeting of Shareholders of 30 June 2021 of the convertibility, of an increase of the share capital and of the exclusion of the pre-emptive subscription rights in order to allow the issuance of shares to which this conversion would apply, and the Shareholders' resolutions need to be notarised and together with the amendment to the notarial deed on the issue of convertible bonds need to be registered in the Commercial Register.

If the conversion is not approved, the Company has the option of redeeming the entirety of the convertible bond ahead of schedule under certain conditions.

Once the bonds are made convertible, the holders will have the right to convert the bond into shares of new issue or into existing shares (to be decided by the Company) at the conversion price of EUR 2.42 per share.

Additionally, the Company has the option of early redemption of convertible bonds if certain conditions are met:

On the other hand, the bondholders may request that the Company repurchase the convertible bonds on certain conditions. Depending on the circumstances in which the bondholder decides to exercise the right to request the repurchase of the bond, its price may vary.

According to the nature and the substance of the transaction, the Company considers that the bond should be classified as a compound financial instrument comprised of the following components:

- A liability component, due to the obligation of the Group to pay half-yearly the coupons and the capital at maturity date. Fair value at 31 December 2020 of the liability component was measured at current value of the coupons and the principal discounted at a market rate of 4.2%, estimated at the amount of EUR 116,965 thousand and was recorded in the account of Financial liabilities from issue of bonds and other negotiable securities of non-current or current liabilities in the consolidated balance.

- A net equity component because of the bondholders' option to convert a fixed number of Company shares to a fixed amount of money or other assets. Fair value as at 31 December of 2020 of the net equity component was estimated at the amount of EUR 8,035 thousand as a result of the difference between the fair value of the consideration received (EUR 125 million) and the fair value of the financial liability component.

The initial classification of the components of the compound financial instrument will not be subject to future review, even in case of changes in the probability of exercise of the option rights integrated in the instrument. From that moment, the value of the option recorded in net equity will be fixed, while the financial liability will be measured later at amortised cost.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2020 all the established ratios are met.

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2020 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 2020 and 2019.

As at 31 December 2020 and 31 December 2019, the following financial liabilities are subject to the requirement of meeting certain minimum ratios or to clauses which, if not complied with, may result in declaring the payment immediately due.

	At 31.12.2020	At 31.12.2019
Bond of nominal value €65M approved in May 2017	26,600	65,000
Bond of nominal value €70M approved in September 2018	17,505	71,443
Bond of nominal value €2000M approved in December 2020	200,000	-
Convertible bond of nominal value €125M approved in November 2020	116,965	-
Total	**361,070**	**136,443**

The conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. As at 31 December 2020 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.

Amounts owed to credit institutions.

The breakdown of the Company's bank loans is as follows:

	2020	2019
Loans	48,894	16,471
Lines of credit	1	-
Reverse factoring and similar	7,445	10,293
Total amounts owed to credit institutions.	**56,340**	**26,764**

The main loans of the Company from credit institutions as at 31 December 2019 were loans from the following institutions: CaixaBank, S.A., Bankinter, Toro Finance and Finalbion, whose outstanding balances amounted to EUR 12,197 thousand. In 2020 all those loans were repaid, and only the loan from Bankinter presented as at 31 December 2020 an outstanding balance of EUR 1,954 thousand with maturity in 2022.

In 2020 the Company signed new loan agreements with the companies Finalbion SV, S.L., Gedesco Innovfin, S.L. and Toro Finance for the amount of EUR 19,815 thousand and with maturity dates between 2021 and 2025. As at 31 December 2020 the outstanding balance amounts to EUR 10,638 thousand.

Additionally, the Company has signed with various financial institutions ICO loans whose outstanding balance as at 31 December 2020 amounts to EUR 35,318 thousand. These loans are covered by a line of guarantees for businesses and sole traders, approved by the Royal Decree-Law 8/2020 of 17 March 2020 on urgent extraordinary measures to tackle the economic and social impact of COVID-19, under which the Ministry of Economic Affairs and Digital Transformation will issue guarantees to the loans granted by the credit institutions to the businesses and sole traders in order to help maintain the employment and alleviate the economic effects of the crisis, and the maturity of these loans is between 2022 and 2025..

The reverse factoring contracts of the Company relate mostly to the loans obtained by the Company 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.

Classification of Financial Liabilities by maturity date

	2021	2022	2023	2024	2025	2026	Total
Bonds and other negotiable securities	136,754	42,754	15,374	(2,052)	115,047	200,000	507,877
Amounts owed to credit institutions.	27,193	19,449	6,148	2,544	1,006	-	56,340
Derivatives	558	188	350	417	390	391	2,294
	164,505	**62,391**	**21,872**	**909**	**116,443**	**200,391**	**566,511**

Movement of financial liabilities

	31/12/2019	Recognitions	Derecognitions	Transfers	Change in fair value	31/12/2020
Bonds and other negotiable securities	143,184	349,344	(115,706)	(5,699)	-	371,123
Amounts owed to credit institutions.	3,016	40,133	-	(14,002)	-	29,147
Derivatives	95	-	-	-	1,641	1,736
Total non-current financial liabilities	**146,295**	**389,477**	**(115,706)**	**(19,701)**	**1,641**	**402,006**
Bonds and other negotiable securities	67,534	180,926	(117,405)	5,699	-	136,754
Amounts owed to credit institutions.	23,748	51,446	(62,003)	14,002	-	27,193
Derivatives	679	-	-	-	(121)	558
Total current financial liabilities	**91,961**	**232,372**	**(179,408)**	**19,701**	**(121)**	**164,505**

14. Other liabilities

The composition of Other current and non-current liabilities as at 31 December 2020 and 2019 is as follows:

	At 31.12.2020	At 31.12.2019
Sureties and deposits received	439	439
Other non-current liabilities	**439**	**439**
Sureties and deposits received	64	64
Other current liabilities	**64**	**64**

15. Trade and other payables

The composition as at 31 December 2020 and 2019 is as follows:

	At 31.12.2020	At 31.12.2019
Suppliers	11,804	15,337
Suppliers, group entities (Note 20)	229	67
Sundry payables	17,577	23,868
Staff	634	182
Current tax liabilities	(35)	(35)
Public Administration (Note 18.d)	10,610	9,402
Trade and other payables	**40,819**	**48,821**

The amount corresponding to Public Administration in the year 2020 and 2019 relates mainly to the Municipal Electricity Tax (IMU).

Most of the accounts payable fall due between 30 and 90 days and no interest accrues on them. The book value of the Company's debts is denominated in euro.

We set out below the information required by the 3rd Additional Disposition of the Law 15/2010 of 5 July 2010 of "Information Duty", modified by the second final disposition of the Law 31/2014 of 3 December 2014, 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:

	2020	2019
	Days	Days
Average period of payment to suppliers(1)	31	27
Paid transactions ratio	29	25
Transactions with outstanding payment ratio	31	27
	Amount in EUR thousands	
Total payments carried out	312,205	378,283
Total outstanding payments	26,763	28,190

(1) Under the law 11/2013 of 26 July 2013, the maximum legal time limit for payment, applicable to the company with its 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 balance sheet.

16. Risk management

The Company, 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, Audax Renovables 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) Align the Policy with all the specific policies that need to be developed in the matter of risk.

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 Company, 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 Company'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 13).

The structure of Obligations and amounts owed to credit institutions as at 31 December, taking into account the hedges through derivative contracts, is as follows:

	At 31.12.2020	**At 31.12.2019**
Fixed interest rate	522,979	222,268
Floating interest rate	41,238	15,214
Total	**564,217**	**237,482**

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
2020	10%	(1,241)
	(10%)	1,026
2019	10%	(323)
	(10%)	399

This effect does not include the impact of the interest rate fluctuations on asset impairments, as it is specified in Note 7.

Exchange rate risk

The variations in exchange rates can affect the fair value 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 income.

The non-euro currencies with which Audax Renovables, S.A. has mostly operated in 2019 are the dollar and the zloty, and additionally in 2020 the Company operates in Hungarian forint.

Commodity price of electricity risk

Audax Renovables 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 Company 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 Company 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 Company holds long-term power purchase agreements, as well as derivative hedging contracts (Note 8).

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). In particular, the Company carries out an individual analysis of 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 2020 the provision for bad debts reached the amount of EUR 14,078 thousand (EUR 12,526 thousand as at December 2019).

In order to mitigate the credit risk arising from financial positions, the derivative contracts are entered into 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.

As at 31 December 2020 and 2019 the Company did not have significant credit risk concentrations.

Liquidity risk

Prudent liquidity risk management derives from the need of financing the Company'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 Company (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. In this respect, the schedule established for expected cash flows of financial debt (without taking into account financial interest) is included in Note 13, to which the payments corresponding to Trade and other payables maturing in 2020 should also be added (Note 15).

As at 31 December 2019, available liquidity amounts to EUR 244,590 thousand including cash and cash equivalents (EUR 109,498 thousand as at 31 December 2019), and there are no undrawn credit facilities.

Capital management

The purpose of capital risk management is to maintain an appropriate ratio between internal and external financing (financial liability).

The leverage ratio of the Company, taking into account only the corporate liabilities to financial institutions (without considering the liabilities to the shareholders nor to other third parties) is as follows:

	At 31.12.2020	At 31.12.2019
Long-term financial liabilities (Note 13)	402,006	146,295
Short-term financial liabilities (Note 13)	164,505	91,961
Derivatives	(3,342)	(195)
Financial assets	(72,315)	(18,384)
Cash and other cash equivalents	(244,590)	(109,498)
Net financial debt:	**246,264**	**110,179**
		-
Net equity (Note 11)	**196,366**	**167,904**
Leverage (Net financial debt / (Net financial debt + Net equity))	**55.64%**	**39.62%**

Guarantee terms risk

In order for Audax Renovables 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 Company.

Should the financial institutions that grant the guarantees decide to cancel them, the Company'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 Company.

As at 31 December 2020 and 2019, the Company does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

The development of the power generation facilities under construction, owned by Audax, the financing conditions and the amount of own funds to be contributed by the Company depend 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 Company's investees.

17. Tax situation

The movement in deferred taxes is as follows:

	Balance 31.12.19	Sale of companies	Recognitions	Derecognitions	Balance 31.12.20
Deferred tax assets	2,758	-	378	-	3,136
Deferred tax liabilities	(383)	-	1,382	85	1,084
Net total	**2,375**	**-**	**1,760**	**85**	**4,220**

	Balance 31.12.18	Sale of companies	Recognitions	Derecognitions	Balance 31.12.19
Deferred tax assets	170	-	2,588	-	2,758
Deferred tax liabilities	(5,789)	3,044	-	2,362	(383)
Net total	**(5,619)**	**3,044**	**2,588**	**2,362**	**2,375**

The reconciliation of the taxable income for the year 2020 is the following:

Income Statement			**Total**
Profit (loss) for the year before tax			20,397
	Increases	Decreases	
Permanent differences	353	(13,101)	(12,748)
Temporary differences			
- arising this year	-	-	-
- arising in previous years	-	(1)	(1)
Previous taxable income			**7,648**

The reconciliation of the taxable income for the year 2019 is the following:

Income Statement				**Total**
Profit (loss) for the year before tax				14,453
	Increases		Decreases	
Permanent differences	6,190	-	(14,498)	(8,308)
Temporary differences				
- arising this year	-	-	-	-
- arising in previous years	-	-	(3)	(3)
Previous taxable income				**6,142**

Permanent decreases in 2020 relate primarily to the reversal of profit recorded because of the dividends and the reversal of movement of allocations to financial provision in Group companies.

Permanent increases and decreases in 2019 related primarily to the reversal of the losses and profits arisen from the sale of companies, and decreases included also the reversal of the profit recorded from dividends.

The reconciliation between the applicable tax rate and the effective tax rate for the year 2020 and 2019 is as follows:

	2020	**%**	**2019**	**%**
Income before tax	20,397		14,453	
Theoretical tax	5,099	25%	3,613	25%
Permanent differences from dividends	(2,093)		(1,294)	
Other permanent differences	(410)		247	
Goodwill amortisation	(317)		(317)	
Profit from disposal of shares	(367)		(491)	
Allocation / (reversal) of financial provision	-		(223)	
Recognition of tax credits	-		(2,563)	
Use of NOLs and tax credits	(607)		(1,510)	
Others	16		178	
Corporate income tax accrued	**1,200**		**(2,360)**	

Due to the fact that the Company is subject to the tax consolidation system, the income tax balance for the year is a payable of Excelsior Times, S.L. amounting to EUR 1,179 thousand, recorded in the account of short-term payables to group companies and associates (Note 20).

As at 31 December 2020, the Company has net operating losses (NOLs) to be carried forward amounting to EUR 130,429 thousand (EUR 132,805 thousand as at 31 December 2019) as well as other tax credits amounting to EUR 4,532 thousand. As at 31 December 2020 and in relation to these amounts, the Company has recognised in the annual accounts a tax credit of EUR 2,563 thousand, corresponding to the tax credits whose recoverability has been considered highly probable.

The various merger transactions and the non-monetary contribution carried out in the year 2018 (Note 11.a) were submitted to the tax system established in chapter VII of Title VII of the Law 27/2014, of 27 November 2014, on Corporate Income Tax. All the financial and tax information related to those transactions was included in the Company's 2018 annual accounts.

The Company is subject to Corporate Income Tax under the consolidated tax system, where Excelsior Times, S.L. is the head entity of the tax group.

The Management of the Company considers that there are no possible tax contingencies which might significantly affect these financial statements.

18. Income and expenses

a) Net turnover

The breakdown of the net turnover is as follows:

	National		Rest of the European Union		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Income from energy retailing	263,339	327,182	78,218	72,676	341,557	399,858
Provision of services	5,382	8,835	225	223	5,607	9,058
Income from shareholding in equity instruments in group and associated companies	7,623	4,590	748	585	8,371	5,175
Net turnover	**276,344**	**340,607**	**79,191**	**73,484**	**355,535**	**414,091**

The annual accounts for the year 2020 include the financial statements of a permanent establishment in Portugal. Its registered address is at Avenida das Túlipas, 6, 18º, Lisboa.

As the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate of the volume of sales to customers that has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured under the heading "Trade and other receivables" of the assets of the Balance Sheet and, as at 31 December 2020, amounts to EUR 24,680 thousand. Regarding this energy, there is an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 8,469 thousand.

The income from provision of services corresponds to the invoicing of provided services, for example representation, technical assistance and administration services.

The income from shareholding in equity instruments in group and associated companies corresponds to dividends recognised in the years 2020 and 2019.

b) Procurement

The breakdown of Consumption of goods, raw materials and other procurements is as follows:

	2020	2019
Consumption of goods	**(309,734)**	**(373,933)**
National purchases	(234,725)	(304,329)
Intra-Community purchases	(75,009)	(69,604)
Work performed by other entities	**(2,470)**	**(4,734)**
Procurement	**(312,204)**	**(378,667)**

As indicated in previous paragraph, as the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 8,469 thousand. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the Balance Sheet. Additionally, there is an estimate related to the invoices for energy purchase not yet received, amounting to EUR 1,776 thousand. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the attached Balance Sheet.

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 2.5 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.

c) Staff costs

The breakdown of staff costs for the year 2020 and 2019 is as follows:

	2020	2019
Wages and salaries	(7,413)	(7,377)
Damages	(82)	(210)
Employer contributions	(1,849)	(1,796)
Other social expenses	(37)	(28)
Total staff costs	**(9,381)**	**(9,411)**

The average number of employees for the years 2020 and 2019 by category is as follows:

	2020	2019
Senior Management*	3	3
Management	5	3
Leadership	17	17
Middle Management	14	16
Others	187	198
Total	**226**	**237**

* including internal auditor.

Moreover, in accordance with the provisions of the Gender Equality Act, Organic Law 3/2007 of 22 March 2007, published in the BOE (Official State Gazette) of 23 March 2007, the average number of employees at the end of 2020 and 2019 broken down by category and gender is as follows:

At 31.12.2020	Men	Women	Total
Senior Management*	2	1	3
Management	7	-	7
Leadership	8	7	15
Middle Management	3	8	11
Others	68	125	193
Total	**88**	**141**	**229**

* including internal auditor.

At 31.12.2019	Men	Women	Total
Senior Management*	1	2	3
Management	3	-	3
Leadership	10	8	18
Middle Management	5	12	17
Others	67	114	181
Total	**86**	**136**	**222**

* including internal auditor.

Detailed information regarding the composition of the board of directors in terms of gender is included in Note 21.

The average number of the Company's employees with a disability equal to or greater than 33% (or equivalent local qualification) in the years 2020 and 2019, by category, is as follows:

	2020	2019
Others	2	2
Total	**2**	**2**

d) Other operating expenses

The breakdown of other operating expenses is as follows:

	2020	2019
External services	(10,776)	(11,024)
Taxes (Note 15)	(2,655)	(3,512)
Loss, impairment or change in provisions from business operations	(1,126)	(2,787)
Other current operating expenses	(416)	(238)
Total operating expenses	**(14,973)**	**(17,561)**

The taxes account is comprised mainly of the provision for IMU (Municipal Electricity Fee applied to the connection to the grid in order to transport electricity to the consumption points and depending on the grid being located on the ground, underground or air of municipal public ways, making special use of local public property which might be subject to tax at an established rate if the local government decides to apply it) amounting to EUR 1,498 thousand as at 31 December 2020 (EUR 1,819 thousand as at 31 December 2019). It also includes a contribution to the energy efficiency fund in the amount of EUR 492 thousand and a contribution to the electricity subsidy (Bono Social) amounting to EUR 290 thousand (EUR 565 thousand and EUR 268 thousand respectively in the year 2019).

e) Financial profit (loss)

	2020	2019
Financial income	**6,867**	**5,864**
From shareholdings in equity instruments	10	-
In third parties	10	-
From negotiable securities, loans and other financial instruments	6,857	5,864
In group and associated companies	6,491	5,571
In third parties	366	293
Financial expenses	**(12,072)**	**(9,035)**
From liabilities to group companies and associates	(174)	(429)
From liabilities to third parties	(9,245)	(7,501)
Other financial expenses	(2,653)	(1,105)
Change in fair value of financial instruments	**-**	**25**
Trading book and others	-	25
Allocation to profit and loss for the year of available-for-sale financial assets	-	-
Exchange differences	**(343)**	**(82)**
Impairment and profit (loss) on disposal of financial instruments	**1,942**	**-**
Reversal/(Impairment) and profit/(loss)	2,009	-
Profit (loss) on disposal and others	(67)	-
FINANCIAL PROFIT (LOSS)	**(3,606)**	**(3,228)**

19. Commitments and contingencies

Guarantees with third parties

As at 31 December 2020 the Company has been given bank guarantees amounting to EUR 102,238 thousand (EUR 53,435 thousand at 31 December 2019) to cover the relevant obligations with third parties. The guarantees have been granted to cover the transactions of electricity purchase on the market.

The Company's Management estimate that any liabilities unforeseen at 31 December 2019, which could arise from the commitments indicated in this Note and in Note 14, would not have had a significant impact on these annual accounts.

Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2020 and 2019, corresponding to the Company:

Period	31/12/2020	31/12/2019
Up to one year	166	306
One to five years	164	231
More than five years	-	-
Total	**330**	**537**

Operating lease expenses in the year 2020 rose to EUR 383 thousand (EUR 413 thousand in 2019).

Audax Renovables, S.A. considers that the provisions and value adjustments recorded in theses annual accounts adequately cover the risks specified in this Note and therefore, it does not expect that they will generate any liabilities or value adjustments other than those which have been recorded (Note 7).

20. 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 21.

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 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 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 2020 and 2019 between Audax Renovables, S.A. and the related parties are as follows:

a) Balances with related parties:

The accounts receivable and payable with the parent company (the parent company meaning Excelsior Times, S.L.) and companies belonging to the Excelsior Group as at 31 December 2020 and 2019 are as follows:

Year 2020

	Parent company	Group and related companies	Total
Long-term investments in group companies and associates (Note 7)	-	401,406	401,406
Trade and other payables			
Short-term receivables from group companies and associates	-	5,053	5,053
Short-term investments in group companies and associates (Note 7)	-	42,030	42,030
Total assets	**-**	**448,489**	**448,489**
Short-term payables to group companies and associates	1,179	42,805	43,984
Suppliers, group entities (Note 15)	-	229	229
Total liabilities	**1,179**	**43,034**	**44,213**

Year 2019

	Parent company	Group and related companies	Total
Long-term investments in group companies and associates (Note 7)	46,356	225,844	272,200
Trade and other payables			
Short-term receivables from group companies and associates (Note 9)	-	4,121	4,121
Short-term investments in group companies and associates (Note 7)	-	9,642	9,642
Total assets	**46,356**	**239,607**	**285,963**
Short-term payables to group companies and associates	17,715	15,597	33,312
Suppliers, group entities (Note 15)	-	67	67
Total liabilities	**17,715**	**15,664**	**33,379**

The increase in 2020 of Long-term investments in group companies and associates is mainly due to the purchases of shares carried out throughout the year (Note 7).

b) Related party transactions:

Year 2020

	Parent company	Group and related companies	Total
Turnover			
Net sales	-	29,964	29,964
Technical, accounting and administration services	-	398	398
Income from shareholdings in equity instruments	-	8,371	8,371
Other operating income and similar			
Generators management and bilateral contracts commission	-	67	67
Staff and other services	41	3,371	3,412
Financial income			
Interest on granted loans	3,754	2,737	6,491
Total Income and similar	**3,795**	**44,908**	**48,703**
Procurement			
Purchase of energy	-	2,696	2,696
Commodity price hedge	-	(1,776)	(1,776)
Customer acquisition services	-	61	61
Green energy guarantee of origin services	-	6	6
Other operating expenses and similar			
Office space rental	-	163	163
Staff and other services	2,160	218	2,378
Occupational risk prevention services	-	18	18
Purchase of shares	-	105,233	105,233
Financial expenses			
Interest on loans and other debts	(11)	185	174
Total Expenses and similar	**2,149**	**106,804**	**108,953**

Year 2019

	Parent company	Group and related companies	Total
Turnover			
Net sales	-	29,868	29,868
Technical, accounting and administration services	-	956	956
Income from shareholdings in equity instruments	-	5,175	5,175
Other operating income and similar			
Generators management and bilateral contracts commission	-	500	500
Staff and other services	158	2,058	2,216
Sale of fixed assets	-	1,170	1,170
Financial income			
Interest on granted loans	3,121	2,450	5,571
Total income	**3,279**	**42,177**	**45,456**
Procurement			
Purchase of energy	-	7,520	7,520
Commodity price hedge	-	(542)	(542)
Customer acquisition services	-	31	31
Green energy guarantee of origin services	-	55	55
Other operating expenses and similar			
Office space rental	-	200	200
Staff and other services	2,326	112	2,438
Occupational risk prevention services	-	23	23
Purchase of shares	-	14,142	14,142
Financial expenses			
Interest on loans and other debts	370	100	470
Interest on loans and other debts	**2,696**	**21,641**	**24,337**

In the year 2020 income from the most significant transactions carried out with the group companies relates to:

- Energy sales under bilateral contracts, mainly to Unieléctrica Energía, S.A. and its subsidiaries.
- Invoicing for technical and administrative assistance services, as well as staff and other general services provided to the companies of the Group.
- Dividends received primarily from Eryx Investments 2017, S.L.
- Interest receivable from the loans granted.

In the year 2019 income from the most significant transactions carried out with the group companies corresponds to the sale of energy under bilateral contracts, invoicing to other companies for the works performed by the staff on the Company's payroll, dividends receivable and interest receivable from the loans granted.

The expenses for the most significant transactions of the year 2020 correspond to the purchase of energy for the group companies and to the management services provided by the parent company Excelsior Times, S.L.U.

"Purchase of Shares" in the year 2020 includes the acquisition of photovoltaic projects by Audax Renovables, S.A. from Audax Fotovoltaica, S.L. for the total amount of EUR 66,225 thousand (EUR 14,142 thousand in the year 2019) as well as the purchase of non-controlling interests from Eléctrica Nuriel, S.L. for the total amount of EUR 39,008 thousand (see note 2.5.b).

Over the year 2020 the most significant expenses for transactions carried out with group companies correspond to the purchase of energy for the group companies and to the management services provided by the parent company Excelsior Times, S.L.U.

21. Information on members of the Board of Directors and Senior Management

Remuneration of the members of the Board of Directors

The Ordinary General 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 Company'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 Company.

In the year 2020 the amount accrued by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 373 thousand (EUR 153 thousand in 2019) 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 2020 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 47 thousand (EUR 42 thousand in 2019).

As at 31 December 2020 and 2019 the Board of Directors of the Company is composed of 5 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.

Additionally to the information of the previous paragraph, in the years 2020 and 2019 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, 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 Company.

Senior Management's remuneration

The remuneration charged for all kinds of reasons in the year 2020 by the Senior Management amounted to EUR 328 thousand (EUR 343 thousand for the year 2019). Furthermore, there is one contract which establishes the right to receive a severance payment, higher than the legally established amount, in the event of termination of the employment relationship for certain reasons.

As at 31 December 2020 the Senior Management of the Group is made up of one woman and two men, including the internal auditor (two women and one man in 2019, including the internal auditor).

22. Auditors' fees

The audit company (KPMG Auditores, S.L.) who audited the annual accounts of the Company has invoiced over the years ended on 31 December 2020 and 2019 fees for professional services in the following amounts:

	EUR thousands	
	2020	**2019**
Audit services	134	80
Other services	127	56
Total	**261**	**136**

The amounts featured in the above table include the entirety of the fees related to the services rendered during the years 2020 and 2019, independently of the invoice date.

The net fees accrued by other entities associated to KPMG International in 2020 amount to EUR 278 thousand (EUR 133 thousand in 2019).

23. Environment

Environmental aspects are borne in mind throughout the entire process of obtaining the authorisation and building the facilities of the projects that the Company develops, as well as preparing the required studies according to the legislation governing each country.

In 2020 and 2019 no significant environmental expenses have been incurred by the Company.

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 Company has not been assigned CO2 emissions and has no expenses arising from the consumption of these rights. The Management of the Company does not expect that any penalties or contingencies will arise from compliance with the requirements under Law 1/2005.

24. Subsequent events

On 30 January 2021 the Royal Decree 1/2021, of 12 January 2021 was published amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007, the General Accounting Plan of Small and Medium Enterprises approved by Royal Decree 1515/2007, of 16 November 2007, the Consolidated Annual Accounts Formulation Standards approved by Royal Decree 1159/2010, of 17 September 2010, and the regulations for Adaptation of the General Accounting Plan to the non-profit entities approved by Royal Decree 1491/2011, of 24 October 2011. Moreover, on 13 February 2021 the Resolution of 10 February 2021 of the Accounting and Audit Institute was published establishing the standards for recording, valuation and formulation of the annual accounts with regard to recognising the income from supply of goods and provision of services.

The amended regulations are applicable to the years beginning from 1 January 2021 and are focused on the criteria for recognition, valuation and breakdown of income from the supply of goods and provision of services, financial instruments, hedge accounting, valuation of inventory of commodities traded by commodity intermediaries and on the definition of fair value.

With this respect, the individual annual accounts for the first year beginning from 1 January 2021 are presented alongside comparative information, even if there is no obligation to restate the information regarding the previous year. The only restated information is the comparative information in the event when all the criteria approved by the Royal Decree may be applied without the risk of retrospective bias, without prejudice to the exceptions established in the transitory dispositions.

The application of the standards, in general, is retroactive, although with alternative practical solutions. However, the application of the hedge accounting is prospective, the classification criteria of financial instruments may be applied prospectively and the criteria of income from sales and provision of services may be applied prospectively to the indicated agreements from 1 January 2021.

The Management of the Company is carrying out an evaluation of the transition options applicable to the accounting impact, which these changes are expected to make, although as at the date of formulation of these individual annual accounts there is no sufficient information available to conclude about the results of such analysis.

In January and February 2021 Audax Renovables acquired the companies Centauro Energía Solar, S.L., Tohora Solar inversiones, S.L. and Tarakona Solar inversiones, S.L. for the total amount of EUR 2,483 thousand from the companies Idena Solar, S.L. and Energy Pool España, S.L. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects.

In January 2021 the owners of the children's fashion company Mayoral, through the company Global Portfolio Investments, S.L., acquired 5.8% of Audax Renovables, S.A. for over €56M, at the price of €2.20 per share. The purchase of shares was made through the sale by Eléctrica Nuriel, SLU, the main shareholder of Audax Renovables, S.A.

APPENDIX I

Shareholdings in Group companies

Audax Renovables, S.A. has a controlling shareholding in the following companies:

				Shareholding	
Company name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**
Generación Iberia, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100.00%	-
Audax Energie, Gmbh	Otto Franke Strabe, 97, 12489 Berlin, Germany	Germany	Retailing	100.00%	-
Audax Energía Sp. z o.o.	ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100.00%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherland	Retailing	100.00%	-
E.ON Energiakereskedelmi Kft	Vaci ut 17, H1134 Budapest (Hungary)	Hungary	Retailing	100.00%	-
Eólica El Pedregoso, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80.00%	-
Eólica del Pino, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80.00%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (France)	France	Generation	80.00%	-
Eólica Postolin Sp. z o.o.	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	100.00%	-
Eolica Warblewo Sp. z o.o	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	64.50%	-
Audax Solar SPV IV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV VI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV VII, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV IX, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV X, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV XXVI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Aznalcóllar Solar, S.A.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Solar Buaya Inversiones, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Corinto Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Botey Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Corot Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Las Piedras Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Da Vinci Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Elogia Calañas, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
ADS Energy 8.0., S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Masqluz 2020, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Alset Comercializadora, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
By Energyc Energía Eficiente, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Love Energy, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Energía Ecológica Económica, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Feed Energía, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Eryx Investments 2017, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	100.00%
Explotación Eólica La Pedrera, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	100.00%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	20.46%	68.75%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	57.50%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	63.34%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	63.33%
Iris Energía Eficiente, S.A.	Calle Castellón 4 Bajo, Local 1, Orihuela (Alicante)	Spain	Retailing	-	67.00%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	68.38%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	57.50%
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	57.50%

b) Shareholdings in associated companies and multi-group companies

				Shareholding		
Company name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**	**Controlling relation**
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind	30%	-	Significant influence

APPENDIX II

Shareholdings in Group companies

	At 31.12.2020					
Company	**Share capital**	**Reserves**	**Result**	**Total shareholder's equity**	**Gross book value**	**Dividends**
Generación Iberia, S.L.U.	200	119	(42)	277	779	-
Audax Energia, S.R.L.	100	1,331	(698)	733	14,740	-
Audax Energie, Gmbh	50	(5,799)	125	(5,624)	50	-
Audax Energía Sp. z o.o.	1,453	637	(2,093)	(3)	10,439	-
Main Energie, B.V.	-	40,699	(3,584)	37,115	53,886	-
E.ON Energiakereskedelmi Kft	2,790	28,081	428	31,299	13,934	-
Eólica El Pedregoso, S.L.	146	2,486	(158)	2,474	8,990	-
Eólica del Pino, S.L.	75	(1,648)	(89)	(1,662)	8,630	-
Eoliennes De Beausemblant, S.A.S.	556	1,313	1,177	3,046	3,498	748
Eólica Postolin Sp. z o.o.	11,931	7,655	2,430	22,016	41,153	-
Eolica Warblewo Sp. z o.o	14	(190)	(8)	(184)	12,232	-
Audax Solar SPV IV, S.L.U.	3	5	(3)	5	2,450	-
Audax Solar SPV VI, S.L.U.	3	5	(3)	5	3,641	-
Audax Solar SPV VII, S.L.U.	3	-	-	3	4,365	-
Audax Solar SPV IX, S.L.U.	3	5	(3)	5	2,645	-
Audax Solar SPV X, S.L.U.	3	-	-	3	2,110	-
Audax Solar SPV XXVI, S.L.U.	3	-	-	3	53,465	-
Aznalcóllar Solar, S.A.U.	60	613	(4)	669	1,504	-
Solar Buaya Inversiones, S.L.U.	3	-	-	3	3,340	-
Corinto Solar, S.L.	3	12	(9)	6	256	-
Botey Solar, S.L.U.	3	10	(8)	5	4,988	-
Corot Energía, S.L.U.	3	11	(8)	6	4,221	-
Las Piedras Solar, S.L.U.	3	15	(10)	8	2,614	-
Da Vinci Energía, S.L.U.	3	28	(25)	6	1,260	-
Elogia Calañas, S.L.U.	3	5	(6)	2	609	-
ADS Energy 8.0., S.L.U.	258	(88)	505	675	1,870	-
Masqluz 2020, S.L.	3	-	(66)	(63)	2	-
Alset Comercializadora, S.L.	3	-	(18)	(15)	2	-
By Energyc Energía Eficiente, S.L.	3	-	(66)	(63)	2	-
Love Energy, S.L.	3	-	(35)	(32)	2	-
Energía Ecológica Económica, S.L.	3	-	(13)	(10)	2	-
Feed Energía, S.L.	-	-	(2)	(2)	-	-
Eryx Investments 2017, S.L.U.	4	52,232	9,145	61,381	75,322	7,623
Fox Energía, SA	500	4,564	1,309	6,373	10,400	-
Others	-	-	-	-	1,500	-
Total	**18,191**	**132,101**	**8,168**	**158,460**	**344,901**	**8,371**
Shareholding impairment provision	-	-	-	-	(52,515)	-
Net book value	-	-	-	-	**292,386**	**-**

	At 31.12.2019					
Company	**Share capital**	**Reserves and others**	**Result**	**Total shareholder's equity**	**Gross book value**	**Dividends**
ADS Energy 8.0., S.L.U.	258	-	(88)	170	1,870	-
Generación Iberia, S.L.	200	23	96	319	779	-
Audax Energia, S.R.L.	100	981	350	1,431	14,740	-
Audax Energie, Gmbh	50	(3,614)	(1,980)	(5,544)	50	-
Audax Energía Sp. z o.o.	1,453	(282)	(728)	443	8,443	-
Main Energie, B.V.	-	41,716	(1,017)	40,699	38,500	-
Eólica El Pedregoso, S.L.	146	2,211	274	2,631	8,990	-
Eólica del Pino, S.L.	75	(1,554)	(94)	(1,573)	8,630	-
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	-
Castellwind 03, S.L.	764	350	(11)	1,103	580	-
Fersa Asesoramiento y Gestión, S.L.U.	50	(12)	(6)	32	166	-
Eoliennes De Beausemblant, S.A.S.	556	1,118	1,130	2,804	3,498	585
Eólica Postolin Sp. z o.o.	11,931	4,780	3,127	19,838	41,153	-
Eolica Warblewo Sp. z o.o	14	(172)	(18)	(176)	12,232	-
Audax Solar SPV IV, SLU	3	-	-	3	2,445	-
Audax Solar SPV VI, SLU	3	-	-	3	3,636	-
Audax Solar SPV IX, SLU	3	-	-	3	2,640	-
Aznalcóllar solar, S.L.	60	613	-	673	1,504	-
Botey Solar, S.L.	3	(2)	(38)	(37)	4,938	-
Corot Energía, S.L.	3	(2)	(9)	(8)	4,199	-
Las Piedras Solar, S.L.	3	-	(10)	(7)	2,589	-
Da Vinci Energía, S.L.	3	(2)	(7)	(6)	1,223	-
Elogia Calañas, S.L.	3	5	-	8	609	-
Eryx Investments, S.L.U.	4	57,760	4,000	61,764	46,714	3,366
Total	**15,688**	**103,898**	**4,971**	**124,557**	**210,176**	**3,951**

Shareholding impairment provision	-	-	-	-	(54,589)	-
Net book value	-	-	-	-	**155,587**	-

b) Shareholdings in associated companies and multi-group companies

	At 31.12.2020					
Company	**Share capital**	**Reserves and others**	**Result**	**Total shareholder's equity**	**Gross book value**	**Dividends**
Parque Eólico Toabré	489	1,546	(173)	1,862	7,916	-
Total	**489**	**1,546**	**(173)**	**1,862**	**7,916**	**-**

Shareholding impairment provision					-	
Net book value					**7,916**	

	At 31.12.2019					
Company	**Share capital**	**Reserves and others**	**Result**	**Total shareholder's equity**	**Gross book value**	**Dividends**
Parque Eólico Toabré	534	1,981	(290)	2,225	7,916	**-**
Total	**534**	**1,981**	**(290)**	**2,225**	**7,916**	**-**

Net book value					-	
Net book value					**7,916**	

AUDAX RENOVABLES, S.A.

DIRECTORS' REPORT FOR THE YEAR 2020

The following Directors' Report for the Year 2020 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: Calle Temple No. 25, 08911 Badalona (Barcelona).

Audax operates on the markets in Spain, Portugal, Poland, Germany, Italy, France, the Netherlands, Hungary and Panama.

Its principal objects include:

- Development, construction and exploitation of all kinds of activities related to electricity generation from 100% renewable sources.

- 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.

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. From 23 March 2020 Audax Renovables, S.A. is included in the IBEX SMALL CAP ®.

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.

Audax Renovables operates also as a holding company, which is the parent company of a group of subsidiary companies, joint ventures and associated companies.

The distribution of the share capital of Audax as at 31 December 2020 is as follows:

	Shareholding	
Shareholder	**31/12/2020**	**31/12/2019**
Eléctrica Nuriel, S.L.	72.09%	88.48%
Free float	27.91%	11.52%
Total	**100.00%**	**100.00%**

1.1. Organisational structure

The Group manages jointly the businesses of both generating renewable energy and retailing 100% renewable electricity, and gas, in order to optimise the vertical integration that has been carried out. This allows the governing bodies of the company to facilitate the decision-making process within the 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 at the following link: https://www.audaxrenovables.com/en/corporate-governance-report/

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L. with a shareholding of 72.09% (additionally, it has the right to purchase 10.86% of the shares), and the rest of shareholders hold 27.91%.

In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Calle Temple No. 25, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2020 is presented in Appendix I to the annual accounts.

1.3. Profile and strategy

Audax'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), the Netherlands (2017) and Hungary (2020).

(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.

The main lines of action are the following:

1. To become the benchmark in 100% renewable energy generation by bolstering our project portfolio.

2. Strengthen Audax's leadership as the top independent retailer in the SME segment in Spain.

3. Double the profitability covering 2/3 of the energy supplied under long-term PPA contracts based on own and third parties' power generation plants.

4. Replicate the success achieved in Spain on the international markets where we already operate.

2. Evolution and results of the business

2.1. Significant events of the period

This management report must be viewed in the context of the exceptional circumstances of the COVID-19 pandemic. As a consequence, the results presented in it are influenced by the evolution of the markets where the Company and its subsidiaries operate, as well as by the measures taken in connection with the possible future economic impact, which has been limited to a reduced electricity and gas demand from our clients and to a lower average price.

Audax Renovables ends the year 2020 with a Net Profit of EUR 19,197 thousand, compared to EUR 16,813 thousand of the previous year, up by 14.2%. The EBITDA amounts to EUR 23,477 thousand, compared to EUR 12,529 thousand in the previous year, up by 87.4%.

Due to the crisis caused by the COVID-19, the Company has adopted various measures protecting the interests of the interest groups: employees, clients, suppliers and business partners as well as shareholders, and, in the broadest sense, the community in general, complying at all times with the measures published and recommended by the government.

In this respect, it should be mentioned that Audax acted ahead of time and reacted quickly to the new situation adopting diverse measures, such as:

- Employees: With the aim of preserving the health and safety, and protecting the work and family life balance of our employees, travelling was at first limited and, later on, entirely prohibited, training sessions on the subject of the pandemic were organised, and teleworking was coordinated and implemented, providing the employees with the necessary tools for their remote work, and in this way ensuring the normal operation of Audax.

- Customers: Certain measures were implemented, such as: energy and gas supply at cost to hotels, retirement homes and hospitals, deferral of invoice payment for sole traders and SMEs for 6 months following the end of the state of alarm - upon request and after meeting certain requirements, as well as no cut-off of electricity or natural gas supply to vulnerable or disadvantaged customers.

- Providers and business partners: In order to ensure full effectiveness, the use of digital signature became widespread, apart from maintaining constant contact with them. The construction works of the generation projects have not been significantly affected and the projects are expected to be put into operation rather without delays with respect to the dates which were initially planned.

All this is possible owing to the commitment and effort of all the employees, their health, safety and satisfaction being a priority for Audax.

The Company considers that the overall impact of the COVID-19 involves a decline in electricity and gas demand, as well as a lower price of both utilities in the market. The activities related to the power-generation project development and construction have not been significantly affected. On the other hand, there was no impact whatsoever on the investment and finance strategies of the Group in that period.

Among the most important events of the period we can point out the following:

- On 20 January Audax 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, Castill-La Mancha).

- On 12 March the notice convening the General Meeting of Shareholders for the days of 16 or 17 of April of 2020 was published, but considering the uncertainty and the extraordinary circumstances caused by the propagation of COVID-19, the Board of Directors of the Company decided to call off the Meeting until further notice.

- On 30 March Audax registered a promissory note programme under the name of "Audax Promissory Note Programme 2020" on the Alternative Fixed-Income Market ("MARF"), with a maximum outstanding balance of EUR 200,000,000 and a maturity date on 30 March 2021.

- On 2 April the Company informed of the confirmation of its corporate rating. Audax Renovables, S.A. was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.

- On 5 June the Company informed of the modification of he motion on 2019 profit distribution.

- On 9 July Audax Renovables announced the approval of its Reference Regulatory Framework

for Green Financing after meeting the requirements established by the International Capital Markets Association (ICMA) and obtaining from the expert Vigeo Eiris the highest level of assurance.

- On 6 July the Company announced various programmes of debt issue. A Euro-Commercial Paper Programme (ECP), of a maximum outstanding amount of up to EUR 300,000,000 on the Irish Stock Exchange.

- On 9 July Audax sent the approved resolutions and the presentation of the General Meeting of Shareholders.

- On 8 September the first issue of green bonds was announced, in the amount of EUR 20 million, included in the fixed income bond programme registered in the MARF.

- On 28 September, Audax Renovables announced that, after the conditions precedent had been fulfilled, the purchase of 100% of shares of the share capital of the Hungarian company E.ON Energiakereskedelmi Kft. could be closed.

- At the end of October the beginning of the construction of 2 photovoltaic projects of 20 MWp was announced, one of the projects being located in the province of Toledo and the other one in Guadalajara.

- In December Audax announced the first issue of green bonds worth EUR 20 million, carried out under the Fixed Income Programme registered in the MARF in 2020, as well as the outcome of the swap of the bonds.

- On 29 December the commencement of the construction of a new photovoltaic plant of 4.48 MWp in the province of Huelva was announced.

2.2. Profit or loss for the financial year

The results of Audax presented in the notes to the annual accounts for the year 2020 and its comparison to the year 2019 shall be regarded in the context of the exceptional circumstances arisen because of the COVID-19 pandemic. In the current year and in its comparison to the previous year, financial income in group companies and impairment and profit (loss) on disposal of financial instruments were classified within the operating profit or loss, the holding activity being considered as the main one for Audax.

2.3. Analysis of the results

The most significant results figures for the year 2020 in comparison to the year 2019 are as follows:

Profit and Loss	2020	2019	Var. (%)
Operating income (1)	360,035	418,168	-13.9
Gross margin (2)	47,831	39,501	21.1
EBITDA(3)	23,477	12,529	87.4
EBIT(4)	24,003	17,681	35.8
Profit (loss) for the year	**19,197**	**16,813**	**14.2**

EUR thousand

(1) Operating income = Net turnover + changes in inventories + other income

(2) Gross margin = Operating income + procurement

(3) EBITDA (Gross operating profit) = Gross margin + staff costs + other fixed operating expenses

(4) EBIT (Operating profit (loss)) = Gross operating profit (EBITDA) + amortisation and depreciation + surplus provisions + impairment and profit or loss from disposal of fixed assets and financial instruments

Operating income has dropped by 13.9%, due to, among other factors, the decrease of the amount of energy supplied and its relation to the average market price in Spain and Portugal in comparison to the previous year, because of the situation created by the COVID-19 pandemic.

The decrease in income has been curtailed by the implementation of improvements in the procurement management, placing the Gross Margin at 13.3% of the operating income, compared to 9.4% in the same period of the previous year.

The EBITDA amounts to EUR 23,477 thousand, compared to EUR 12,529 thousand in the previous year, increasing by 87.4%.

Audax Renovables ends the year 2020 with a Net Profit of EUR 19,197 thousand, compared to the profit of EUR 16,813 thousand in the previous year.

2.4. Principal operating figures

The principal figures are as follows:

Capacity and renewable energy generation:

Over the year 2020 and beginning of 2021 Audax reshapes its strategy to become the benchmark in 100% renewable energy generation by bolstering its total project portfolio so that it reaches **2,498 MW**.

Taking into account the agreements on exclusive purchase secured at the closing date of the year ended on 31 December 2020, Audax's portfolio of renewable energy generation includes operating wind farms in Spain, France and Poland, of a total capacity of 91 MW. In Panama a wind farm of 66 MW is under construction, and in Spain the construction of photovoltaic power plants of 59 MW is in progress. Moreover, there are projects of 2,282 MW of photovoltaic technology in different stages of development.

In summary, there are projects in the following stages:

MW	Early Stage	Grid Connection	Backlog	Under construction	Operation	Total pipeline	%
Spain	305	50	1,125	59	45	**1,584**	**63%**
Italy	79	123	0	0	0	**201**	**8%**
Portugal	397	204	0	0	0	**601**	**24%**
France	0	0	0	0	12	**12**	**0%**
Poland	0	0	0	0	34	**34**	**1%**
Panama *	0	0	0	66	0	**66**	**3%**
TOTAL	**781**	**376**	**1,125**	**125**	**91**	**2,498**	**100%**

* Audax holds a share of 30%

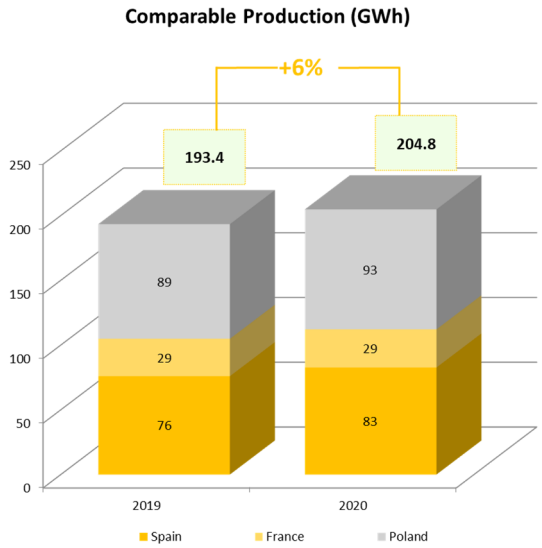
Early Stage	Connection point has been requested, and less than 50% of necessary land has been procured.
Grid Connection	The project has obtained grid connection, and at least 50% of the necessary land has been procured.
Backlog	Most of the permits have been requested.
Under construction	The project is in the stage of Ready to Build (RTB) or under construction.
Operation	The project is operating.

The production in 2020 has achieved 204.8 GWh, around 6% more than in the same period of the previous year, if we compare the data between the same operating power stations, with the excellent performance of the wind farm Postolin in Poland, which benefited from stronger wind resources making its production reach a historic high.

The distribution of the production by country is as follows:

Production (GWh)	2020	%	2019	%
Spain	**82.7**	41%	**247.9**	68%
France	**29.5**	14%	**28.9**	8%
Poland	**92.6**	45%	**88.5**	24%
Total	**204.8**	100%	**365.3**	100%

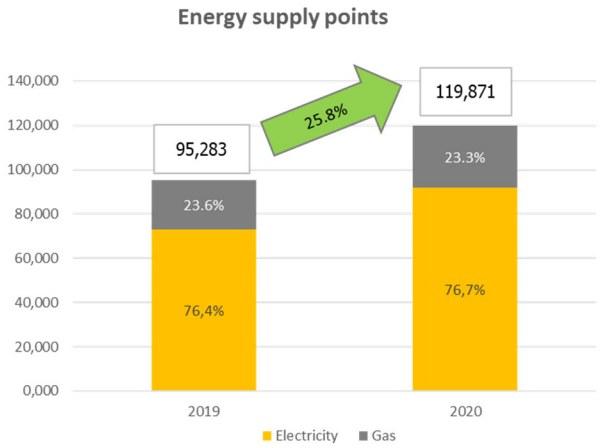
The comparable production described before in graphic form is as follows:



Supply points:

Audax has more than 119 thousand active energy supply points, compared to 95 thousand of energy supply points at the end of 2019, up by 25.8%.

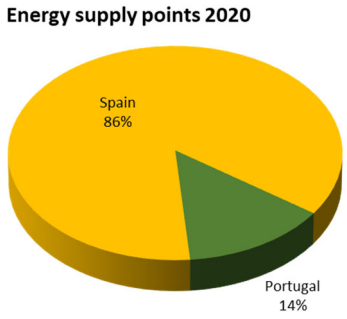
Electricity supply points constitute 76.7% of the total number, and natural gas supply points constitute 23.3%. Worth noting is the increase of the electricity and gas supply points in Portugal, due to Audax's commitment to increase the presence in that country.



The following table shows the change in the supply points in the two years, and its distribution between electricity and gas. In comparison to the previous year, the number of electricity supply points has increased by 26.3% and the number of gas supply points has increased by 24.3%.

Supply Points	2020	2019	% Var.
Total Electricity	**91,951**	**72,826**	**26.3**
Total Gas	**27,920**	**22,457**	**24.3**
TOTAL SUPPLY POINTS	**119,871**	**95,283**	**25.8**

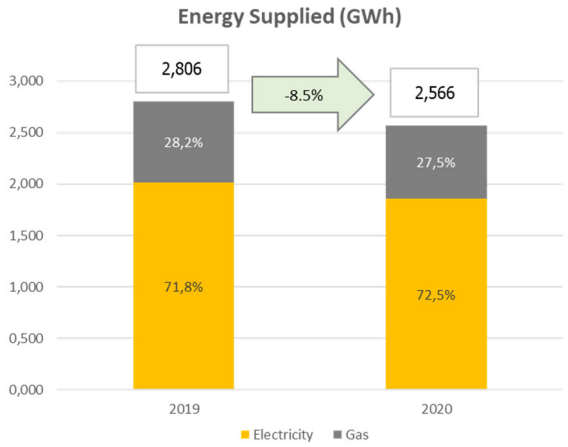
The distribution of the supply points by country at the end of the year is as follows:



Supplied energy:

The total amount of energy supplied by Audax in the year 2020 is of 2.6 TWh, compared to 2.8 TWh of the previous year. This decrease is connected with the reduction within that period of the demand on the peninsula due to the lockdown situation and restrictions because of the COVID-19 pandemic.

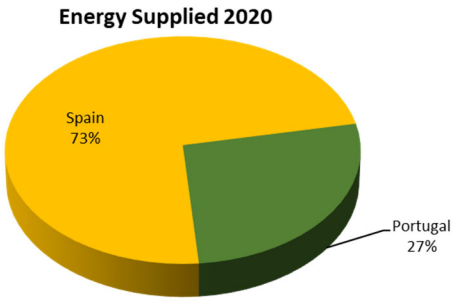
Within Audax, supplied electricity represents 71.8%, whereas gas constitutes 28.2% of the total.



The following table shows the change in the energy supplied in the two years, and its distribution between electricity and gas:

Supplied Energy (GWh)	2020	2019	% Var.
Total Electricity	**1,862**	**2,014**	**-7.5**
Total Gas	**705**	**793**	**-11.1**
TOTAL SUPPLIED ENERGY	**2,567**	**2,807**	**-8.6**

The distribution of the supplied energy by country at the end of the year is as follows:



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec -20	Dec -19	Var.
Financial Debt *	566,511	238,256	328,255
Asset derivatives	-3,342	-195	-3,147
Cash and equivalents	-316,905	-127,882	-189,023
Net Financial Debt	**246,264**	**110,179**	**136,085**
Net Equity	**196,366**	**167,904**	**28,462**
Leverage **	**55.6%**	**39.6%**	**16.02**

(EUR thousands)

* Financial Debt = Bonds and other negotiable securities + Amounts owed to credit institutions + Liability derivatives
** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net Financial Debt at the end of 2020 amounts to EUR 246,264 thousand, compared to EUR 110,179 thousand as at 31 December 2019. At the same time the Leverage has increased up to 55.6%.

The increase of the Net Financial Debt is principally the consequence of bond issues carried out by the Company over the year 2020, mainly for the purpose of financing renewable energy projects supported by Audax; the bond issues being the following:

- A programme of promissory notes registered in the MARF with a maximum outstanding amount of EUR 200 million.
- The approval of the Reference Regulatory Framework for Green Financing after meeting the requirements established by the International Capital Markets Association (ICMA) and obtaining from the expert Vigeo Eiris the highest level of assurance.
- A Euro-Commercial Paper Programme (ECP) of a maximum outstanding amount of EUR 300 million registered on the Irish Stock Exchange.
- A fixed income bond programme for a nominal amount of up to EUR 400 million under the name of “EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020" registered in the MARF. Within this programme an issue of Green Bonds worth EUR 200 million was carried out.
- Issue of Green Bonds worth EUR 125 million, convertible into shares, with maturity in 2025, on the international market, with a demand exceeding the supply by 2.4 times.

3.2. Rating management

On 2 April the rating agency AXESOR confirmed the "BBB-" stable outlook rating awarded to Audax Renovables, S.A.



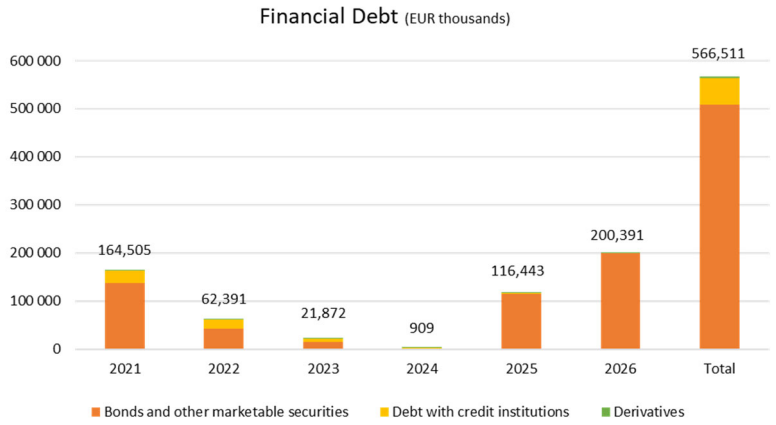
3.3. Debt structure

In regard to financial liabilities, their structure by type of debt is as follows:

Financial Debt structure	Dec -20	% of total	Dec -19	% of total
Bonds	351,073	62%	143,184	61%
Promissory notes	156,804	28%	67,534	28%
Loans	48,894	9%	16,471	7%
Lines of credit	1	0%	0	0%
Reverse factoring and similar	7,445	1%	10,293	4%
Derivatives	2,294	0%	774	0%
Total Financial Debt	**566,511**	**100%**	**238,256**	**100%**

(EUR thousands)

The maturity dates of the Financial Debt are as follows:



See Note 13 to the financial statements 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 Company 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 Company'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 be controlled by the Company

n) Risks that are specific to the Company
   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 2020 the Company allocated EUR 551 thousand to the R+D+i activities.

6. Staff

As at 31 December 2020 the number of the Company's employees is 229, the average of the year 2020 being 226 employees.

7. Natural environment

In the year 2020 no significant environmental expenses have been incurred by the Company.

8. Acquisition and disposal of treasury shares

As at 31 December 2020 the Company does not hold treasury shares.

9. Other important information

9.1. Stock market information

The majority shareholder of Audax is Eléctrica Nuriel, S.L. with a shareholding of 72.09% (additionally, it has the right to purchase 10.86% of the shares), and the rest of shareholders hold 27.91%.

From 23 March 2020 Audax Renovables, S.A. is included in the IBEX SMALL CAP ®.

The stock market evolution of Audax during 2020 was as follows:



The following table shows the main trading data:

Audax Renovables - ADX.MC		
Stock Market Data	**2020**	**Units**
Number of shares admitted to trading	440,291,054	Num.
Share price at the beginning of the period	2.140	€ / share
Share price at the end of the period	1.944	€ / share
Maximum trading price	2.720	€ / share
Minimum trading price	1.358	€ / share
Trading price fluctuation during the period	-9.16	%
Capitalisation at the end of the period	855,925,809	€
Number of traded shares	411,665,648	Num.
Effective volume	818,130,934	€
Daily volume of traded shares (average)	1,601,812	Num.
Effective daily volume (average)	3,183,389	€

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.

10. Significant events subsequent to the balance sheet date

See Note 24 of the annual accounts as at 31 December 2020.

11. Corporate Governance Annual Report

Appendix I attached to this document contains the Corporate Governance Annual Report.

AUDAX RENOVABLES, S.A.

The Annual Financial Report of Audax Renovables, S.A. for the year 2020 comprising:

- Individual annual accounts - Individual balance sheet, Individual income statement, Individual statement of recognised income and expenses, Individual statement of changes in net equity, Individual statement of cash flows and Notes to the individual annual accounts

- Individual Directors' Report

Prepared according to the European Single Electronic Reporting Format in compliance with Commission Delegated Regulation (EU) No 2019/815, under identification number 13ef4b6ab045bb82db566741f557b68c (*) was drawn up by the Board of Directors of Audax Renovables, S.A. in its meeting on 25 February 2021. Approved and signed below by all the Directors, in compliance with article 253 of the Spanish Companies Act.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro
Chairman

Mr Eduard Romeu Barceló
Member

Mr Rubén Clavijo Lumbreras
Member

Mr Ramiro Martínez-Pardo del Valle
Member

Mr Josep Maria Echarri Torres
Member