Audax Renovables, S.A. (formerly Fersa Energías Renovables, S.A.)

Annual Accounts

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals 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)

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

Independent Auditor's Report on the Annual Accounts

To the shareholders of Audax Renovables, S.A. (formerly Fersa Energías 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 2017, 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 2017, 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 in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

KPMG Auditores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.
Paseo de la Castellana, 259C – Torre de Cristal – 28046 Madrid

Inscrita en el Registro Oficial de Auditores de Cuentas con el nº.S0702, y en el Registro de Sociedades del Instituto de Censores Jurados de Cuentas con el nº.10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

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.

Valuation of non-current investments in Group companies and associates Note 7 to the annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company has non-current investments of Euros 89,776 thousand in Group companies and associates. The recoverable amount of investments in Group companies and associates is determined by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures comprised the following: - evaluating the design and implementation of key controls related to the valuation of investments in Group companies and associates. - evaluating the indications of impairment, as well as the methodology and assumptions used to estimate the fair value. - comparing the information contained in the valuation model with the business plans 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 information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2017 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, which establishes two different levels for this information:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in paragraph a) above has been provided in the directors' report and the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017, 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.

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, and 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.

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

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 23 February 2018.

Contract Period

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

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

(Signed on the original in Spanish)

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

23 February 2018

AUDAX RENOVABLES, S.A.

Annual Accounts
as at 31 December 2017

INDEX OF THE ANNUAL ACCOUNTS OF AUDAX RENOVABLES, S.A.

Note		Page
	Balance sheet	1
	Income statement	2
	Statement of comprehensive income	3
	Statement of changes in net equity	4
	Cash flow statement	5
	Notes to the annual accounts	
1	General information	6
2	Basis of presentation of the annual accounts	6
3	Regulatory framework	7
4	Accounting and valuation standards	11
5	Intangible assets	17
6	Property, plant and equipment	19
7	Shareholdings in Group and multi-group companies and associates	20
8	Financial assets	25
9	Trade and other receivables	26
10	Cash and other cash equivalents	26
11	Net equity	26
12	Provisions	29
13	Financial liabilities	29
14	Other liabilities	30
15	Trade and other payables	31
16	Risk management	32
17	Tax situation	34
18	Income and expenses	36
19	Cash flows	38
20	Commitments and contingencies	38
21	Information on related party transactions	39
22	Information on members of the Board of Directors and Senior Management	41
23	Auditors' fees	43
24	Environment	43
25	Subsequent events	43
	Appendix	44
	Directors' Report	47

AUDAX RENOVABLES, S.A.

Balance Sheet
(EUR thousands)

BALANCE SHEET - AUDAX RENOVABLES, S.A.

ASSETS	Note	31/12/2017	31/12/2016
NON-CURRENT ASSETS		**90,848**	**92,336**
Intangible assets	5	**6**	**-**
Property, plant and equipment	6	**3**	**4**
Long-term investments in Group companies and associates	7	**89,776**	**89,730**
Equity instruments		56,842	45,249
Loans to companies		32,934	44,481
Non-current financial assets	8	**1,063**	**878**
Other financial assets		1,063	878
Deferred tax assets	17	**-**	**1,724**
CURRENT ASSETS		**10,289**	**3,933**
Trade and other receivables	9	**420**	**881**
Receivables from Group companies and associates		414	837
Sundry receivables		4	9
Current tax assets		2	35
Short-term investments in Group companies and associates	7	**9,620**	**2,979**
Current financial assets	8	**-**	**-**
Other financial assets		-	-
Prepayments		**-**	**29**
Cash and other cash equivalents	10	**249**	**44**
TOTAL ASSETS		**101,137**	**96,269**

LIABILITIES AND NET EQUITY	Note	31/12/2017	31/12/2016
NET EQUITY	11	**88,368**	**80,733**
Shareholders' Equity		**88,368**	**80,733**
Capital		98,003	98,003
Share premium account		278,948	278,948
Reserves		(296,218)	(264,970)
Profit (loss) for the year		7,635	(31,248)
NON-CURRENT LIABILITIES		**6,134**	**7,035**
Non-current provisions	12	**-**	**-**
Non-current liabilities	13	**54**	**54**
Bank loans		**-**	**-**
Other financial liabilities		54	54
Non-current liabilities with Group companies and associates	21	**1,872**	**-**
Other non-current liabilities	14	**583**	**1,328**
Deferred tax liabilities	17	**3,625**	**5,653**
CURRENT LIABILITIES		**6,635**	**8,501**
Current liabilities	13	**4,608**	**4,590**
Bank loans		4,608	4,590
Trade and other payables	15	**1,443**	**3,247**
Sundry payables		197	2,275
Current liabilities with Group companies and associates		1,109	870
Outstanding wages and salaries		15	17
Other tax payables		122	85
Other current liabilities	14	**584**	**664**
TOTAL LIABILITIES AND NET EQUITY		**101,137**	**96,269**

Notes 1 to 25 and Appendix I, II and III are an integral part of the annual accounts as at 31 December 2017.

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

INCOME STATEMENT - AUDAX RENOVABLES, S.A.

	Note	2017	2016
Net turnover	18	**5,060**	**6,638**
Interest income		2,964	4,695
Dividend income		398	1,096
Services rendered		1,698	847
Staff costs	18	**(852)**	**(1,761)**
Wages and salaries		(720)	(1,588)
Employer contributions		(132)	(173)
Other operating expenses		**(573)**	**(1,934)**
External services		(567)	(1,921)
Taxes		(6)	(13)
Amortisation and depreciation	5,6	**(2)**	**(28)**
Surplus provisions	12	**-**	**658**
Impairment and profit (loss) on disposal of assets		**28**	**(87)**
OPERATING PROFIT (LOSS)		**3,661**	**3,486**
Financial income	18	-	1
Financial expenses	18	(313)	(343)
Exchange differences	18	221	(79)
Impairment and profit (loss) on disposal of financial instruments	7	832	(34,116)
NET FINANCIAL INCOME (EXPENSES)	18	**740**	**(34,537)**
PROFIT (LOSS) BEFORE TAX		**4,401**	**(31,051)**
Corporate Income Tax	17	3,234	(197)
PROFIT (LOSS) FOR THE YEAR		**7,635**	**(31,248)**

Notes 1 to 25 and Appendix I, II and III are an integral part of the annual accounts as at 31 December 2017.

AUDAX RENOVABLES, S.A.
Statement of Changes in Net Equity
(EUR thousands)

A) STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
Profit (loss) of income statement	7,635	(31,248)
Income and expenses charged directly to net equity	-	-
Cash flow hedges	-	-
Valuation of financial instruments	-	-
Tax effect	-	-
Releases to the income statement	-	-
Cash flow hedges		
Tax effect	-	-
Total value adjustments	-	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)	**7,635**	**(31,248)**

Notes 1 to 25 and Appendix I, II and III are an integral part of the annual accounts as at 31 December 2017.

AUDAX RENOVABLES, S.A.
Statement of Changes in Net Equity
(EUR thousands)

B) STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Reserves	Profit (loss) for the year	TOTAL
CLOSING BALANCE FOR 2015	**98,003**	**278,948**	**(216,544)**	**(48,426)**	**111,981**
Total comprehensive income and expenses	-	-	-	(31,248)	(31,248)
Other changes in net equity					
- Distribution of results	-	-	(48,426)	48,426	-
CLOSING BALANCE FOR 2016	**98,003**	**278,948**	**(264,970)**	**(31,248)**	**80,733**
Total comprehensive income and expenses	-	-	-	7,635	7,635
Other changes in net equity					
- Other changes	-	-		-	-
- Distribution of results	-	-	(31,248)	31,248	-
CLOSING BALANCE FOR 2017	**98,003**	**278,948**	**(296,218)**	**7,635**	**88,368**

Notes 1 to 25 and Appendix I, II and III are an integral part of the annual accounts as at 31 December 2017.

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

CASH FLOW STATEMENT - AUDAX RENOVABLES, S.A.

	Notes	2017	2016
Profit (loss) before tax		**4,401**	**(31,051)**
Adjustments to results:		**(1,136)**	**32,811**
Amortisation and depreciation	**5-6**	2	28
Value adjustments due to impairment	**7**	(390)	34,249
Changes in provisions	**12**	-	(658)
Profit (loss) from write-offs and disposal of fixed assets	**7**	(442)	(133)
Financial income	**18**	-	(1)
Financial expenses	**18**	313	343
Exchange differences	**18**	(221)	79
Dividend income	**18**	(398)	(1,096)
Changes in working capital:	**19**	**(1,611)**	**1,248**
Trade and other receivables		461	541
Other current assets		318	-
Trade and other payables		(2,706)	707
Other current liabilities		316	-
Other cash flows from operating activities:		**85**	**803**
Interests paid		(313)	(294)
Dividends collected	**18**	398	1,096
Interests collected		-	1
Cash flow from operating activities		**1,739**	**3,811**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payment of investments		**(4,460)**	**(7,078)**
Group companies and associates		(4,256)	(6,912)
Purchase of fixed assets	**5-6**	(7)	(7)
Other financial assets		(197)	(159)
Collection on divestments		**5,054**	**2,051**
Other financial assets	**8**	5,054	2,051
Cash flow from investment activities		**594**	**(5,027)**
CASH FLOW FROM FINANCING ACTIVITIES			
Collections and payments for financial liability instruments:		**(2,128)**	**-**
Returns and cancellation of:			
Other debts		(2,128)	-
Cash flow from financing activities		**(2,128)**	**-**
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS		**205**	**(1,216)**
Cash and equivalents at the beginning of the year		**44**	**1,260**
Cash and equivalents at the end of the year		**249**	**44**

Notes 1 to 25 and Appendix I, II and III are an integral part of the annual accounts as at 31 December 2017.

1. General Information

Audax Renovables, S.A., formerly Fersa Energías Renovables, S.A., (hereinafter: the Parent Company) was incorporated in Barcelona on 10 July 2000 as a joint stock company for an unlimited duration.

Its current registered address is Avenida Navarra, nº 14, Badalona, previously it was Ronda General Mitre, nº 42, Bajos, Barcelona.

It is mainly engaged in all types of activities related to the development of electricity generation from renewable sources, for which purpose it can set up, acquire and hold shares, bonds, participations and rights in companies whose corporate objects are the development, construction and exploitation of facilities for the generation of electricity from renewable energy sources.

Additionally, it may acquire, hold, administer and dispose of all types of titles, securities, financial assets, rights, interests or shares in individual or social enterprises, on its own behalf, excluding intermediaries, and under the applicable legislation on Stock Exchange and Collective Investment Institutions.

On 29 June 2017 the General Meeting of Shareholders of the Parent Company passed a resolution to change the company's name Fersa Energías Renovables, S.A to Audax Renovables S.A.

Audax Renovables, S.A., is a holding company that is the parent company of a group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources (wind and solar), which constitute the Audax Renovables Group (hereinafter, the Audax Renovables Group or the Group).

Whereas the Audax Renovables Group is part of the Excelsior Group whose parent company is Excelsior Times.S.L.U. with its registered address located in Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 2016, formulated on 31 March 2017, 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 2016 were approved by the General Meeting of Shareholders on 29 June 2017.

The annual accounts of Audax Renovables, S.A for the year 2017 were formulated by the Board of Directors on 23 February 2018 and will be presented for approval by the General Meeting of Shareholders and will likely be approved without any modification.

2. Basis of presentation of the annual accounts

The annual accounts have been formulated by the Directors of the Company according to the legal framework of financial information applicable to the Company, which is the one established in:

a) The Commercial Code and the remaining commercial legislation.

b) The Spanish General Accounting Plan passed by the RD 1514/2007 and the modifications introduced by the RD 1159/2010/17 September.

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

d) The rest of the Spanish accounting rules that need to be applied.

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 Board of Directors, will be submitted to the approval of the General Meeting of Shareholders, and are expected to be approved without any modification.

The figures in the balance sheet, income statement, statement of comprehensive income, statement of changes in net equity, the cash flow statement and these annual accounts are stated in thousand euros, unless indicated otherwise.

The consolidated annual accounts of the Audax Renovables Group for the year 2017 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 aggregates shown in the audited consolidated annual accounts are as follows (in thousand euros):

Total Assets	244,264
Net equity attributed to the parent Company	80,860
Non-controlling interest	1,157
Net turnover	36,891
Net income after tax attributed to the parent Company	7,350

Comparison of the information

As requested by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2017 is presented uniquely and exclusively for comparative purposes with the relative information for the year 2016.

Relative importance

So as to determine the information that needs to be broken down in the notes to each of the different accounting items, the Group has considered its relative importance in relation with the current annual accounts for the year 2017 and 2016.

3. Regulatory framework

We describe below the main features of the regulation to which the business of the Audax Renovables Group is subject in the main countries in which it operates.

Spain

The wind energy industry is a regulated sector that due to the fundamental changes it has been suffering over the last periods, has motivated the need of a new regulatory framework.

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remunerative regime for the renewable energy-generating plants and is submitted to the Government for the new remunerative regime to be approved by a Royal Decree. Under this new regulatory framework, the income from the special regime 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 to the stated criterion, the specific retribution 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 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 euros for aforementioned remunerations for each type of technology and installation used to generate energy from renewable sources.

Due to the occurrence of differences between the projected market price and actual market price, article 22 of the Royal Decree RD 413/2014 introduced a mechanism to correct special remunerations for the purpose of adjusting to market prices. As a result of this change, the future remunerations will include compensation for the difference between the actual market price in the years 2014 through 2016 and the market price projected for that period in the Ministerial Order IET 1045/2014. The Group has taken into account the non-current receivables due in the amount of EUR 1,574 thousand (Note 8).

On 2 December 2016 was published a draft of indexation for remuneration parameters for the aforementioned plants for the second half-term (from 1 January 2017 to 31 December 2019) in which were also established possible amounts of the operative remuneration which will be applied in the first half year of 2017, thus implementing the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2015, of 2 July.

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate.

France

In France the electricity facilities must hold authorisations for operations under the following legislation:

- Law nº 2000-108/10 February 2000, on the modernisation and development of the electricity utilities.

- Decree nº 2000-877/7 September of that year on the authorisation for operating electricity facilities.

Once the authorisation is obtained, the electricity producers will be subject to the remunerative system as per Decree of 10 July 2006.

The remuneration of land wind-based electricity production is set for the first 10 years, indexed to inflation on 1 November of each year. In 2016, the tariff applied to the company in the Audax Renovables Group in France was of 9.134 cents euro per KWh until 1 November, and from that date on, of 9.171 cents euro per KWh.

On 9 December 2015, the French Energy Regulatory Commission (CRE) published an opinion concerning the new project for the decree on additional remuneration mentioned in the article L.314-18 of the Energy Code.

The opinion stipulates that the producers of renewable sources energy, after the expiration of the contract for the sale of energy, will be entitled to receive an additional recompense. This additional recompense will be paid in form of a premium taking into account both installed capacity and the amount of produced energy.

On 30 December 2017 a new law was passed concerning finances for the year 2018 and subsequent years in which, among other things, provisions were made for the change in corporate income tax rates. Article 84 of this law, passed as “LOI n° 2017-1837 du 30 décembre 2017 de finances pour 2018”, features changes in tax rates which will be applicable to Beausemblant. The current tax rate of 33% will undergo the following changes in the coming years:

2017	2018	2019	2020	2021	From 2022 on
PME communautaires B ≤ 75.000€ : 28% B > 75.000€ : $33^{1/3}$% Autres $33^{1/3}$%	B ≤ 500.000€: 28% B > 500.000€: $33^{1/3}$%	B ≤ 500.000€: 28% B > 500.000€: 31%	28%	26,5%	25%

PME communautaires refers to companies where the annual turnover of the majority shareholder does not exceed 50M€

B: refers to income before tax

Poland

In Poland, the renewable energy sources are regulated by the Energy Law of 10 April 1997 ("Energy Law") supplemented with the transitory provisions of 20 February 2015 ("2015 RES Law") along with the amendments published in December 2015 and January 2016.

Under this regulation the producers of renewable energy are entitled to the following incentives:

- market price for sale of energy on regulated market (average price for the last quarter)
- price for traded certificates of origin (Green Certificates) during 15 years following the date of the first verification of energy production

This system of incentives works based on the price of certificates of origin limited to "substitution fee" which is currently 300.03 PLN/MWh. The price of certificates of origin (Green Certificates in the case of Postolin) on the TGE market, as of closing day for the current year, amounts to 45.29 PLN/MWh.

Under the "2015 RES Law" approved in February 2015, this system of incentives is still applicable to producers registered before 1 July 2016; whereas the producers registered afterwards will benefit from the new auction system. The plants put into operation before 1 July 2016 can opt to join the new auction system while simultaneously relinquishing the system of incentives.

The main features of the new auction system are as follows:

- There are annual energy auctions, separate for different sources of energy, with a prequalification phase in order to participate in the auction.
- For every annual auction, the required amount and maximal reference price will be published by the Ministry before every auction.
- The only criterion for winning the auction is the price: the lowest bidders are accepted until completing the required amount of energy of the auction.
- The winners will sign contracts for 15 years for the offered price. The price will be indexed annually.

The regulations established in the "2015 RES Law" were amended by the law of 22 June 2016 to promote the auctions and the renewable energy plants with a stable generation profile.

This amendment stipulates that the right to benefit from the system of incentives and to sell all the produced energy on the average market price of the last quarter (currently amounting to 162.50 PLN/MWh), will be valid only until 1 January 2018. From that date onwards, the final suppliers will be able to renegotiate or even terminate the contracts with the producers.

Furthermore, the Polish government have adopted during 2016 other measures which do not consider eliminating the excess supply of the certificates of origin now present in the market.

Lastly, it should be noted that the regulatory framework related to the real property tax payable to the municipality have been also changed by the amendment of 20 May 2016, affecting particularly, among others, the investments in wind farms in Poland. Under this new regulation, the real property tax of 2% affects the investment in the construction of a wind farm in its entirety.

The Audax Renovables Group had already taken into account that new impact related to the new Polish legislation while performing the impairment test as at 31 December 2016, which brought about the impairment of its assets in the previous year (Note 5).

4. Accounting and valuation standards

4.1 Intangible assets

Licences and trademarks

The licenses and trademarks have a defined useful life and are stated at cost less accumulated amortisation and impairment provisions recognised. The amortization 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 are capitalised on the basis of the costs incurred to acquire and prepare them for a specific program use. These costs are amortised over their estimated useful lives (4 years).

Expenses relating to software development or maintenance are recognised as an expense when incurred. Costs directly related to the production of single identifiable computer programs controlled by the Company, and which will probably generate profits exceeding costs for more than one year, are recognised as intangible assets. The direct costs include staff costs of the personnel who develop the computer programs and an appropriate percentage of general overheads.

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 incorporated at acquisition cost until the assets 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 book value of the assets that are written off inventories when replaced.

The costs of major repairs are capitalised and depreciated over their estimated useful lives while recurrent maintenance expenses are taken to income statement during the year in which they are incurred.

The depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated on a straight-line basis according to their estimated useful lives, taking into account ordinary wear and tear. The estimated useful lives are as follows:

	Years of estimated useful life
Other plant	10
Furniture	5 - 10
Computer hardware	4

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 income statement.

4.3 Financial assets

a) Loans and receivables:

Loans 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 stated at their fair value, including the directly attributable transaction costs, and later stated at their amortised cost, recognising the interest accrued based on their effective interest rate, understood as the revaluation rate 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 stated 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.

b) 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.

c) 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.

d) 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 made.

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 assets 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.

4.4 Non-current assets held for sale

The Company classifies all the related assets and liabilities for which active measures have been taken for their sale and if the sale is expected to take place within the next twelve months, as assets held for sale.

These assets are stated at the lower of their book value and their fair value less the costs of sale and are not subject to depreciation, as from the time in which they are classified as non-current assets held for sale.

The non-current assets held for sale are stated on the balance sheet as follows: the assets in a single account called “Non-current assets held for sale” and the liabilities also in a single account called “Liabilities linked to non-current assets held for sale”.

4.5 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.

4.6 Net equity

Share capital is represented by ordinary shares.

The cost of the issue of new shares or share options, net of taxes, is presented directly against net equity, as fewer reserves.

In the event of the acquisition of treasury shares the compensation paid, including any directly attributable incremental cost is subtracted from net equity until cancellation, issue of new shares or sale. When these shares are sold or reissued afterwards, any amount received, net of any directly attributable incremental cost of the transaction, is included in net equity.

Dividends from ordinary shares are recognised as less equity when they are approved by the shareholders of the Company.

4.7 Financial liabilities

a) 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.

b) 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.

4.8 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 moment and the amount of the settlement cannot be determined.

b) Contingent liabilities: possible obligations arising as a consequence of past events whose future materialization is subject to whether or not one or more than one of these events ends up taking place. These events are independent of the 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.

The provisions are stated at current value of the amount necessary to settle the liability at the balance sheet date, according to the best estimated 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.

4.9 Corporate income tax

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

Both the current and deferred income tax expense (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.

4.10 Recognition of income and expenses

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 specific conditions for each activity undermentioned are met. Income cannot be reliably valuated 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 Company provides technical assistance and accounting advisory services to Group companies. These services are provided under a service agreement. The income from these service agreements is recognised generally in the period in which the services are provided on a straight-line basis over the duration of the agreement.

The Company records under Net turnover the income from dividends and financial income from loans granted to group companies and associates, as well as the income for services, in accordance with the ruling of the Institute of Auditing and Accounting published in BOICAC 79 in response to the query posed in relation to the accounting classification in individual accounts of the income and expenses from a holding company, and on determining its net turnover.

Additionaly, “Impairment and results of sales of financial instruments” is classifed under Operating profit and loss.

Interest income is recognised using the effective interest rate method.

Dividend income is recognised as income on the income statement when the right to receive the dividend is established.

4.11 Leases

Leases in which the lessee substantially holds all the risks and benefits arising from ownership of the asset 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 which include, 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 are 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.

4.12 Transactions in foreign currency

The Company’s annual accounts are stated in euros, 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 that arise from the settlement of these transactions and the translation at closing exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

4.13 Related party transactions

The Company undertakes operations with related parties at market values. Additionally, the transfer prices are adequately justified so it is estimated by the Managers of the Company that no significant risks exist, thus none of them is expected to generate any future obligation that needs to be considered.

4.14 Cash flow statement

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

a) Operating activities: activities that make up the Company ordinary revenues and other activities that cannot be qualified as investments or financing.

b) Investing activities: acquisition, sale or disposal activities by other means of long-term assets and other financial assets not included in cash and cash equivalents.

c) Financing activities: activities that cause changes in the size and composition of net equity and liabilities that do not form part of operating activities.

Whenever it is possible to identify a tax flow from individual operations, for example the Value Added Tax (VAT), related to receivables or payments classified as investment and financing activities, it will be classified in the same way as the transaction it refers to.

4.15 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) *Valuation of equity instruments*

Shareholdings are stated at their 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 assumptions, 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 standards 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 assumptions which have been established by Company Management.

b) *Calculation of corporate income tax expenses and deferred income tax assets*

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 judgements.

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 estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

5. Intangible assets

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

	Software	Licences and trademarks	Total
Net book value as at 31-12-2015	**17**	**-**	**17**
Amortisation	(13)	-	(13)
Impairment provision	(4)	-	(4)
Net book value as at 31-12-2016	**-**	**-**	**-**
Cost	357	56	413
Accumulated amortisation	(353)	(56)	(409)
Impairment provision	(4)	-	(4)
Net book value as at 31-12-2016	**-**	**-**	**-**
Additions	7	-	7
Amortisation	(1)	-	(1)
Net book value as at 31-12-2017	**6**	**-**	**6**
Cost	364	56	420
Accumulated amortisation	(354)	(56)	(410)
Impairment provision	(4)	-	(4)
Net book value as at 31-12-2017	**6**	**-**	**6**

As at 31 December 2017 the intangible assets still in use and fully amortised or impaired amount to EUR 412 thousand (EUR 394 thousand in 2016).

6. Property, plant and equipment

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

	Plant and other property and equipment
Net book value as at 31-12-2015	**54**
Additions	7
Removals	(28)
Depreciation	(14)
Impairment provision	(15)
Net book value as at 31-12-2016	**4**
Cost	138
Accumulated depreciation	(119)
Impairment provision	(15)
Net book value as at 31-12-2016	**4**
Depreciation	(1)
Net book value as at 31-12-2017	**3**
Cost	138
Accumulated depreciation	(120)
Impairment provision	(15)
Net book value as at 31-12-2017	**3**

As at 31 December 2017 Property, plant and equipment still in use and fully depreciated amount to EUR 133 thousand (EUR 76 thousand as at 31 December 2016).

As at 31 December 2017, the Company does not have commitments to purchase Property, plant and equipment.

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 is considered to be sufficient.

7. Shareholdings in group's companies, multi-group companies and associated companies

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

	Shareholdings in Group's companies	Loans to Group's companies	Shareholdings in associated and multi-group companies	Loans to associated and multi-group companies	Total
Net book value as at 31-12-2015	**62,667**	**44,364**	**5,947**	**-**	**112,978**
Increases	-	5,985	-	-	5,985
Divestment/write-off	-	(505)	-	-	(505)
Transfers	-	3,563	1,946	-	5,509
Changes in the provisions	(25,310)	(8,926)	(1)	-	(34,237)
Balance as at 31-12-2016	**37,357**	**44,481**	**7,892**	**-**	**89,730**
Cost	200,657	76,999	8,051	-	285,707
Financial instruments provision	(163,300)	(32,518)	(159)	-	(195,977)
Net book value as at 31-12-2016	**37,357**	**44,481**	**7,892**	**-**	**89,730**
Increases	236	3,098	269	105	3,708
Divestment/write-off	(28,637)	(8,918)	(133)	-	(37,688)
Transfers	35,222	(34,674)	-	-	548
Changes in the provisions	4,748	28,947	(112)	(105)	33,478
Balance as at 31-12-2017	**48,926**	**32,934**	**7,916**	**-**	**89,776**
Cost	207,478	36,505	8,187	105	252,275
Financial instruments provision	(158,552)	(3,571)	(271)	(105)	(162,499)
Net book value as at 31-12-2017	**48,926**	**32,934**	**7,916**	**-**	**89,776**

a) Shareholdings in group's companies and associated companies

Year 2017

Increases in shares in the Group's companies include raising share capital in the subsidiary company Eólica Postolin Sp z o.o. through bringing cash contributions. Increases of shares in associated companies include the addition of 4.74% shares in the share capital of Berta Energías Renovables, S.L.

In the year 2017 Audax Renovables began the process of dissolving and liquidating the Spanish companies Parc Eòlic L'Arram S.L. and Fersa Aventalia, S.L. as well as the Polish company Eólica Ciepłowody Sp. z o.o. As a result of these operations profit before tax was generated in the amount of EUR 376 thousand, registered in the "Impairment and profit (loss) from disposal of financial instruments" account of the attached income statement.

On 10 November 2017 Audax Renovables S.A. signed with the Eléctrico Rayma, S.L. company a contract to transfer 36.99% of shares in the share capital of Ferrolterra Renovables, S.A. for the amount of EUR 34 thousand. The impact of this transaction was a profit before tax amounting to EUR 33 thousand, registered in the "Impairment and profit (loss) from disposal of financial instruments" account of the attached income statement.

The abovementioned write-offs and divestments had been mostly provisioned beforehand.

The year's transfers refer to the debt-for-equity swap and other amounts for the Eólica Postolin Sp. z o.o., Fercom Eólica, S.L., Explotación Eólica La Pedrera, S.L., Fersa Asesoramiento y Gestion, S.L. and Parc Eòlic Coll de Som, S.L. companies.

Year 2016

In terms of shares in entities of the Group and associated entities, in the year 2016 no new investments were made, and no disposals or divestments took place.

Transfers of shares in associated entities chiefly concerned the debt-for-equity swaps of Parque Eólico Toabré, S.A (Panama) (Note 8).

Impairment test:

The Company has conducted impairment tests using cash flow projections in order to determine recoverable value. The impairment tests were carried out at year-end date. As a result of these tests, a release of the impairment provision was recorded in the amount of EUR 390 thousand in the year 2017 (allocation to the provision of EUR 34,336 thousand in the year 2016) which breaks down as follows:

	2017	2016
Provision for shareholdings	(158)	(25,311)
Loans to group companies	488	(8,926)
Trade loans to group companies	27	(40)
Other assets	33	(59)
Total	**390**	**(34,336)**

The breakdown of the net impairment provision by geographic segment is as follows:

	2017	2016
Western Europe	3,116	(2,877)
Eastern Europe	(2,726)	(31,459)
Latin America	-	-
Total	**390**	**(34,336)**

Provisions for shareholdings

During the year 2017 the Company has recognised provisions for impairment of different shareholdings, the breakdown of the movement in the provision by geographical segment is as follows:

Geographic segment	Accumulated provision 31.12.16	Allocation / (reversal)	Write-offs /Divestments	Accumulated provision 31.12.16	Allocation / (reversal)	Transfers	Write-offs /Divestments	Accumulated provision 31.12.17
Western Europe	102,765	1,328	-	104,093	(2,479)	16,715	(7,168)	111,161
Eastern Europe	35,383	23,983	-	59,366	2,637	7,260	(21,601)	47,662
Total	**138,148**	**25,311**	**-**	**163,459**	**158**	**23,975**	**(28,769)**	**158,823**

As a result of the debt-for-equity swap conducted in 2017 the amounts of loan provisions were transferred to the provisions for shareholdings.

The allocation to the provision for shareholdings relates mainly to the impairment of the recoverable value of shareholdings, calculated on the basis of discounted cash flows of the subsidiary located in Poland. The key assumptions used to calculate recoverable value are as follows:

a) Discount rate: Discount rates have been calculated using the weighted average cost of capital ("WACC"), on the basis of the following variables:

- The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year government bonds of the corresponding country (10-year government bonds in the year 2016).

- 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 detail of the Weighted average cost of capital (WACC) resulting for the main geographic segments is the following:

Year 2017

2017

	Spain	France	Eastern Europe (Poland)
Risk-free discount rate	2.84%	1.48%	4.72%
Risk premium *	6.77%	6.56%	6.92%
Capital cost	9.61%	8.03%	11.64%
Cost of debt	3.00%	2.67%	3.24%
After-tax weighted average cost of capital **	6.63%	5.62%	7.86%

Year 2016

2016

	Spain	France	Eastern Europe (Poland)
Risk-free discount rate	1.38%	0.68%	3.63%
Risk premium *	7.08%	6.89%	5.96%
Capital cost	8.46%	7.57%	9.59%
Cost of debt	3.89%	3.03%	4.97%
After-tax weighted average cost of capital **	6.64%	5.45%	7.43%

* The estimated risk premium is the result of multiplying the estimated beta (sector companies average) by the market risk premium plus an alpha factor.

** 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 flows, in those planned cash flows the payment of taxes was taken into account.

b) Production hours: the production hours employed in the calculation of the impairment

test have been based, for the operating farms, 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 farms under development, on the estimated wind hours predicted by the wind studies carried out both internally and externally.

c) Prices: The sale prices of electricity have been estimated on the basis of past experience and external sources of information. For countries in which there are framework agreements on prices, such as Poland and France, the agreed-upon price has been used. An annual increase in prices has been estimated in accordance with the regulatory framework of each one of the countries.

The net total energy prices for the year 2017, which have been considered for the main geographic segments, are the following:

- Spain: between 7.31 c€/KWh and 9.86 c€/kWh (including in this price the remuneration to the investment divided by the estimated kWh).
- France: 9.28 c€/KWh
- Poland: 20.09 cPLN/KWh (including in this price the remuneration for green certificates)

In addition to the assumptions set out above, the Directors of the Parent Company have taken into account in the preparation of the calculations of recoverable value other business assumptions that are relevant, such as:

- Useful life of the project: 25 years, without considering any residual value at the end of its useful life.

- Operating expenses: For future years, the operating expenses have been estimated on the basis of past experience and by applying an estimated inflation rate.

On the other hand, in the provision for portfolio impairment and other assets of the current year, the impact of the fluctuation of the value of certain currencies used by the Company for its investments, mainly in Poland (zloty), needs to be taken into account.

As a result of the impairment test carried out following these assumptions the Company has deemed it necessary to record a releases of the impairment provision in the amount of EUR 390 thousand.

Due to the new regulations approved in Poland in 2016 regarding the renewable energy sector which caused, among others, a significant increase in local tax cost, and as a consequence of the decrease in price of Green Certificates, the Company allocated EUR 31,242 thousand to the provision for assets related to that wind farm in the year 2016.

The Company maintains all of its shares in companies under development in Spain impaired. The provision for loans with companies of the group mainly corresponds to the loans given, and interest accrued, to Spanish companies under development.

Sensitivity analysis:

As it has been 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 wind farms, is as follows:

For the year 2017,

	Impact on the profit before tax		
	Discount rate	Commodity price	Exchange rate
	Increase by 10%	Increase by 10%	Increase by 10%
Western Europe	(6,295)	11,272	-
Eastern Europe	(1,489)	3,653	3,266
Total	**(7,784)**	**14,925**	**3,266**
	Decrease by 10%	Decrease by 10%	Decrease by 10%
Western Europe	6,768	(21,159)	-
Eastern Europe	2,153	(3,173)	(2,235)
Total	**8,921**	**(24,332)**	**(2,235)**

For the year 2016,

	Impact on the profit before tax		
	Discount rate	Commodity price	Exchange rate
	Increase by 10%	Increase by 10%	Increase by 10%
Western Europe	(6,985)	14,043	-
Eastern Europe	(1,724)	3,379	3,010
Total	**(8,709)**	**17,422**	**3,010**
	Decrease by 10%	Decrease by 10%	Decrease by 10%
Western Europe	7,372	(14,043)	-
Eastern Europe	1,908	(3,379)	(2,463)
Total	**9,280**	**(17,422)**	**(2,463)**

b) Loans to group's companies, multi-group companies and associated companies

On loans to group's companies, multi-group companies and associated companies interest is accrued at market rate, and their due dates exceed 12 months (Note 21). As at 31 December 2017, loans to group's companies refer mostly to subordinated loans granted to the subsidiary companies owning wind farms in use.

The breakdown by geographic segment as at 31 December 2017 and 2016 is as follows:

	At 31.12.17		
Geographic segment	**Loans to group's companies**	**Provisions**	**Net value**
Western Europe	34,611	(1,677)	32,934
Eastern Europe	1,999	(1,999)	-
Total	**36,610**	**(3,676)**	**32,934**

	At 31.12.16		
Geographic segment	**Loans to group's companies**	**Provisions**	**Net value**
Western Europe	59,363	(21,439)	37,924
Eastern Europe	17,636	(11,079)	6,557
Total	**76,999**	**(32,518)**	**44,481**

The 2017 reduction of the amount of Loans to group's companies is primarily the result of the debt-for-equity swap in the Eólica Postolin Sp. z o.o., Fercom Eólica, S.L., Explotación Eólica La Pedrera, S.L., Fersa Asesoramiento y Gestion, S.L. and Parc Eòlic Coll de Som, S.L. companies.

Short-term investments in group's companies, multi-group companies and associated companies

This account mostly features the following positions:

- A short-term loan which the Company has granted during the year 2017 to its main shareholder, Audax Energía, S.A., in the total amount of EUR 4,000 thousand. As at the day of formulating these annual accounts, the loan has been repaid in full.

- The negative balance against Excelsior Times, S.L. in the amount of EUR 3,010 thousand as a consequence of registering the corporate tax under the tax consolidation system (Note 17 and 21).

8. Financial assets

The breakdown of “Other financial assets”, without considering Trade and other receivables (Note 9), is as follows:

As at 31 December 2017	Available-for-sale financial assets	Loans and other receivables	Other financial assets at fair value through profit and loss	Investments held to maturity	Hedging derivatives	Total
Other financial assets	-	1,068	-	-	-	**1,068**
Impairment of other financial assets provision	-	(5)	-	-	-	**(5)**
Non-current financial assets	**-**	**1,063**	**-**	**-**	**-**	**1,063**
Other financial assets	-	-	-		-	**-**
Current financial assets	**-**	**-**	**-**	**-**	**-**	**-**

As at 31 December 2016	Available-for-sale financial assets	Loans and other receivables	Other financial assets at fair value through profit and loss	Investments held to maturity	Hedging derivatives	Total
Other financial assets	-	884	-	-	-	**884**
Impairment of other financial assets provision	-	(6)	-	-	-	**(6)**
Non-current financial assets	**-**	**878**	**-**	**-**	**-**	**878**
Other financial assets		-	-		-	**-**
Current financial assets	**-**	**-**	**-**	**-**	**-**	**-**

No debt securities have been issued, purchased or paid in 2017 or 2016.

During the year 2016 a settlement took place of a long-term pledged deposit amounting to EUR 1,300 thousand, which corresponded to a collateral for the sale of the Empordavent company (Note 12).

Loans and other receivables

The breakdown of loans and other receivables at 31 December 2017 and 2016 is as follows:

	At 31.12.17	At 31.12.16
Other loans	1,059	861
Deposits and guarantees	4	17
Total loans and non-current items	**1,063**	**878**

The item 'Other loans' corresponds to the non-current receivables with the subsidiary Parque Eólico Toabre S.A. (formerly called Fersa Panamá, S.A.) with maturity date over one year after the closing of the current year.

9. Trade and other receivables

The breakdown at 31 December 2017 and 2016 is as follows:

	At 31.12.17	At 31.12.16
Receivables, group and associated companies	414	837
Sundry receivables	4	9
Current tax assets	2	35
Trade and other receivables	**420**	**881**

Trade receivables with group's companies and associated companies include the technical, accounting and administration services rendered, and fall due one month after the invoice is issued. Receivables are not insured and no interest accrues on them.

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

In general, no interest is charged on outstanding invoices.

There are no financial assets in default at the date of presentation of these individual annual accounts.

10. Cash and other cash equivalents

	31.12.17	31.12.16
Treasury	249	44
Total	**249**	**44**

There is no restriction to the disposable cash as at 31 December 2017.

11. Net equity

a) Share capital

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 for after it was inscribed in the Registry of the Spanish National Security 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. agreed to a corporate transaction through which various business groups made contributions to the parent Company consisting of several companies with wind farms in operation and at different stages of administrative process. In consideration thereof, the Company made a capital increase with non-cash contributions. This transaction included the wind farms in Spain and abroad, specifically in India, France and Poland, and resulted in the incorporation of MW 562.7 and contributions totalling EUR 274,874 thousand.

On 30 June 2015 the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. agreed to reduce the share capital by decreasing the nominal value of the shares by EUR 0.3 per share. Consequently, the share capital of the Company as of 31 December 2016 amounts to EUR 98.003 thousand and is represented by 140,003,778 shares, with a value of EUR 0.7 each, which have been fully subscribed and paid. All the shares have the same economic and voting rights. As a result of this operation a special fund was created amounting to EUR 42,001 thousand.

On 19 May 2016 Audax Energía, S.A. made a bid to purchase 100% of shares of Audax Renovables, S.A. at the price of fifty cent euro (EUR 0.50) per share. On 8 August 2016 the CNMV announced that the offer made by Audax Energía, S.A. had been accepted by the holders of 99.211.899 shares representing 70,86% of the share capital of Audax Renovables, S.A.

All of the shares of Audax Renovables, S.A. are admitted to trading in the continuous market of the Spanish stock exchange. The share quotation as at 31 December 2017 of the Company's shares was EUR 0.44 per share (EUR 0.50 as at 31 December 2016).

The breakdown of the Company's shareholders with more than 10% of shares as at 31 December 2017 and 31 December 2016, is as follows:

	31.12.17	**31.12.16**
Shareholders	**%**	**%**
Audax Energía, S.A.	70.86%	70.86%
Rest of shareholders (*)	29.14%	29.14%
Total	**100.00%**	**100.00%**

(*) None of them holds more than 10%.

The merger of Audax Renovables S.A. and Fomento de inversiones de Capital, S.L.

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 merger of Audax Renovables S.A. and Energía Renovable Mestral S.L.

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.

b) Share premium account

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

c) Reserves

	31.12.17	31.12.16
Legal and statutory		
Legal reserve	16,266	16,266
Other reserves		
Other reserves	(312,484)	(281,236)
Total	**(296,218)**	**(264,970)**

Appropriations to the legal reserve are made in compliance with Article 274 of the Spanish Capital Companies Law, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

d) Treasury shares

As at 31 December 2017 and 2016 the Company does not own treasury shares.

e) Distribution of earnings:

The Company's General Meeting of Shareholders of 29 June 2017 agreed to allot the losses for the year 2016, in the amount of EUR 31,248 thousand, to the retained losses.

The Company's General Meeting of Shareholders of 28 June 2016 agreed to allot the losses for the year 2015, in the amount of EUR 48,426 thousand, to the retained losses.

f) Profit (loss) per share:

The profit/(loss) per share is calculated by dividing the profit attributable to the net equity holders of the Company by the average number of ordinary shares circulating during the period:

	31.12.17	31.12.16
Number of shares	140,003,778	140,003,778
Average number of shares	140,003,778	140,003,778
Profit (loss) of the Company (EUR thousand)	7,635	(31,248)
Average number of shares in circulation	140,003,778	140,003,778
Profit (loss) per share (euros per share)		
- Basic	**0.0545**	**(0.2232)**
- Diluted	**0.0545**	**(0.2232)**

As at 31 December there are no financial instruments that could dilute the profit per share.

The proposed appropriation of earnings of Audax Renovables, S.A. for the year 2017 which the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Basis of distribution	**EUR**
Profit	7,634,995
Total	**7,634,995**

Basis of distribution	**EUR**
To the legal reserve	763,500
To offset the loss from previous years	6,871,495
Total	**7,634,995**

12. Provisions

As at 31 December 2017 and 31 December 2016 no provisions have been registered.

The Company's Directors estimate that the contingent liabilities which could occur as a result of commitments indicated in Note 20 would not have a significant impact on these annual accounts.

13. Financial liabilities

The movement in the accounts under financial liabilities, excluding liabilities towards the Group, trade and other payables, as at 31 December 2017 and 2016 is as follows:

	Balance 31.12.16	**Recognitions**	**Write-offs**	**Cancellations by payments**	**Transfers**	**Balance 31.12.17**
Other financial liabilities	54	-	-	-	-	54
Total non-current financial liabilities	**54**	**-**	**-**	**-**	**-**	**54**
Bank debts	4,590	301	-	(283)	-	4,608
Total current financial liabilities	**4,590**	**301**	**-**	**(283)**	**-**	**4,608**

	Balance 31.12.15	**Recognitions**	**Write-offs**	**Cancellations by payments**	**Transfers**	**Balance 31.12.16**
Bank debts	4,476	30	-	-	(4,506)	-
Other financial liabilities	54	-	-	-	-	54
Total non-current financial liabilities	**4,530**	**30**	**-**	**-**	**(4,506)**	**54**
Bank debts	5	373	-	(294)	4,506	4,590
Total current financial liabilities	**5**	**373**	**-**	**(294)**	**4,506**	**4,590**

On 1 February 2012, Audax Renovables S.A. signed a financial contract with the financial entities Banco Santander, S.A., Banco Popular Español S.A., Banco Español de Crédito, S.A., Bankinter, S.A. and CaixaBank, S.A. by which it was agreed to restructure the financial debt these entities had granted to Audax Renovables. With this restructuring agreement the financial debt held by Audax Renovables was substituted by a Syndicated Loan contract structured in two different tranches:

- First tranche: a loan of EUR 22,961 thousand, totally settled ahead of schedule on 28 December 2015.

- Second tranche: a credit line for EUR 4,600 thousand with a unique due date on 31 January 2015.

During 2015 the whole outstanding amount of the first tranche was settled and on 29 January 2015 a novation of the corporate financing was signed, prolonging the maturity period of the tranche B till 31 January 2017.

On 30 January 2017, another novation of the contract for the tranche B was signed prolonging the maturity period till 31 January 2018 (Note 25).

Furthermore, the contract established the obligation of presenting some information periodically to the banking agent, in particular, the Disposable Cash Flow, the application of funds to the Minimum Operating Cash, the amount kept as Reserve funds and the mismatches in cash. It also establishes a limitation on any additional debt with the exemption of credit lines, whose maximum permitted amount is the same as the maximum permitted amount in the second stage once this stage has been terminated and fully repaid.

On 31 January 2018, as a subsequent event, the abovementioned syndicated loan was paid through cancellation of debt and taking out two bilateral loans with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand due on 31 July 2020 (Note 28).

14. Other liabilities

The breakdown of 'Other liabilities' at 31 December 2017 and 2016 is as follows:

	31.12.17	31.12.16
Long-term deferred payments	583	1,328
Other non-current liabilities	**583**	**1,328**
Short-term deferred payments	584	664
Other current liabilities	**584**	**664**

'Deferred payments' include outstanding payments for the purchase of various wind farms. As at 31 December 2017, it is estimated that EUR 584 thousand (EUR 664 thousand at 31 December 2016) will be payable next year and that EUR 583 thousand (EUR 1,328 thousand at 31 December 2016) will be paid in more than 12 months. As at 31 December 2017 and 31 December 2016 the total amount of deferred payments refers to the purchase of the Parque Eólico Toabré, S.A. (formerly Fersa Panamá, S.A.) company. As at 31 December 2017 the effective payment schedule is as follows:

	2018	2019	Total
Total deferred payments	584	583	1,167

No interest accrues on these deferred payments.

15. Trade and other payables

	31.12.17	31.12.16
Sundry payables	197	2,275
Current liabilities with group and associated companies (Note 22)	1,109	870
Outstanding wages and salaries	15	17
Tax payables	122	85
Trade and other payables	**1,443**	**3,247**

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 payables is denominated in euros.

We set out below the information required by the 3rd Additional Disposition of the law 15/2010/5 July of "Information Duty", modified by the second final disposition of the law 31/2014/3 December, which modifies the law of capital companies for the improvement of corporate governance, in accordance with the Resolution of 29 January 2016, of the Spanish Institute of Accounting and Book Audit, regarding the information to be incorporated into the notes to the annual accounts for the years from 1 January 2015 on, in relation to the average period of payment to providers in trading operations, published in BOE on 4 February 2016:

	2017	2016
	Days	**Days**
Average period of payment to suppliers (1)	63.55	126.50
Paid operations ratio	66.38	31.38
Ratio of the operations with outstanding payment	11.86	209.58
	(EUR thousand)	**(EUR thousand)**
Total payments carried out	754	1,834
Total outstanding payments	41	2,099

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

The average maturity period for the payments to the Company's suppliers exceeds the maximum legal period, which is mainly the result of the existence of exceptional invoices related to the takeover transaction with an extended maturity date.

16. Risk management

The Company has developed appropriate procedures for identifying, analysing, managing and mitigating all risks to which, in light of its activities, it is exposed, highlighting the following:

- Segregation of duties and responsibilities in key areas.
- Compliance with internal standards and legislation in force.
- Application of oversight and control systems.
- Use of hedging instruments for certain risks.
- Reporting transparency policies between the different departments affected by risk.

The Company has taken measures for the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall group risk management program 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 that accrue a fixed interest rate as well as the cash flows from the financial assets and liabilities indexed to a floating interest rate, and, accordingly, they impact both equity and net income, respectively.

The structure of the financial liabilities as at 31 December is as follows:

	31.12.17	**31.12.16**
Fixed interest rate	-	-
Floating interest rate	4,608	4,590
Total	**4,608**	**4,590**

The floating interest rate is subject mainly to the fluctuations of the European Interbank Offered Rate (EURIBOR). The sensitivity of net income and net equity to the fluctuation in interest rates is as follows:

	Increase/Decrease of interest rate	Effect on net income before tax
2017	10%	(2)
	(10%)	2
2016	10%	1
	(10%)	(1)

This effect does not include the impact of the variation in the interest rate on the impairment of assets, given that it is presented in Note 7.

Exchange rate risk

The variations in exchange rates can affect the fair value of transactions and investments denominated in non-Euro currencies, with respect to the counter-value of net equity contributed and net income.

The non-Euro currencies with which Audax Renovables, S.A. has operated in 2017 are the dollar and the zloty. The sensitivity of net income and consolidated equity of Audax Renovables,

S.A. to a 10% variation (increase and decrease) of the exchange rate against the euro is as follows:

	Increase/Decrease in the exchange rate of the functional currency	Effect on net income before tax
2017	10%	(160)
	(10%)	160
2016	10%	(247)
	(10%)	247

This effect does not include the impact of the variation in the exchange rate on the impairment of assets, given that it is specified in Note 7.

Credit risk

As at 31 December 2017 and 2016 there are no bad debt provisions for loans with non-related companies as they are not considered necessary.

As at 31 December 2017 and 2016 the Company did not have significant concentrations of credit risk nor financial assets that were past due.

In order to mitigate the credit risk arising from financial positions, the depositing of treasury surplus is carried out with highly solvent banks and financial entities.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's treasury management aims to maintain flexibility in funding by keeping committed credit lines available.

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. 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 entirely in 2017 should also be added (Note 15).

As at 31 December 2017 available liquidity amounts to EUR 249 thousand including cash and other cash equivalents (EUR 44 thousand as at 31 December 2016), 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 towards financial institutions (without considering the liabilities towards the shareholders nor to other third parties) is as follows:

	31.12.17	31.12.16
Long-term financial liabilities (Note 13)	-	-
Short-term financial liabilities (Note 13)	4,608	4,590
Cash and other cash equivalents	(249)	(44)
Net financial liabilities:	**4,359**	**4,546**
Net equity (Note 11)	**88,368**	**80,733**
Leverage (Net financial liabilities / (Net financial liabilities + Net equity))	**4.70%**	**5.33%**

17. Tax situation

The movement in deferred tax is as follows:

	Balance 31.12.16	Recognitions	Write-offs	Balance 31.12.17
Deferred tax assets	1,724	-	(1,724)	-
Deferred tax liabilities	(5,653)	-	2,028	(3,625)
Net total	**(3,929)**	**-**	**304**	**(3,625)**

	Balance 31.12.15	Recognitions	Write-offs	Balance 31.12.16
Deferred tax assets	1,452	272	-	1,724
Deferred tax liabilities	(5,192)	(461)		(5,653)
Net total	**(3,740)**	**(189)**	**-**	**(3,929)**

The composition of taxable income for 2017 is as follows:

Income statement			Total
Profit (loss) before tax			4,401
	Increases	Decreases	
Permanent differences	-	(1,665)	(1,665)
Temporary differences:			
- arising this year	-	(389)	(389)
- arising in previous years	-	(30,786)	(30,786)
Pending results incorporated in the consolidated tax group			7,511
Previous taxable income			**(20,928)**

The composition of taxable income for 2016 was as follows:

Income statement			**Total**
Profit (loss) before tax			(31,051)
	Increases	Decreases	
Permanent differences	-	(2,364)	(2,364)
Temporary differences:			
- arising this year	34,311	-	34,311
- arising in previous years	683	(664)	19
Results provided by subsidiaries			(1,727)
Previous taxable income			**(812)**

The decreases of temporary differences arising from previous years before 2017 refer mostly to the tax return of impairment provisions created in previous years as a result of corporate transactions carried out (Note 7).

The comparison between the applicable tax rate and the effective tax rate for the years 2017 and 2016 is as follows:

	2017	**%**	**2016**	**%**
Profit (loss) before tax	4,401		(31,051)	
Theoretical tax	1,100	25%	(7,763)	25%
Permanent differences for dividends	(99)		(274)	
Other permanent differences	(317)		(317)	
Incorporation of profit (loss) provided by subsidiaries of the tax group	1,878		(649)	
Allocation / reversal of financial provision	(7,792)		8,578	
Non-recognition of tax credits	2,245		203	
Other	(249)		25	
Corporate income tax accrued	**(3,234)**		**(197)**	

Due to the fact that the Company is subject to the tax consolidation system, the income tax balance for a year constitutes as receivable from Excelsior Times, S.L. in the amount of EUR 3,010 thousand (Note 21).

As at 31 December 2017 the Company as the parent company of the tax group has tax losses carried forward available for offset and not recognised, amounting to EUR 136,230 thousand (EUR 123,636 thousand as at 31 December 2016), as well as an unrecognised deferred tax asset balance of EUR 44,679 thousand (EUR 53,202 thousand as at 31 December 2016). The breakdown of these unrecognised credits and deferred taxes at 31 December 2017 is as follows:

	31.12.17	**31.12.16**
Tax credit for tax losses carried forward	34,057	32,370
Deferred tax assets	44,679	53,202
Total	**78,736**	**85,572**

These deferred tax assets include the effect of the non-deductible nature of the accumulated provision for financial investments in the amount of EUR 38,964 thousand (EUR 47,192 thousand at 31 December 2016). The Company has decided not to recognise these amounts in

its annual accounts as it considers that they do not meet the requirements under the General Accounting Plan to be accounted for as assets.

The Company is open to inspection by the Tax Authorities for all applicable taxes for the last four years.

As a result, among other things, of the different interpretations to which tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Directors consider, however, that any additional assessments that might be made would not significantly affect these annual accounts.

From 1 January 2017 Audax Renovables, S.A, is subject to Corporate Income Tax under the consolidated tax system along with the following companies where Excelsior Times, S.L. is the head entity of the tax group:

Excelsior Times, S.L.U	Generación Iberia, S.L.U	Parque Eólico Hinojal, S.L.U
A-Dos Energía, S.L.U	Svendborg PV VII, S.L.U	Parc Eolic Mudefer, S.L.U
Eléctrica Nuriel, S.L.U	Aspy Global servicies, S.L.U	Explotación La pedrera, S.L.U
Audax Energía, S.A.	Aspy Prevención, S.L.U	Fercom Eólica, S.L.U
Orús Energía, S.L.	Spay Seguridad y Salud, S.L.U	Parc Eòlic Coll de Som, S.L.U
Banana Phone, S.L.U	Aspy Salud Global, S.L.U	Parc Eòlic l´Arram, S.L.U
Audax Green, S.L.U	Aspy Formación, S.L.U	Audax Solar SPV I, S.L.U
Orús Properties, S.L.U	Audax Renovables, S.A.	
Orús Renovables, S.L.U	Fersa Asesoramiento y Gestión, S.L.U	

Previously, Audax Renovables, S.A. was the head entity of its own tax group.

18. Income and expenses

a) Net turnover

The breakdown of net turnover is as follows:

	2017	2016
Interest income	2,964	4,695
Dividends income	398	1,096
Services rendered	1,698	847
Net turnover	**5,060**	**6,638**

The item Services rendered includes the invoicing for technical assistance and administrative services rendered to Group companies.

b) Staff costs

The breakdown of staff costs for the year 2017 and 2016 is as follows:

	2017	2016
Wages and salaries	720	1,588
Employer contributions	132	173
Total staff costs	**852**	**1,761**

The entirety of the Employer contributions belong to Social Security.

The breakdown of average staff for the year 2017 and 2016 by job category is as follows:

	2017	2016
Management*	2	3
Technicians	9	12
Other	-	1
Total	**11**	**16**

* including internal auditor.

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the BOE of 23 March 2007, the number of employees at the end of 2017 and 2016 broken down by category and gender is as follows:

At 31.12.17	Men	Women	Total
Management*	1	1	2
Technicians	6	3	9
	7	**4**	**11**

* including internal auditor.

At 31.12.16	Men	Women	Total
Management*	1	1	2
Technicians	6	3	9
	7	**4**	**11**

* including internal auditor

Detailed information regarding the makeup of the board of directors in terms of gender is included in Note 22.

In the year 2017 and 2016 no employee with disability equal or greater than 33% was employed.

c) Net financial income (expenses)

	2017	2016
Financial income	**-**	**1**
From negotiable securities and other financial instruments		
From third parties	-	1
Financial expenses	**(313)**	**(343)**
Payable with third parties	(313)	(343)
Impairment and profit (loss) from disposal of financial instruments	**832**	**(34,116)**
Impairment and losses (Note 7)	390	(34,249)
Disposals and other (Note 7)	442	133
Exchange differences	**221**	**(79)**
NET FINANCIAL INCOME (EXPENSES)	**740**	**(34,537)**

19. Cash flows

The breakdown of cash flows from operating activities in the year 2017 and 2016 is as follows:

	2017	2016
Profit (loss) for the year before tax	**4,401**	**(31,051)**
Adjustments to profit (loss):	**(1,136)**	**32,811**
Amortisation and depreciation	2	28
Valuation adjustments due to impairment	(390)	34,249
Changes in provisions	-	(658)
Profit (loss) from write-offs and disposal of financial instruments	(442)	(133)
Financial income	-	(1)
Financial expenses	313	343
Exchange differences	(221)	79
Income from dividends	(398)	(1,096)
Changes in working capital:	**(1,611)**	**1,248**
Trade and other receivables	461	541
Other current assets	318	-
Trade and other payables	(2,706)	707
Other current liabilities	316	-
Other cash flows from operating activities:	**85**	**803**
Interest paid	(313)	(294)
Collection of dividends	398	1,096
Collection of interest	-	1
Cash flows from operating activities	**1,739**	**3,811**

20. Commitments and contingencies

Guarantees with third parties

The following companies of the Group have given technical sureties to the General Directorate of Energy Policy and Mines in the following amounts (EUR thousand) as per the provisions of the Royal Decrees RD 661/2007, RD 1955/2000 and RD1454/2005:

Company	31.12.2017	31.12.2016
Castellwind 03, S.L.	2,100	2,100
Ferrolterra Renovables, S.L.	-	133
Fercom Eólica, S.L.	320	320
Total	**2,420**	**2,553**

In the present year 2017 an existing guarantee for the amount of EUR 1,300 thousand to cover a possible payment of the ICIO tax of Empordavent, S.L. was cancelled.

The Directors of the Company estimate that the liabilities not provided for as at 31 December 2017, if any, which could arise from the commitments indicated in this Note and in Note 14, will not be significant to these annual accounts.

Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2017 and 2016 corresponding to the Company:

Period	31.12.17	31.12.16
Up to one year	9	78
Between one and five years	5	7
More than five years	-	-
Total	**14**	**85**

Operating lease expenses during the year 2017 amount to EUR 80 thousand (EUR 95 thousand in 2016).

Lowering the future minimum lease payments for a period up to one year is a result of signing a new contract for the lease of office space in the Company's new headquarters.

Audax Renovables, S.A., considers that the provisions and value adjustments recorded in these Annual Accounts adequately cover the contingencies stated 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 (Note7).

21. 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, related parties are considered to be Audax Energia S.A. and the shareholders who held more than 3% of interest before the takeover bid was accepted on 8 August 2016 (Note 12).

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 22.

c) All the companies belonging to the Excelsior Group.

The transactions between related companies have been carried out at arm’s length.

The transactions involving services rendered between Group companies have been objective and unbiased and carried out at arm’s length, based on the incremental cost system, under which the estimated cost plus a margin has been allocated to the different Group or related companies. Thus, the costs shared by the Parent Company and other Group companies are distributed and charged by project and activity, based on parameters of activity and hourly charges (using periodical slips per employee). Detailed definitions of the services and remits to be carried out are prepared, and the average indicators used to calculate the charges are determined.

Moreover, the loans that the Parent Company has extended to the Group companies, associates or multi-group companies accrue financial interest based on a market rate.

The balances and transactions carried out in the years 2017 and 2016 between Audax Renovables, S.A. and its related parties are as follows:

a) Transactions and balances with significant shareholders and companies of the Excelsior Group:

Payables and receivables with the significant shareholder and with the companies of the Excelsior Group as at 31 December 2017 and 31 December 2016 are as follows:

	At 31.12.17	At 31.12.16
Receivables with Audax Energía, S.A. (Note 7)	4,000	-
Receivables for income tax with Excelsior Times, S.L. (Note 17)	3,010	-
Total current assets	**7,010**	**-**
Total assets	**7,010**	**-**

	At 31.12.17	At 31.12.16
Loan received and interest with Audax Energía S.A.	1,872	-
Total non-current financial liabilities	**1,872**	**-**
Payables with companies of the Excelsior Times Group	1	-
Total current liabilities	**1**	**-**
Total liabilities	**1,873**	**-**

In the year 2017 Audax Renovables, S.A. has signed a loan agreement with its main shareholder Audax Energía, S.A. for the amount of EUR 1,850 thousand, the interest on which amounted to EUR 22 thousand as at 31 December 2017.

In the year 2017 Audax Renovables S.A. gave a short-term loan to its main shareholder - Audax Energía, S.A., in the total amount of EUR 4,000 thousand. As at the day of this here statement, the loan has been repaid in full (Note 7).

Moreover, in the year 2017 Audax Renovables paid the costs of Orus Renovables (a company belonging to the Excelsior Group) in the amount of EUR 5 thousand for the lease of office space.

b) Transactions and balances with the Investee Companies of the Audax Renovables Group, Multi-group companies and Associated companies:

	2017	2016
Services rendered to Group companies and associated companies		
- Technical, accounting and administrative services	1,698	847
- Dividends	398	1,096
- Interest	2,964	4,695
Total	**5,060**	**6,638**

The transactions involving services rendered by the Company with related parties 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. 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.

	31.12.17	31.12.16
Receivables from Group companies and associated companies (Note 9)		
Trade receivables from Group companies and Associated companies	414	837
Total	**414**	**837**

Accounts receivable with related parties arise from the advisory, technical, accounting and administrative services provided. The accounts receivable are not insured and no interest accrues on them.

c) Loans given to Group companies, Associated companies and Multi-group companies

An interest based on the market interest rate accrues on the loans given by the Company to the Group's companies, associated companies and multi-group companies.

Loans to group companies, associated companies and multi-group companies generally have maturity period of more than one year and an annual interest rate of between 1,4% and 7%. The details of the loans can be found in Note 7.

d) Transactions with Directors and Senior Management:

In the year 2017 there were no transactions made with Directors and Senior Management.

In the year 2016 remunerations were charged in the amount of EUR 344 thousand for the former members of the Board of Directors for the advisory services rendered to the Board of Directors and the management of Audax Renovables S.A. in the area of administration and management of transactions of the company and its group.

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

Remuneration of the members of the Board of Directors

The Board of Directors of the Company, at its meeting of 21 February 2017, unanimously approved the remuneration system recommended by the Appointments and Remuneration Committee.

Furthermore, the General Meeting of Shareholders of Audax Renovables, S.A. at its meeting on 29 June 2017 approved for consultation purposes the report put forward by the Appointments and Remuneration Committee, which will be effective in the present year 2017 and in the following years 2018 and 2019.

The Company's remuneration policy is designed to reward dedication, qualification and responsibility required by the office of Director, without compromising their independence. The remuneration comprises the performance of duties either individually or jointly and the oversight and responsibility required by the office.

The remuneration corresponds with the membership of the Board of Directors and consists of a variable remuneration for the members of the Board of Directors depending on the attendance at the in-person meetings.

During the year 2017 the amount charged by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 67 thousand (EUR 168 thousand in 2016) 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 2017 the expenses for civil liability insurance premium of the Directors amount to EUR 29 thousand.

As at 31 December 2017 and 2016 the Board of Directors of the Parent Company is composed of 7 men.

Transactions with Directors

Article 229 of the Spanish Corporate Enterprises Act, adopted by Royal Legislative Decree 1/2010/2 July, has imposed on Directors, or their individual representatives, the duty to report to the Board of Directors, and failing that, the other Directors, or, in the case of a Sole Administrator, the General Meeting of Shareholders, any direct or Indirect conflict of interest they may have with the Company. The affected Director must abstain from intervening in the resolutions or decisions on the operation to which the conflict refers.

It should be noted that in 2017 no situations of direct or indirect conflict of interest occurred between the members of the Board of Directors and the Company.

In 2017, no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

Likewise, the Directors have declared that they are not subject to any direct or indirect conflict of interest with the Company.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2017 by the Management amounted to EUR 217 thousand (EUR 616 thousand in the year 2016, including EUR 206 thousand related to the termination of contracts with the former Deputy General Manager and the former General Manager). Furthermore, there is one contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2017 the Management of the Group is made up of one woman and one man, including the internal auditor (one woman and one man, including the internal auditor, as at 31 December 2016).

23. Auditors' fees

The audit company (KPMG Auditores, S.L. in 2017 and Deloitte, S.L in 2016) of the annual accounts of the Group has invoiced during the years ended on 31 December 2017 and 2016 net fees for professional services the following amounts:

	2017	2016
For audit services	44	59
Other services related to the audit	20	27
Total audit services and related services	**64**	**86**
Tax services	-	10
Other services	-	12
	-	
Total professional services	**64**	**108**

The amounts featured in the above table include the entirety of the net fees related to the services rendered during the years 2017 and 2016, independently of the invoice date.

During the year 2017 the Company was not invoiced for net fees of other entities associated to KPMG International (in 2016 the companies of the Deloitte, S.L. group issued invoices for remunerations amounting to EUR 22 thousand).

24. Environment

Environmental aspects are borne in mind throughout the processing and construction of facilities that the Company is in charge of developing, and all necessary studies required under the legislation of each country are prepared.

In 2017 and 2016 no environmental expenses have been incurred.

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 Directors of the Company do not expect that any penalties or contingencies will arise from compliance with the requirements under Law 1/2005..

25. Subsequent events

On 31 January 2018 Audax Renovables, S.A. entered into an agreement to restructure the corporate syndicated loan signed on 31 January 2012 (Note 13). The agreement involves the cancellation of this debt and taking out two bilateral loans with Banco Santander and Banco Popular for the amount of EUR 3,400 thousand due on 31 July 2020.

There have been no other significant events subsequent to the end of the year.

APPENDIX I

a) Shareholdings in Group companies

Audax Renovables, S.A. has control over the following companies:

			Shareholding	
Company name	**Address**	**Activity**	**Direct %**	**Indirect %**
Eólica El Pedregoso, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	80	-
Eólica del Pino, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	80	-
Parc Eòlic Mudèfer, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	100	-
Fercom Eólica, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Holding	100	-
Gestora Fotovoltaica de Castellón, S.L.	Avda. Diagonal, 459 Barcelona	Holding	76	-
Fotovoltaica Fer, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Weinsberg Ecotec, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica Ecotec, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Joso Fotovoltaica, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica Padua, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica Vergos, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica La Mola, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Inversions Trautt, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica de Castelló, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Fotovoltaica de les Coves, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Inversions Vinroma, S.L.	Avda. Diagonal, 459 Barcelona	Solar	-	76
Parque Eólico Hinojal, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	100	-
Eólica Postolin, S.P. z.o.o.	Ul. Libelta 2/1, Bydgoszcz, POLONIA	Wind	100	-
Fersa Asesoramiento y Gestión, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Biogas	100	-
Parc Eòlic Coll De Som, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	100	-
Explotación Eólica la Pedrera, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	100	-
Eólica Warblewo, S.P. z.o.o.	Ul. Libelta 2/1, Bydgoszcz, POLONIA	Wind	64.50	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin de Lavigne (64800) Mirepeix, Ródano-Alpes, FRANCIA	Wind	80	-
Castellwind 03, S.L.	Avenida de Navarra 14 - Badalona (Barcelona)	Wind	60.48	-
Entreyeltes 1, S.L.	C/Farmaceutico Obdulio Fernandez 11 Burgos	Wind	51	-

b) Shareholdings in associated companies and multi-group companies

			Shareholding		
Company name	**Address**	**Activity**	**Direct %**	**Indirect %**	**Controlling relationship**
Berta Energies Renovables, S.L.	Travessera de Gràcia, 56 entresuelo (Barcelona)	Wind	4.74	21.05	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Wind	-	30.30	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Wind	30	-	Significant influence

APPENDIX II

a) Shareholdings in Group's companies

	As at 31.12.17					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total equity**	**Gross book value**	**Dividends**
Eólica El Pedregoso, S.L.	146	1,386	664	2,196	8,988	-
Eólica Del Pino, S.L.	75	(1,004)	(105)	(1,034)	8,630	-
Parc Eòlic Mudefer, SL (antigua Catalana d'Energies Renovables)	2,554	3,439	1,112	7,105	28,662	-
Fercom Eólica , S.L.	37	19,442	64	19,543	43,720	-
Gestora Fotovoltaica de Castellón, S.L.	30	1,442	3	1,475	1,425	-
Parque Eólico Hinojal, S.L.	2,876	4,092	1,796	8,764	26,783	-
Eólica Postolin, S.p.zoo	11,931	6,022	(1,507)	16,446	41,153	-
Fersa Asesoramiento y Gestion, S.L. (antigua Fergest Biomasa, S.L.)	50	(1)	(5)	44	166	-
Parc Eòlic Coll De Som, S.L.	643	179	(2)	820	6,931	-
Explotación La Pedrera, S.L.	1,700	2,327	(5)	4,022	24,662	-
Eólica Warblewo , S.p.zoo	14	(149)	(7)	(142)	12,232	-
Eolinnes De Beausemblant, S.A.S.	556	796	997	2,349	3,498	398
Castellwind 03, S.L.	764	369	(10)	1,123	580	-
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	-
Total	**21,379**	**38,321**	**2,995**	**62,695**	**207,478**	**398**
Provision for impairment of shareholding					(158,552)	
Net book value					**48,926**	

	As at 31.12.16					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total equity**	**Gross book value**	**Dividends**
Eólica El Pedregoso, S.L.	146	1,886	(500)	1,532	8,989	-
Eólica Del Pino, S.L.	75	(650)	(354)	(929)	8,630	-
Parc Eòlic Mudefer, SL (antigua Catalana d'Energies Renovables)	2,554	4,358	(919)	5,993	28,687	-
Fercom Eólica , S.L.	37	2,691	(88)	2,640	26,881	-
Gestora Fotovoltaica de Castellón, S.L.	30	1,376	66	1,472	1,425	-
Parque Eólico Hinojal, S.L.	2,876	3,377	715	6,968	26,783	554
Eólica Postolin, S.p.zoo	4,122	1,821	(3,456)	2,487	25,532	-
Fersa Asesoramiento y Gestion, S.L. (antigua Fergest Biomasa, S.L.)	50	(101)	(13)	(64)	53	-
Parc Eòlic Coll De Som, S.L.	643	(126)	-	517	6,625	-
Parc Eólic L'Arram, S.L.	646	(131)	-	515	7,006	-
Explotación La Pedrera, S.L.	1,700	(245)	(5)	1,450	22,085	-
Fersa Aventalia, SL	3	(2,602)	(111)	(2,710)	2	-
Eólica Warblewo , S.p.zoo	14	(136)	(12)	(134)	12,232	-
Eólica Cieplowody, S.p.zoo	14	(134)	(9)	(129)	21,601	-
Eolinnes De Beausemblant, S.A.S.	556	648	646	1,850	3,498	542
Castellwind 03, S.L.	764	374	(5)	1,133	580	-
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	-
Total	**14,233**	**12,387**	**(4,045)**	**22,575**	**200,657**	**1,096**

Provision for impairment of shareholding					(163,300)	
Net book value					**37,357**	

b) Shareholdings in associated companies and multi-group companies

	As at 31.12.17					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total equity**	**Gross book value**	**Dividends**
Berta Energies Renovables, S.L.	5,716	(1,871)	(275)	3,570	271	
Parque Eólico Toabré	500	(41)	(445)	14	7,916	-
Total	**6,216**	**(1,912)**	**(720)**	**3,584**	**8,187**	**-**

Provision for impairment of shareholding					(271)	
Net book value					**7,916**	

	As at 31.12.16					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total equity**	**Gross book value**	**Dividends**
Ferrolterra Renovables, SL	324	(31)	(8)	285	135	-
Parque Eólico Toabré	569	222	(266)	525	7,916	-
Total	**893**	**191**	**(274)**	**810**	**8,051**	**-**

Provision for impairment of shareholding					(159)	
Net book value					**7,892**	

AUDAX RENOVABLES

INDIVIDUAL DIRECTORS' REPORT AS AT 31 DECEMBER 2017

1. SIGNIFICANT EVENTS

Audax Renovables S.A., formerly Fersa Energías Renovables, ends the year 2017 with profits in the amount of EUR 7,635 thousand, in comparison to the loss in the amount of EUR 31,248 thousand in the previous year.

This result confirms that the integration process commenced with Audax Energía taking control in August 2016 has consolidated and is a good forecast for the future plans.

On 31 January 2018 the syndicated loan signed on 31 January 2012 was restructured through cancelling the debt and simultaneously signing another contract for corporate financing with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand due on 31 July 2020.

2. OPERATING INFORMATION

Audax Renovables S.A. is a holding company at the forefront of a group of subsidiary entities - the Audax Renovables Group. The installed capacity of the Group as at 31 December 2017 achieves 185 MW.

Constant efforts to improve the productivity of the wind farms, as well as larger wind resources, have contributed to an increase in production (456.5 GWh, which is 17% more than during the same period last year when it amounted to 389.4 GWh), as well as an increase in sales.

In Spain the 18% increase in production in 2017 compared to the previous year is most of all a result of larger wind resources on wind farms in the south of the country, and of a better use of these resources thanks to optimising the plant's functioning which, along with higher market prices, contributed to an increase in sales of 22%.

The remaining countries have also seen an increase – the good performance of the wind farm in France makes its production 21% bigger than in the same period of the previous year and its sales 22% higher than in 2016. The wind farm in Poland produced 13% more energy which, together with the price adjustment of the green certificates, contributed to increasing the sales by 24% in comparison to 2016.

3. HEADLINE FIGURES

Net turnover has amounted to EUR 5,060 thousand which implies a decrease of 24% in comparison to the year 2016 (EUR 6,638 thousand). Financial income for interest on loans to investee companies has been of EUR 2,964 thousand compared to EUR 4,695 thousand in the year 2016. On the other hand, dividend income from investee companies has amounted to EUR 398 thousand in comparison to EUR 1,096 thousand in 2016, generated by Beausemblant. The invoicing for services rendered to investee companies has amounted to EUR 1,698 thousand compared to EUR 847 thousand in the previous year.

Operating expenses, excluding amortisation and depreciation, decrease to the amount of EUR 1,425 thousand (including staff cost) which stands for a decrease of 61,4% in comparison to the same period of the previous year (EUR 3,695 thousand), mainly due to the spending restraint

and cost reduction policy, as well as because of the expenses incurred for the takeover bid of Audax Energía in 2016.

The operating profit of Audax Renovables has amounted to EUR 3,661 thousand compared to the profit of EUR 3,486 thousand registered during the same period of the previous year.

Financial expenses amount to EUR 313 thousand compared to EUR 343 thousand in the same period of the previous year.

During the year 2017 Audax Renovables S.A. has registered impairment and profit from disposal of financial instruments in the total amount of EUR 832 thousand, primarily due to the dissolution, liquidation and sale of several companies (Note 7), compared to EUR 34,116 thousand of impairment registered in the previous year as a consequence of the amendment of the regulatory framework in Poland and the valuation of the Postolin wind farm located in that country.

Net income attributable to the Company is a profit of EUR 7,635 thousand compared to the loss of EUR 31,248 thousand in the previous year.

The average payment period to the suppliers of the Company is of 63.55 days (see Note 15), exceeding the limit established by the regulations on late payment (Law 11/2013), fundamentally due to the existence of exceptional invoices related to the takeover bid with a prolonged maturity period.

4. MAIN RISKS RELATED TO THE BUSINESS OF THE AUDAX RENOVABLES GROUP

a – Operational risk:

The activities of the Company and its subsidiaries are exposed to various business risks, such as the wind conditions and other meteorological conditions. The operational risk of the Company is subject to technological failures, human error or errors due to external factors.

The Company undertakes the necessary investments to mitigate these risks and to have appropriate policies on its insurance coverage.

The companies of the Group are subject to current legislation in each country in relation to tariffs at which they invoice their electricity production. The modification of the legal regulatory framework could affect the results of the business.

During this year certain companies of the Group have signed with A-DOS Energía, S.L. and Generación Iberia, S.L. some hedges for market price (POOL) hedging a not significant part of the production for this period.

It should be noted that the Company's activities are subject to compliance with the environmental legislation in force and accordingly, subject to approval by the authorities and the granting of the respective licenses and authorisations.

b – Financial risk and Financial instruments:

The Company is exposed to fluctuations in interest rate curves as its entire debt to financial entities is at a floating rate.

The subsidiary companies take out interest rate hedge contracts, basically insuring against maximum interest rates. The Company does not take into consideration the use of derivative financial instruments.

The Company's activities outside Spain are exposed to the risk of foreign currency exchange rate fluctuations, which could affect the net income of the respective investee companies, their market value and release to results to the parent Company.

The Board of Directors establishes a policy for managing global risk as well as for individual areas such as the exchange rate risk, interest rate risk, credit risk and liquidity risk.

Risk management is controlled in accordance with the approved policy. The Management identifies, evaluates and covers financial risks in strict cooperation with the Group's operating entities.

Note 16 includes a description of the main risk factors for the Company.

5. ENVIRONMENT

Environmental matters are borne in mind throughout the entire process of obtaining authorisation, building the plants and preparing the studies based on the legislation governing each company.

Neither in 2017 nor in 2016 the Company has incurred expenses for environmental matters.

6. STAFF

As at 31 December 2017 the Company has 11 employees.

7. TREASURY SHARES

As of 31 December 2017 the Company does not hold treasury shares.

8. RESEARCH AND DEVELOPMENT EXPENSES

The Company has not incurred any expenses of this nature during the current year.

9. SUBSEQUENT EVENTS

See Note 25.

10. CORPORATE GOVERNANCE REPORT

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

PARTICULARS OF ISSUER

ENDING DATE OF FINANCIAL YEAR	31/12/2017

TAX IDENTIFICATION NUMBER	A62338827

REGISTERED NAME
AUDAX RENOVABLES, S.A.

REGISTERED ADDRESS
AVENIDA NAVARRA 14, 08911 BADALONA (BARCELONA)

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
30/06/2015	98,002,644.60	140,003,778	140,003,778

Indicate whether or not there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 Provide details of the direct and indirect holders of significant shareholdings in the company at the year end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
AUDAX ENERGÍA, S.A.	99,211,899	0	70.86%

Indicate the most significant changes in the shareholding structure occurred during the year:

A.3 Complete the following tables regarding the members of the company's board of directors who hold voting rights over the company shares:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	0	99,211,899	70.86%

Name or company name of indirect shareholder	Through: name or company name of direct shareholder	Number of voting rights
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.	99,211,899

Total % of voting rights held by the Board of Directors	70.86%

Fill in the following tables regarding the members of the company's board of directors who own stock options in the company

A.4 Indicate, where applicable, the family, commercial, contractual or corporate relationships between the owners of significant shareholdings, which are known by the company, unless they are irrelevant or arise from normal business activities:

A.5 Indicate, where applicable, the commercial, contractual or corporate relations between the holders of significant shareholdings and the company and/or its group, unless they are irrelevant or arise from normal business activities:

A.6 Specify whether any shareholders' agreements have been notified to the company that affect it in accordance with the provisions set forth in articles 530 and 531 of the Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:

Yes ☐ No ☒

Indicate whether or not the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

Yes ☐ No ☒

If any modification or cancellation of said agreements or concerted actions has taken place during the year, make express mention of this:

NOT APPLICABLE

A.7 Indicate whether there is any individual person or legal entity that exercises or who might exercise control of the company pursuant to article 4 of the Securities Market Act. Respond where applicable:

Yes ☒ No ☐

Name or company name
AUDAX ENERGÍA, S.A.

Comments
Audax Energía, S.A. is direct holder of 70.86% of the voting rights in Audax Renovables, S.A. Mr Francisco José Elías Navarro is, in turn, indirect holder of 70.86% of the voting rights in Audax Renovables, S.A., through Excelsior Times, S.L.U., holder of 100% of the companies Eléctrica Nuriel, S.L.U. and Banana Phone,S.L.U., holders of 33.33% and 66.67%, respectively, of the share capital of Audax Energía, S.A.

A.8 Complete the following tables concerning the company's treasury stock:

At year-end date:

Number of direct shares	Number of indirect shares (*)	% of share capital
0	0	0.00%

(*) Through:

Provide details of the significant changes occurred during the year pursuant to Royal Decree 1362/2007:

Describe significant changes
N/A

A.9 Give details of the terms and conditions corresponding to the general meeting of shareholders' current mandate to the board of directors for issuing, acquiring or assigning own shares.

N/A

A.9.bis Estimated public float:

	%
Estimated public float	29.14

A.10 Indicate whether there are any restrictions on the transfer of securities and/or restrictions to the use of voting rights. In particular, inform of any restriction which might hinder the takeover of the company by means of share purchase on the market.

Yes ☐ No ☒

A.11 Specify whether the general meeting has agreed to take up measures of neutralization against a takeover bid by virtue of provisions set forth in Law 6/2007.

Yes ☐ No ☒

If appropriate, explain the measures approved and terms under which the restrictions would not be enforceable:

A.12 Indicate whether the company has issued securities that are not traded in a regulated market of the European Union.

Yes ☐ No ☒

If applicable, indicate the different types of shares and, for each type of shares, the rights and obligations it confers.

B GENERAL MEETING

B.1 Indicate and, if applicable, explain whether there are differences with the minimum provisions of the Corporate Enterprises Act (LSC) and the quorum for constituting the general meeting of shareholders.

Yes ☐ No ☒

B.2 Indicate and, where applicable, give details of whether or not there are differences between the system laid down in the Corporate Enterprises Act (LSC) and the system for adopting corporate agreements:

Yes ☐ No ☒

Describe how the system differs from that of the LSC.

B.3 Indicate the rules applicable to the modification of the articles of association of the company. Particularly, the scheduled majorities for the modification of the articles of association, as well as, if applicable, the scheduled rules for the protection of the shareholders' rights in the modification of the articles of association will be stated.

In this respect, article 14, second paragraph, of the Articles of Association establishes the following:

«In order for the General Meeting to validly agree on a capital increase or reduction and any other modification of the Articles of Association, it will be needed, in a first call, the attendance of shareholders present or represented that hold, at least, 50% of the subscribed capital with voting rights. In a second call it will be enough with the attendance of a 25% of the subscribed capital. When the audience reaches at least 50% of the subscribed capital with voting rights, the agreements will only be adopted if 2/3 of the capital present or represented in the General Meeting votes in favour.»

In the cases not foreseen in the previous article, the corresponding agreement will be adopted by ordinary majority of the votes of the present shareholders or represented, in accordance with article 201 of the Corporate Enterprises Act.

Furthermore, in accordance with article 286 of the Corporate Enterprises Act, the Directors or, if appropriate, the shareholders who introduced the motion to amend the company's Articles of Association shall formulate the complete text they suggest as well as a written report with the justification of such motion.

Additionally, in accordance with article 287 of the Corporate Enterprises Act, the announcement of the General Meeting call shall include intelligible information on issues subject to amendment and the right of all the shareholders to examine in the company's headquarters the full text of the suggested amendment and the relevant report, as well as ask for the free delivery of these documents.

B.4 Indicate the attendance data of the general meetings held during the financial year to which this report refers and the ones on the previous year:

	Attendance data				
Date of general meeting	**% personal attendance**	**% represented**	**% remote voting**		**Total**
			Electronic vote	**Other**	
28/06/2016	0.25%	48.26%	0.00%	0.00%	48.51%
29/06/2017	70.91%	1.02%	0.00%	0.00%	71.93%

B.5 Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the general meeting:

Yes ☐ No ☒

B.6 Section repealed.

B.7 Indicate the address and means of access to the company's website for corporate governance information and other information on general meetings that must be provided to the shareholders on the website of the Company.

The address of the corporate website of the company is the following: http://www.fersa.es/

The information on the corporate governance is available on the section "**Shareholders and Investors**" and "**Corporate Governance**".

The information on General Meetings that must be provided to the shareholders, as well as on the resolutions adopted in those meetings is available on:

http://www.fersa.es/accionistas-e-inversores/el-rincon-del-accionista/junta-general-accionistas/

C STRUCTURE OF THE MANAGEMENT OF THE COMPANY

C.1 Board of directors

C.1.1 Maximum and minimum number of directors set forth in the articles of association:

Maximum number of directors	12
Minimum number of directors	3

C.1.2 Complete the following table with the members of the board:

Name or company name of director	Representative	Category of director	Position on board	Date of first appointment	Date of last appointment	Election procedure
Mr RAFAEL GARCÉS BERAMENDI		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr EMILIO MORALEDA MARTÍNEZ		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr PEDRO LUIS FERNÁNDEZ PÉREZ		Independent	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr JOSEP MARIA ECHARRI TORRES		Independent	DIRECTOR	14/11/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr FRANCISCO JOSÉ ELÍAS NAVARRO		Proprietary	CHAIRMAN	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr EDUARD ROMEU BARCELÓ		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS

Total number of Directors	7

Indicate the resignations occurring in the board of directors during the period subject to information:

C.1.3 Complete the following tables regarding the members of the board of directors and their different categories:

EXECUTIVE DIRECTORS

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or who proposed appointment
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGÍA, S.A.
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGÍA, S.A.
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGÍA, S.A.
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.
Mr EDUARD ROMEU BARCELÓ	AUDAX ENERGÍA, S.A.

Total number of proprietary directors	5
% total of the Board	71.43%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director:

Mr PEDRO LUIS FERNÁNDEZ PÉREZ

Profile:

Master of Law. MBA International, ESDEN. Master studies on Value Creation and Company Valuation, IESE.

Has developed his professional career in different industrial and services companies and is the founder of General de Alquiler de Maquinaria, S.A.

Member of the board of directors of several companies related to leisure, food and industry.

Name or company name of Director:

Mr JOSEP MARIA ECHARRI TORRES

Profile:

Master of Economics and of Actuarial and Financial Science, both by the University of Barcelona, and Master of Financial Management by ESADE.

Chief Financial Officer of Oryzon from 2003 to 2007, previously responsible for the first integral programme of creation of technology enterprises developed by a Spanish administrative authority.

At present is the Managing Director of Inveready Asset Management, S.G.E.I.C., S.A. and Chairman of Grupo Financiero Inveready, the founding partner of both companies and now their major shareholder. Participates as member of the management board of different companies, including Mas Móvil Ibercom, S.A., Agile Contents, S.A., Atrys Health, S.A. and Oryzon Genomics, S.A.

Member of the Instituto de Consejeros-Administradores (ICA) awarded the good corporate governance diploma for professional managers.

From his position in Inveready he has actively participated in dozens of corporate transactions (sale of PasswordBank Technologies, S.L. to Symantec, sale of Indisys, S.L. to Intel or acquisitions and financing of Pepephone or Yoigo by Mas Móvil Ibercom, S.A.).

Total number of independent directors	2
% total of the board	28.57%

Indicate whether any independent director receives from the company, or from its group, any amount or profit for a different concept than the remuneration of director, or maintains o has maintained, during the last year, a business relationship with the company or with any company of its group, whether using its own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

N/A

If applicable, a motivated declaration of the board would be included about the reasons to consider that such director can carry out its functions in the position of independent director.

OTHER EXTERNAL DIRECTORS

Indicate other external directors explaining the reasons why they cannot be considered as inside or independent directors and their relationship with the company, its executives or shareholders:

Indicate the changes, if any, in the category of each director during the period:

C.1.4 Complete the following table with the information on the number of women directors during the last 4 years, together with the character of such directors:

	Number of women Directors				% of total number of Directors of each type			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	1	0	0.00%	0.00%	11.11%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	0	0	1	0	0.00%	0.00%	11.11%	0.00%

C.1.5 Explain the measures that, if applicable, have been adopted to try to include in the board of directors a number of women that provides a balanced presence of women and men.

Explanation of the measures
The Board of Directors of Audax Renovables, S.A. is committed to the importance of achieving an equilibrated presence of women and men. For years the Company has tried to incorporate women in the Board of Directors, following the recommendations of the Unified code of conduct and good governance of the listed companies and in line with the activity of the management of the Company (the General Manager is a woman). In accordance with this policy, in 2016 a woman was appointed non-board member secretary. In any case, for future director appointments, as it has been done in the past, candidates, either women or men, in equal conditions will be taken into account.

C.1.6 Explain the measures that, if applicable, have been adopted by the appointments committee to ensure that the selection procedures are not affected by an implicit bias that prevents female directors from being selected, and that the company purposefully seeks women that satisfy the professional profile, including among potential candidates:

Explanation of the measures
As outlined in the previous point, for many years now the Company (and the Appointment and Remuneration Committee in particular) has been making efforts towards including women into the board of directors, following the recommendations of the Unified code of conduct and good governance of the listed companies, and in accordance with the method implemented by the Company's management. In this respect, Appointment and Remuneration Committee during the session held on 26 April 2013, while discussing the requirements expected of the candidates for a position in the board of directors due to upcoming appointments into the board of directors, established that applications put forward by women will be preferred. In 2016 and until 16 August of that year the Director Grupo Catalana Occidente, S.A. was represented in the Board of Directors by a woman. Also, in accordance with this policy, in August 2016 a woman was appointed as non-director secretary of the Board.

When, even having adopted the measures, the number of female directors is scarce or null, explain the reasons that justify it:

Explanation of the reasons
As mentioned above, the Board of Directors tried, in relation to the appointments of the Directors which took place in 2016, to include among potential candidates women that would satisfy the professional profile, and adopted the necessary measures to ensure that the selection procedures were not affected by an implicit bias that would prevent female directors interested in the position from being selected. Nevertheless, due to the knowledge specificity and experience required to occupy the position of director in a company like this, it has not been possible to find such female candidate to be purposed for an appointment, however, as was mentioned earlier, the person appointed as non-director secretary is a woman.

C.1.6 bis Describe the appointment committee's conclusions in regards to the verification of the principles implemented in selecting directors. In particular, illuminate how the implemented human resource policies facilitates the goal to ensure that by the year 2020 the number of women on the board of directors makes up at least 30% of the entire board.

Explanation of the conclusions
The Appointment and Remuneration Committee, during their session on 26 April 2013 while discussing the requirements expected of the candidates for a position in the board of directors due to upcoming appointments into the board of directors, established that applications put forward by women will be preferred. By means of implementing this criterion to the future appointments, the goal to ensure that by the year 2020 the number of women on the board of directors will make up at least 30% of the entire board will also be considered. Furthermore, in line with this goal, there is one woman appointed as non-director Secretary of the Board.

C.1.7 Explain the means of representation in the board of shareholders with significant stakes.

The shareholders with significant stakes are represented in the board through the designation of proprietary directors, as it has been detailed in section C.1.3.

C.1.8 Where applicable, explain the reason why proprietary directors have been appointed at the request of shareholders whose holding in the capital is less than 3%:

Indicate whether formal requests have been denied for attendance at the meetings of the Board solicited by shareholders whose shareholding is equal to or greater than that of other shareholders, at whose instigation they would have been designated board members appointed by a significant shareholder. If any, explain the reasons for the denial:

Yes ☐ No ☒

C.1.9 Indicate whether or not a director has resigned from his/her post before the conclusion of his/her term of office, whether or not he/she has provided the board with reasons and through which medium and, if he/she has done so in writing to the entire board, explain at least the reasons given:

C.1.10 Indicate, where applicable, the powers delegated to the managing director(s):

C.1.11 Indicate, where applicable, the board members holding positions of administrators or executives in other companies forming part of the group of the listed company:

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGIA SA	DIRECTOR	NO
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGIA SA	DIRECTOR	NO
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGIA SA	DIRECTOR	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA SA	CHAIRMAN AND MANAGING DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SNAIL INVESTMENT SICAV SA	CHAIRMAN	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AVANTFLY XXI SICAV SA	CHAIRMAN	NO

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARQUE EOLICO HINOJAL SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY FORMACIÓN, S.L.	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CASTELLWIND 03 SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SVENDBORG PV VII SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	A-DOS ENERGIA SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC MUDEFER SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY SALUD GLOBAL SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERCOM EOLICA SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC COLL DE SOM SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC L´ARRAM SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	JOSO FOTOVOLTAICA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS VINROMA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS TRAUTT SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	WEINSBERG ECOTEC SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA ECOTEC SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA LA MOLA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE LES COVES SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA FER SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE CASTELLO SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA VERGOS SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GESTORA FOTOVOLTAICA DE CASTELLON SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY PREVENCION SL	MANAGING DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERSA ASESORAMIENTO Y GESTION SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS RENOVABLES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS PROPERTIES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	BANANA PHONE SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXCELSIOR TIMES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX GREEN SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY GLOBAL SERVICES, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXPLOTACION EOLICA LA PEDRERA SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GENERACION IBERIA SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA DEL PINO SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA EL PEDREGOSO SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOS ENERGIA SOCIEDAD LIMITADA	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SPAY SEGURIDAD Y SALUD SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA, S.R.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA SP Z.O.O.	CHAIRMAN OF THE GENERAL MEETING	YES
Mr EDUARD ROMEU BARCELÓ	FIREFLY INVESTMENTS SICAV SA	CHAIRMAN	NO
Mr EDUARD ROMEU BARCELÓ	ASPY PREVENCION SL	DIRECTOR	NO
Mr EDUARD ROMEU BARCELÓ	AUDAX ENERGIA SA	DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ERYX INVESTMENTS 2017, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX SOLAR SPV I, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA PADUA, S.L.	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA POSTOLIN, S.P. z.o.o.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA WARBLEWO, S.P. z.o.o.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLIENNES DE BEAUSEMBLANT, S.A.S.	CHAIRMAN	YES
Mr EDUARD ROMEU BARCELÓ	VIDEOWAVE INVERSIONES SICAV, S.A.	DIRECTOR	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX NETHERLANDS, B.V.	DIRECTOR / MANAGING DIRECTOR	NO
Mr RAFAEL GARCÉS BERAMENDI	AUDAX NETHERLANDS, B.V.	DIRECTOR / MANAGING DIRECTOR	NO
Mr EDUARD ROMEU BARCELÓ	SNAIL INVESTMENT SICAV, S.A.	SECRETARY	NO

C.1.12 Identify, if applicable, the directors of your company who are members of the board of directors of other companies listed on official stock exchanges in Spain other than those of your group, that have been reported to the company:

Name or company name of director	Company name of the group entity	Position
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	LABORATORIO REIG JOFRE, S.A	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	BIOORGANIC RESEARCH AND SERVICES S.A.	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	LABORATORIO REIG JOFRE, S.A	DIRECTOR
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	GENERAL DE ALQUILER DE MAQUINARIA S.A.	CHAIRMAN-MANAGING DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	MÁSMÓVIL IBERCOM, S.A.	DEPUTY CHAIRMAN
Mr JOSEP MARIA ECHARRI TORRES	ORYZON GENOMICS, S.A.	DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	AGILE CONTENT, S.A.	DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	ATRYS HEALTH, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, explain whether or not the company has laid down rules on the number of boards on which its directors can serve:

Yes ☐ No ☒

C.1.14 Section repealed.

C.1.15 Indicate the total remuneration of the board of directors:

Remuneration of the Board of Directors (EUR thousands)	72
Amount of the accrued rights of the present Directors (EUR thousands)	0
Amount of the accrued rights of the former Directors (EUR thousands)	0

C.1.16 Identify management members who are not also executive directors, and indicate the total remuneration they earned during the year:

Name or company name	Position
Mr JAVIER CASTAÑO CRUZ	INTERNAL AUDITOR
Ms ANA ISABEL LÓPEZ PORTA	GENERAL MANAGER

Total remuneration of the senior management (EUR thousands)	217

C.1.17 Indicate, where applicable, the identity of board members who are also members of the boards of directors of companies that hold significant stakes in the listed company and/or companies of your group:

Name or company name of director	Company name of significant shareholder	Position
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.	MANAGING DIRECTOR

Provide details, if appropriate, of the relevant relationships other than those included in the previous heading, of the members of the board of directors with the significant shareholders and/or in entities of its group:

C.1.18 Indicate whether or not there has been any amendment to the regulations of the board during the year:

Yes [X] No [ ]

Description of amendments
Change of the company's name, formerly Fersa Energías Renovables, S.A., to Audax Renovables, S.A. Adjustment of the remuneration system for the directors to the current system defined in the Articles of Association, based on attendance-related per diems.

C.1.19 Indicate the procedures for the appointment, re-election, assessment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

In this context, the Regulations of the Board of Directors establishes the following:

Article 10. - Appointment and disqualification

The proposals for appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and the resolutions for appointments adopted by such body by virtue of the co-optation authority legally granted thereto must first be proposed by the Appointment and Remuneration Committee, when independent Directors are involved, and the Board of Directors itself, in other cases.

In any circumstances, the proposal shall be accompanied by a justifying report to the Board about the competence, experience and merits of the nominee proposed, which will be attached to the minutes of the General Meeting or the Board itself. Furthermore, the proposal for appointment or reappointment of any non-independent directors must be preceded, moreover, by a report of the Appointments and Remuneration Committee. The provisions of this paragraph shall also apply to natural persons who are designated representatives of a legal entity counsellor. The proposal must be included into the report of the Appointments and Remuneration Committee. The Directors shall observe the legal regulations concerning disqualification.

Article 11. - Term of office

The Directors shall hold office for the term stated in the Articles of Association and may be reappointed under the Articles of Association.

The Directors appointed by co-optation shall hold office until the date of the first General Shareholders' Meeting held, which shall ratify the appointments or appoint the persons that must replace the Directors that are not ratified, unless it is decided to eliminate the vacancies.

Article 12. - Dismissal

The Directors shall step down from office once the period has elapsed for which they were appointed and in any other cases stipulated by law or the Articles of Association.

In any circumstances, they may make their office available to the Board of Directors and formalise their relevant dismissal in the following cases:

(i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.

(ii) When they are involved in any of the legally specified situations of disqualification or prohibition.

(iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.

(iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all tis shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.

(v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.

(vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

In the case of a person acting on behalf of a company appointed as a Director in any of the aforementioned situations, such person shall be disqualified from exercising their proxies.

C.1.20 Explain to what extent the annual evaluation of the board of directors has brought about significant changes in the internal organisation of the Board and the procedures of its activities:

Description of the changes
The annual evaluation of the Board of Directors has served to discover the areas that needed to be improved, however, the issues were of rather formal nature which did not require significant changes of the internal organization of the Board nor of the procedures of its activities.

C.1.20. bis Describe the process of evaluation and the areas subjected to evaluation conducted by the board of directors with possible help from an outside advisor, in reference to the diversity of its composition and competences, actions and composition of the committee, the performance of the chairman and chief executive officer, and in reference to the performance and input of each individual director.

The Board, in collaboration with the non-director Secretary, conducted an evaluation of the organisation and activities, and composed a report containing their conclusions in this area. The evaluation concerned, among others, the following matters:

• Regarding the composition – whether or not the Board fulfils the criteria of independence and qualifications of the Directors, required under internal policies.

• Regarding the evaluation of actions and conducting the session – whether the Board was called correctly and efficiently, systematically, with sufficient notice and proper notification.

• Regarding the participation in sessions, involvement and active collaboration of all the Directors during the fiscal year – whether or not the following occurred:

- debates and frequent speeches from the Directors;
- systematic participation of all the directors, and
- effective involvement.

• Analysis of actions and collaborations with the Audit Committee and the Appointment and Remuneration Committee.

• Actions conducted by the Directors (in particular, the company's strategy, business analysis, risk control, internal control over financial reporting, etc.).

• Actions conducted by the Chairman of the Board.

C.1.20.ter Detail business relations, if there are any, between the assessor or a company of the same group with the company or a company of its group.

N/A

C.1.21 Indicate circumstances in which directors can be compelled to resign.

The Directors of the Company must tender their resignation to the Board and formalise their respective removal in any of the six (6) cases comprised in article 12 of the Regulations of the Board of Directors (see section C.1.19).

C.1.22 Section repealed.

C.1.23 Are reinforced majorities other than those applicable by law required for any type of decision?

Yes ☐ No ☒

If so, describe the differences.

C.1.24 Indicate if there are specific requirements other than those relating to directors in order to be appointed as chairman.

Yes ☐ No ☒

C.1.25 Indicate whether the chairman has a casting vote:

Yes ☒ No ☐

Matters in which a casting vote exists
In accordance with article 6.1 of the Regulations of the Board of Directors, the Chairman shall preside over, as the case may be, the Executive Committee, and represent it, and will have the deciding vote. In the case of representation, the provisions of article 9 of the Regulations shall prevail, according to which representation to attend the meetings of the Board can only be granted to another Director and must be specific to each meeting, however the non-executive directors can appoint only another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting only in the absence of the Vice-Chairman, and shall not have the right to exercise the deciding vote.

C.1.26 Indicate whether the articles of association or the board regulations establish any age limit for directors:

Yes ☐ No ☒

C.1.27 Indicate whether the articles of association or the board regulations establish a limited term of office for Independent directors:

Yes [X] No [ ]

Maximum term of office in years	12

C.1.28 Indicate whether the articles of association or the board regulations establish specific processes for delegation of votes in the board of directors, the way of doing it and, particularly, the maximum number of delegations that a director can have, as well as if there is a limit established as to the category subject to delegation, other than those established by the law. If so, describe briefly the processes.

In conformity with article 9 of the Regulations of the Board of Directors, the meeting of the Board is validly constituted when the majority of its members are present or represented thereat, and also, without the need for a prior call, when all its members are present and unanimously decide to constitute a meeting of the Board. Written ballots without a meeting shall only be permitted when no Director opposes such a procedure.

The power of representation to attend the meetings of the Board shall only be conferred upon another Director, and must be made expressly for each meeting, however non-executive directors can only appoint another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting in the absence of the Vice-Chairman, and shall not have the right to cast the deciding vote.

Each Director present or represented shall have the right to one vote.

C.1.29 Indicate the number of meetings that the board of directors has held over the year. Also indicate, where applicable, how many times the board has met without the chairman being present. When calculating the number, representations made with specific instructions shall be considered.

Number of meetings of the Board	8
Number of Board meetings without the Chairman attending	0

If the chairman is an executive officer, indicate the number of meetings held without any executive director attending and presided by a coordinator

Number of meetings	0

Indicate the number of meetings held by the different board committees over the year:

Committee	Number of meetings
Executive Committee	8
Audit Committee	5
Appointment and Remuneration Committee	2

C.1.30 Indicate the number of meetings held by the board of directors during the year with the attendance of all its members. When calculating the number, representations made with specific instructions shall be considered:

Number of meetings with all the directors in attendance	8
% of attendances over the total number of votes during the year	100,00%

C.1.31 Indicate if the individual and consolidated annual accounts submitted for approval by the board are certified previously:

Yes ☐ No ☒

Identify, where applicable, the person/people who has/have certified the company's individual and consolidated annual accounts in order to be drawn up by the board:

C.1.32 Explain, where applicable, the mechanisms established by the board of directors to prevent the individual and consolidated annual accounts drawn up by them from being submitted to the general meeting of shareholders with qualified opinion in the auditors' report.

The Board of Directors has the Audit Committee which, according to article 7.3 of the Regulations of the Board of Directors, is competent for the following duties:

(i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders for items within its competence.

(ii) Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

(iii) Supervising the preparation and submission of the required financial information.

(iv) Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement of the General Shareholders' Meeting, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in the exercise of their functions.

(v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.

(vi) Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.

(vii) To inform, in advance, to the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

C.1.33 Is the secretary of the board a director?

Yes ☐ No ☒

If the secretary of the board is not a director, complete the following table:

Name or company name of the secretary	Representative
Ms NAIARA BUENO AYBAR	

C.1.34 Section repealed.

C.1.35 Indicate, where applicable, the mechanisms established by the company to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

Article 20 of the Regulations of the Board of Directors stipulates:

Article 20. - Relationship with the Auditors

The Board of Directors shall establish an objective, professional and ongoing relationship of the Audit Committee with the company's external auditors appointed by the General Shareholders' Meeting. In all cases, it shall observe the independence of such auditors and ensure that they are provided with accurate information.

C.1.36 Specify whether the company has changed external auditor over the year. If appropriate identify the incoming and outgoing auditors:

Yes [X] No [ ]

Outgoing auditor	Incoming auditor
Deloitte, S.L.	KPMG Auditores, S.L.

If there was a disagreement with the outgoing auditor, explain its content:

Yes [ ] No [X]

C.1.37 Indicate if the audit company performs other tasks for the company and/or its group other than auditing activities, and if so, state the amount of the fees received for said activities and the percentage of the fees invoiced to the company and/or its group:

Yes [X] No [ ]

	Company	Group	Total
Amount of fees for tasks other than auditing activities (EUR thousands)	20	7	27
Amount of fees for services other than auditing activities / Total amount invoiced by the audit company (%)	15.04%	5.26%	20.30%

C.1.38 Specify whether the auditor's report on the annual accounts from the previous year includes any reservations or exceptions. Where applicable, indicate the reasons given by the chairman of the audit committee to explain the content and scope of the said reservations or exceptions.

Yes [ ] No [X]

C.1.39 Indicate how many years the current audit company has been auditing, without interruption, the annual accounts of the company and/or its group. Also indicate the percentage of the number of years audited by the current audit company over the total number of years that the annual accounts have been audited:

	Company	Group
Number of years without interruption	1	1

	Company	Group
Number of years audited by the current audit company / Number of years the company has been audited (%)	6.66%	7.14%

C.1.40 Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have external assessment:

Yes [X] No [ ]

Procedure details

Article 14 of the Regulations of the Board of Directors stipulates as follows:

Article 14.- Services of experts

In order to assist them in performing their duties, the non-executive Directors may request, when necessary due to the special circumstances, that legal, accounting or financial consultants or other experts are hired at the expense of the Company. The work must in all cases be related to specific problems of certain importance and complexity involved in performing their duties.

The decision to hire the aforementioned experts must be notified to the Chairperson of the Company's Board of Directors and may be vetoed by the Board of Directors if the following circumstances are accredited:

(i) It is unnecessary to fully perform the duties entrusted to the external Directors;

(ii) Its costs its unreasonable bearing in mind the importance of the problem and the Company's assets and income;

(iii) The technical assistance included may be suitably provided by the Company's experts and technicians; or

(iv) It could jeopardise the confidentiality of the information that will be dealt with.

C.1.41 Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have the information necessary to prepare the meetings of the boards of directors with sufficient time:

Yes [X] No [ ]

Procedure details

In this respect article 16.4 of the Regulations of the Board of Directors establishes the following:

16.4. Other duties of information

The Directors must inform the Company of the shares thereof that they directly hold or that are held through companies in which they have a controlling interest. They shall also notify information of any others they directly or indirectly hold through persons associated therewith.

The Directors must also notify any significant change in their professional situation that affects the nature or condition by virtue of which they were appointed as Directors.

Similarly, the Directors must notify any situation that affects them or could affect the prestige or reputation of the Company, in particular, criminal cases in which they are involved as defendants and any important legal difficulties. After examining the situation in question, the Board of Directors may require that the Director is dismissed, and this decision shall be binding for the Director.

C.1.42 Indicate and, where applicable, give details of whether or not the company has laid down rules that oblige the directors to report and, in cases that damage the company's credit and reputation, resign:

Yes [X] No [ ]

Explanation of the rules

Pursuant to points (iii) and (vi) of Article 12 of the Regulations of the Board of Directors, The Directors shall make their office available to the Board when they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities, and when, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.43 Indicate whether or not any member of the board of directors has informed the company that he/she has been prosecuted or hearings against him/her have been opened for any of the offences laid down in article 213 of the Corporate Enterprises Act:

Yes ☐ No ☒

Indicate whether or not the board of directors has analysed the case. If the answer is affirmative, give a reasoned explanation of the decision taken as to whether or not the director remains in his/her post or, if the case, exposes the performance done by the board of directors until the date of the present report or that is expected to do.

C.1.44 Detail the significant agreements hold by the company that enter into force, are modified or terminated whenever a change in the company's control takes place resulting from a public acquisition offer, and its effects.

Such agreements do not exist.

C.1.45 Identify in an aggregate form and indicate, in a detailed form, the agreements between the company and its managers and directors or employees that have at their disposal severance payments when they resign or are unfairly dismissed or if the working relationship concludes due to a public acquisition offer.

Number of beneficiaries: 1

Type of beneficiary:

General Manager

Description of the agreement:

The employment contract with the General Manager stipulates that in case of termination of the contract due to certain causes, a compensation will be provided amounting to 45 days of remuneration per year of work.

Indicate whether these contracts have to be communicated and/or approved by the bodies of the company or of its group:

	Board of Directors	General Meeting
Governing body that authorises the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed of the clauses?		**X**

C.2 Committees of the company's board of directors

C.2.1 Provide details of all the committees of the board of directors and their composition and participation of executive, proprietary, independent and other external directors in said committees:

Executive Committee

Name	Position	Category
Mr EDUARD ROMEU BARCELÓ	MEMBER	Proprietary
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CHAIRMAN	Proprietary
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	100.00%
% of independent directors	0.00%
% of other external directors	0.00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

The composition of the Executive Committee must reasonably reflect the structure of the Board of Directors and must observe the balance established between the different classes of Directors.

It shall be composed of a minimum of three (3) and a maximum of six (6) Directors, and shall hold a meeting at least once every three (3) months. The appointment of its members shall require votes in favour of at least two thirds (2/3) of the members of the Board of Directors. The persons holding the posts of Chairperson and the Secretary on the Board of Directors shall also act in such position on the Committee.
The Executive Committee shall be granted all the authority of the Board of Directors except the duties that, for legal or statutory reasons, cannot be delegated. In particular, as examples but not limited thereto, it may exercise the following duties:

(a) To control the management of the Company.

(b) To study and propose the guidelines that must define the corporate strategy and supervise its implementation, with special attention being paid to diversification actions.

(c) To deliberate and inform of the following matters to be submitted to the Board of Directors: (i) The Company's budgets with a breakdown of the relevant forecasts for each business line; (ii) Important investment sand alliances or agreements. (iii) Financial transactions; and (iv) Corporate transactions.

At the discretion of the Chairperson or the majority of the members of the Executive Committee, the resolutions whose importance so requires, may be submitted for subsequent ratification by the Board of Directors. In any circumstances, all the members of the Company's Board of Directors shall be allowed to access the minutes of the Executive Committee meetings.

The activities of the Executive Committee in the year 2017 were beforehand approved by the Board of Directors.

Indicate whether the composition of the delegated or executive committee reflects the composition of the board of directors as to the different types of directors:

Yes [X] No [ ]

Audit Committee

Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	CHAIRMAN	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	MEMBER	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

Pursuant to article 7.3 of the Regulations of the Board of Directors, the Board has set up an Audit Committee composed of 3 members, 2 of which are independent directors, in accordance with the regulations on its makeup and on the basis of a motion of the Appointments and Remuneration Committee, by the Board of Directors from among its non-executive members. At least two of the members of the Audit Committee shall be independent and one of them shall be appointed bearing in mind their knowledge and experience in accounting or auditing matters, or both.

The Chairperson of the Audit Committee shall be appointed by the Company's Board of Directors from among the independent members of such Committee. The Audit Committee shall appoint also a Secretary and, if appropriate, a Deputy Secretary. The duties of the Secretary of the Audit Committee shall be performed by the Secretary of the Board.

The members of the Audit Committee shall hold their posts for a maximum of four (4) years and may be reappointed. The Chairperson shall hold office for maximum term of four (4) years and for their reappointment to such position at least one year must have elapsed since they stepped down from office, notwithstanding their reappointment as a member of the Committee.

The Audit Committee shall, in any circumstances, be competent for the following duties:
(i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders for items within its competence.

(ii) Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

(iii) Supervising the preparation and submission of the required financial information.

(iv) Presenting to the Board of Directors the motions to choose, appoint, reappoint and replace the external auditor and the terms of their engagement, as well as gathering from them information on the audit plan and its execution while preserving their independence in the exercise of their duties.

(v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other related to the development of the audit process, as well as other communications included in auditing laws and the auditing standards. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.

(vi) Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any circumstances, the assessment of the services rendered in addition to those mentioned in the above paragraph, considered individually and collectively, other than the statutory audit and in relation with the regulatory audit legislation.

(vii) To inform the Board of Directors in advance about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax havens; and (c) related party transactions.

During the year 2017 the Audit Committee held five (5) meetings to fulfil its duties.

The Audit Committee shall hold a meeting at least four (4) times a year, one every quarter of the year, and in any circumstances, as often as may be deemed necessary by the Chairperson or when a meeting is requested by half of the Committee's members. The meeting shall be considered validly held when the majority of the Committee's members attend to it personally or by proxy. In the case of a draw, the Chairperson shall hold the casting vote.

The Audit Committee shall submit a report about its activities during the year for the approval of the Board of Directors, to subsequently be made available to the shareholders and investors.

Indicate the director, member of the audit committee, appointed bearing in mind his/her knowledge and/or experience in accounting or auditing matters and specify in years the current term of office of the chairperson of the committee.

Name of the director with experience	Mr JOSEP MARIA ECHARRI TORRES
Years of the current term of office of Chairperson	1

Appointment and Remuneration Committee

Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	MEMBER	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	CHAIRMAN	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	33,33%
% of independent directors	66,67%
% of other external directors	0,00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

The Appointment and Remuneration Committee is made up of three (3) non-executive directors, two (2) of which are independent directors and have been appointed bearing in mind their knowledge, abilities and experience in accordance with the regulations of its composition.

The members of the Appointment and Remuneration Committee hold office for a maximum of four (4) years and may be reappointed. The Board of Directors appoints a Chairperson from among the independent members of the Committee. The office of the Chairperson shall be held for a maximum term of four (4) years and at least one (1) year must have elapsed since they stepped down from the office in order to be reappointed, notwithstanding their reappointment as member of the Committee. The office of the Secretary of the Appointment and Remuneration Committee is held by the Secretary of the Board.

Notwithstanding other duties that may be assigned thereto by the Board of Directors, the Appointment and Remuneration Committee shall perform the following basic duties:

(i) Evaluate the skills, knowledge and experience necessary for the Board of Directors. For this purpose, it will define the roles and capabilities required of the candidates to fill each vacancy, and it will evaluate the time and commitment necessary for them to fulfil their duties effectively.

(ii) Establish a goal of representation for the underrepresented sex on the Board of Directors and develop guidance on how to achieve that objective.

(iii) Submit to the Board of Directors the proposals for appointment of independent directors to be appointed by co-optation or for submission to the decision of the General Meeting of Shareholders, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.

(iv) Report on proposals for appointment of the remaining directors to be appointed by co-optation or for submission to the decision of the General Meeting, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.

(v) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts.

(vi) Examine and organise the succession of the Chairperson of the Board of Directors and the Company's Chief Executive Officer and, if appropriate, make suggestions to the Board of Directors in order to perform such succession in an orderly and planned manner.

(vii) Suggest to the Board of Directors the remuneration policy for the directors and general managers or senior management under direct control of the Board, of the executive committees or of the managing directors, as well as the individual remuneration and other contractual terms of executive directors, ensuring compliance therewith.

During the year 2017 the Appointment and Remuneration Committee has held two (2) meetings to fulfil its duties.

C.2.2 Complete the following table with the information relative to the number of women that are part of the committee of the board of directors during the last four years:

	Number of women in the committee							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

	Number of women in the committee							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Appointment and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of committee regulations, the location at which they are available for consultation, and the modifications that have been made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.

The regulations of the Executive Committee, Audit Committee and Appointments and Remuneration Committee are included in the Regulations of the Board of Directors (articles 7.2, 7.3 and 7.4, respectively), available in the company's website:

http://www.fersa.es/reglamento-del-consejo-de-administracion/

The Board of Directors has carried out an evaluation of the activity of each of the committees.

C.2.6 Section repealed.

D RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure for the approval of the related party and intra-group transactions.

Procedure for the approval of related party transactions
Pursuant to article 17 of the Regulations of the Board of Directors of Audax Renovables, the Board of Directors, directly or through the Audit Committee, shall ensure that the transactions between the Company or companies of its group with significant shareholders are carried out at arm's length and in accordance with the principle of equal treatment of the shareholders that are in identical situation. If they are ordinary transactions and are of usual and recurrent nature, the general authorisation of the operating line and the conditions for performance shall be deemed sufficient, with a prior report in favour issued by the Audit Committee. However, the authorisation by the Board of Directors shall not be necessary when the conditions are met stipulated in section (t) of Article 4 of the Regulations of the Board of Directors. The Annual Corporate Governance Report of the Company shall include information about these transactions.

D.2 Detail the significant operations for its quantity or for its type that have taken place between the company or companies of its group, and the significant shareholders of the company:

Name or company name of significant shareholder	Name or company name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (EUR thousands)
AUDAX ENERGÍA, S.A.	AUDAX RENOVABLES, S.A.	Corporate	Financing agreements: loans	2,150

D.3 Detail the significant operations for its quantity or significant for its type that have taken place between the company or companies of its group, and the administrators or senior managers of the company:

D.4 Detail the important operations carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company's usual trading in terms of its purpose and conditions.

In any case, any operation inside the group done with companies established in countries or territories considered as tax haven has to be notified:

Company name of the entity of the group:

ORUS RENOVABLES, S.L.U.

Amount (EUR thousands): 5

Short description of the transaction:

Office lease.

Company name of the entity of the group:

A-DOS ENERGÍA, S.A.

Amount (EUR thousands): 757

Short description of the transaction:

Hedges for energy prices.

Company name of the entity of the group:

GENERACIÓN IBERIA, S.L.

Amount (EUR thousands): 486

Short description of the transaction:

Hedges for energy prices.

D.5 Specify the amounts of other related party transactions.

0 (EUR thousands).

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group, and its directors, executives or significant shareholders.

Article 16.2 of the Regulations of the Board of Directors stipulates the following (without prejudice to the exemption rules established in article 16.3 thereof):

In order to avoid conflicts of interest [...] the Directors should abstain from:

(i) Performing transactions with the Company, except for ordinary transactions carried out under standard conditions for customers and of little importance, defined as those for which information is not required to reflect a fair image of the equity, financial situation and the results of the Company.

(ii) Using the name of the Company or their position of director to improperly influence the performance of private transactions.

(iii) Making use of the company's assets, including confidential information of the Company, for private purposes. This obligation includes the duty of each director to avoid using undisclosed information of the Company for their own benefit, either directly or disclosing it to third parties, and to abstain from performing and from suggesting to others to perform transactions on the securities of the Company or of its subsidiaries, associated or related companies about which they may have obtained, by virtue of their position, undisclosed information, all abovementioned without prejudice to the duties incumbent on directors under the regulations of the Securities Market and the rules of conduct stipulated in the Company's Internal Regulations for Conduct.

(iv) Taking advantage of the business opportunities of the Company. Accordingly, the directors must not perform, for their own benefit or for the benefit of associated persons, investments or transactions related to the Company's assets of which they have obtained information by virtue of their office, when the investment or transaction has been offered to the Company or the Company has interest in it , as long as the Company has not rejected the investment or transaction without the influence of the director and pertinent authorisation of the Board of Directors has been given to perform it.

For this purpose, business opportunities refer to any possibility of making an investment or commercial transaction which has arisen or has been discovered in connection with holding the position of director or by the use of means and information of the Company or under such circumstances that would reasonably imply the assumption that the third party's offer was in reality addressed to the Company.

(v) Obtaining advantages or remunerations from third parties other than the Company and its group, associated to holding the office, except for mere courtesy attentions.

(vi) Carrying out for their own account or as an employee activities involving effective competition, whether actual or potential, with the Company or activities that would put them anyway in permanent conflict with the Company's interests. Directors holding office in subsidiaries or investees of the Company are exempt from this prohibition.

The foregoing provisions shall also apply to the event when the beneficiary of the prohibited activities is a person associated to the director under the terms of article 231 of the Spanish Corporate Enterprises Act.

In any circumstances, the directors must inform the Board of Directors about any situation of direct or indirect conflict of interests between them or the persons associated to them, and the Company . The conflicts of interest incurred by the directors shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report.

D.7 Is more than one group company listed on the stock markets in Spain?

Yes ☐ No ☒

Indicate the subsidiary companies listed in Spain:

Subsidiary company listed on the stock market

Indicate if you have defined publically with precision the corresponding areas of activity and possible business relationships between them, as well as those of the listed subsidiary company with the rest of the group companies;

Indicate possible business relationships between the parent company and the listed subsidiary company, and between the listed subsidiary company and the rest of the group companies

Identify the mechanisms provided to solve the possible conflicts of interest between the listed subsidiary company and the rest of the group companies:

Mechanisms of solving the possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1Explain the scope of the company's risk management system including tax risk.

The Audax Renovables Group considers risk to be any future event or contingency that could hamper the Company’s ability to successfully meet its business objectives.

In this sense, the Group is submitted to several risks associated to the different countries and markets in which it operates, and that can prevent it to achieve its objectives and executing its strategies with success. It is 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, and establishes, throughout the General Policy of Risk Control and Management of the Group, the mechanisms and basic principles for an adequate management of the risk, that allows:

a) to achieve the strategic objectives that the Group determines;
b) to provide the maximum level of guarantees to the shareholders;
c) to protect the results and the reputation of the Group;
d) to defend the interests of shareholders, clients, and other Groups interested in the continuity of the Company;
e) to guarantee business stability and financial strength on a sustained basis throughout time;
f) to separate the areas that assume risks besides those that control them;
g) to apply the transparency and good governance practices; and,
h) to act according to the actual legal regulations and to the established commitments in the Corporate Responsibility framework.

In the fulfilment of this commitment the Board of Directors collaborates with the Audit Committee that, as a delegate and advisory structure, supervises and informs about the adequacy of the evaluation system and internal control of significant risks.

Every activity aimed to control and mitigate the risks will be subject to the following basic principles of performance:

a) Integrate the risk-opportunity vision in the management and strategy of the Company.
b) Perform an appropriate segregation of functions to guarantee an adequate level of independence.
c) Guarantee the proper use of risk hedging instruments.
d) Inform about the risks for the Group and about the implemented systems to mitigate them.
e) Align with such Policy all the specific policies that need to be developed in the matter of risk.
f) Ensure the adequate compliance with the corporate governance rules.
g) Act always respecting the law and the Corporate Code of Ethics and Conduct.

Such General Policy of Risk Control and Management of the Group is carried out through the procedures, methodologies and support tools, and that includes the following guidelines:

a) The identification of the significant risks of corporate governance, market, credit, liquidity, capital management, business, regulation, operational, environmental, reputational and others.
b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments, as an essential element in the decision making in key of profitability-risk.
c) The settlement of political structures, guidelines and limits.
d) The implementation and control of the compliance of the policies, guidelines and limits, throughout the adequate procedures and systems, including the necessary contingency plans to mitigate the impact of the materialisation of the risks.
e) The measurement and risk control following homogeneous procedures and standards common in all the Group.
f) The information and internal control systems that allow to do a regular and transparent evaluation and communication of the results of the monitoring and management of risks, including the compliance of the policies and the limits.
g) The continuous evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations in concept of risks for the eventual incorporation in the model.
h) The review of the system by the Internal Audit Department of the Group.

The General Policy of Risk Control and Management is developed and complemented throughout the corporate risk policies that are established in relation to the business units and/or companies of the Group that are set out below and that are also subject to supervision by the Audit Committee and approval by the Board of Directors.

Structure of the Risk Policies of the Group:
• General policy of risk control and management.

Corporate Risk Policies:
• Guidelines and general principles for the prevention of criminal risk.
• Delegation of authority.
• Financial risks management policy.
• Investments, purchases and suppliers policy.
• Guidelines for accounting policies.
• Guidelines for information security systems.
• Project finance process and projects' status.
• Policies for loan granting and formalising conditions.
• Acquisition and disposal of own shares procedure.
• Guidelines of the regulated information to be disclosed to the market.
• System of Internal Control for Financial Information (ICFR).

E.2 Indicate the social governing bodies responsible for establishing and executing the risk management system including tax risk.

In order to adequate the impact of the risk, the Audit Committee, as a delegated and advisory Committee of the Board of Directors, apart from supervising the proposals of the Management and/or the Internal Audit Department, has the autonomous capacity to suggest to the Board of Directors for its approval the proposals of guidelines to regulate the limits of different risks, including tax risk, that are considered as acceptable for the Group.

AUDIT COMMITTEE

With regard to the functions of such governing body, its own regulations and the Regulations of the Board of Directors stipulate that the Audit Committee has competence to perform, in any circumstances, the following functions:

- Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.
- Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions. Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.
- Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.

To inform, in advance, to the Board of Directors about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax heavens; and (c) related party transactions.

BOARD OF DIRECTORS

Within the scope of its competence, with the support of the Audit Committee, the Board of Directors should ensure that the necessary mechanisms are introduced to identify measure, manage and monitor relevant risks of any type, establish the Company's risk strategy and profile, and approve the Group's risk policies.

In particular, the Board of Directors shall approve and supervise the risk control and management policy, as well as the monitoring of the system of internal control over financial reporting.

E.3 Indicate the main risks, including tax, that can affect the company in achieving business aims.

The risk factors which the Group is submitted to are, generally, the ones that follow.

a) Corporate governance risks: the Company assumes the need to maximise in a sustained form the economic value of the Company and its good aim in the long run, in accordance to social interest, culture and vision and corporate mission of the Group, taking into consideration the legitimate, public or private interests, that converge in the development of all business activity and, particularly, among the different interest Groups, the ones of the communities and territories in which the Company performs and those of its workers. For this, it is fundamental the compliance of the corporate governance system of the Company, integrated by the Articles of Association of the Company, the corporate policies, the internal rules of corporate governance and the other codes and internal procedures approved by the competent governing bodies of the Company and inspired in the recommendations of good governance generally accepted.
b) Market risks: defined as exposure of the Group's results to variations in the prices and market variables, such as the exchange rate, interest rate, inflation, price of raw materials (electricity, emission rights, other fuels, etc.), prices of financial assets and other.
c) Loan risks: defined as the possibility that a counterparty does not comply its contractual obligations and produces an economic or financial loss in the Group. The counterparties can be final clients, counterparties in financial markets or in energy markets, partners, suppliers or contractors.
d) Liquidity risk: defined as the possibility of a company of not being able to attend its liabilities in the short run. For this, a careful management of the liquidity risk implies the maintenance of cash and sufficient tradable securities, the availability of financing throughout a sufficient amount of credit facilities and having the capacity to settle market positions.
e) Capital management risk: the objective of the management of capital risk is to maintain an appropriate ratio between the acquirement of internal and external financing (financial liability).
f) Financial restriction risk: the objective to manage such risk is to maximize the resources available by the Group, mainly throughout a proper generation of cash flow, optimization of the recurrent expenses, as well as the restriction in the grant of financial resources to the Group's subsidiaries.
g) Business risks: established as the uncertainty of the behaviour of the key variables intrinsic to the business, such as the demand characteristics, weather conditions, or the strategies of the different agents and other.
h) Regulatory risks: those resulting from regulatory changes established by the different regulators such as the changes in the remuneration of the regulated activities or the required conditions of supply, environmental regulation, fiscal regulation and other.
i) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of external successes, including their economic, social, environmental and reputational impact, as well as the legal risk.

j) Reputational risks: potential negative impact on the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest Groups: shareholders, clients, media, analysts, Public Administration, employees and society in general.
k) Other risks: at certain moments and/or situations there may exist new factors that generate the identification of new risks (through the analysis of the risk map of the Group, among others) whose potential impact can be significant for the Group, and therefore, are taken into consideration in the decision making to mitigate the impact of such risks.

E.4 Indicate whether the company has a level of risk tolerance, including tax risk.

The Group has not quantified a specific level of risk tolerance, adapting it to the different situations, taking into account the risk/opportunity combination.

Nevertheless, at the quality level, the risk map of Audax is the identification and valuation tool of all risks of the Group. All risks considered are evaluated considering probability and impact indicators.

In accordance with these parameters, risks are classified as:

• Non-significant risk: risks which impact is very low or out of control of the company. These risks are managed to reduce the frequency in which they are produced only if its management is economically feasible.
• Low risk (tolerable): risks that occur with little frequency and that have a low economic impact. These risks are monitored to check that they are still tolerable.
• Medium risk (severe): frequent risks with a very high impact. These risks are monitored and, where appropriate, regularly managed.
• Top risk (critical): occur with low frequency but the economic/strategic/reputational impact is really high. These risks are constantly monitored.

These risks are constantly monitored.

E.5 Indicate which of the risks, including tax, have taken place during the year.

The activity of Audax Renovables to the area of renewable energy sources. This activity takes place in a changing environment, with regulations, subsidies or fiscal incentives that can suffer some modifications. The Group is subject to government regulations, and the changes in the regulations or requirements can have an impact on the business, affecting the actual plants' profitability and our future capacity of financing projects.

In Spain, on 13 July 2013 the Royal Decree 9/2013 of 12 July was published, in which urgent measures are adopted to guarantee the financial stability of the system. This Royal Decree abolished the previously valid Royal Decree 661/2007. This new regulation establishes the new remuneration system principles for the renewable energy generation plants and is submitted to the Government for the new remuneration system to be approved. Under this new regulatory framework, the income from the special system installations will come from:

- Income originated from the sale of electricity on the market.
- Income originated by the specific remuneration system, if applicable. The specific remuneration system will consist of the sum of two factors: the remuneration for the investment and the remuneration for the operation, which will be regularly checked.

Subsequently, in June 2014, the Royal Decree 413/2014, of 6 June was published, which regulates the sector of electric energy production from renewable sources, cogeneration and waste, together with the Ministerial Order IET 1045/2014 which establishes new remuneration schemes for typical installations, applicable to certain energy production facilities which use renewable sources of energy, cogeneration and waste. These regulations specify the amounts in EUROS of said special remunerations for every kind of technology and type of installation of renewable energy.

On 2 December 2016 a draft of an amendment to those remuneration schemes was published for the second remunerative half-period (from 1 January 2017 to 31 December 2019), establishing the amounts of remuneration for the operation which will be applicable during the first half year of 2017, in compliance with the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2014, of 2 July.

The Audax Renovables Group has evaluated the effect of the latest draft of regulation comparing it to the previous one against the estimations made on the basis of the regulation valid until 31 December 2016, without finding significant material differences between them.

In France the electricity facilities must hold authorisations for operations under the Law no. 2000-108 /10 February 2000, on the modernisation and development of the electricity utilities, as well as according to the Decree no. 2000-877/ 7 September of the same year, on the authorization for operating electricity facilities. Having obtained the authorisation, the electricity producers will be subject to the remunerative system pursuant to Decree of 10 July 2006.

The remuneration to the facilities generating land-based wind energy is established for the first 10 years and is inflation-indexed on 1 November every year.

On 9 December 2015, the French Energy Regulation Commission (CRE) delivered an opinion about a new draft of a decree on additional remuneration mentioned in article L.314-18 of the Energy Code. The opinion provides that the renewable energy producers, after completing their contract for the sale of energy, will have the right to receive an additional compensation, which will have the form of a bonus involving both the installed capacity and the produced energy.

On 30 December 2017 a new law was passed concerning finances for the year 2018 and subsequent years in which, among other things, provisions were made for the change in corporate income tax rates. Article 84 of this law features changes in tax rates that affect us. The current tax rate of 33% will undergo a change according to a rate list of up to 25% depending on the turnover.

In Poland until 31 December 2015 the policy of incentives for wind energy was based on a system of obligatory quota and a parallel market of green certificates. However, in May 2015 this system was substituted:

- for new facilities launched after 1 July 2016 - by a system of auctions of energy where the winners of the auction will have a guaranteed price during 15 years.
- applicable to wind farms launched before 1 July 2016 – a system of quota. This regulation points out a price for the energy and a penalty "Substitution Fee (SF)" to be paid in the case of not delivering sufficient amount of certificates of origin to comply with the established quota.

These amendments stipulate that the right under the policy of incentives to sell all the generated energy at an average market price of the last quarter is limited to 1 January 2018. From that day on the suppliers of last resort will be able to negotiate and even formalise with others the contracts signed with the producers.

The Audax Renovables Group has already evaluated the impact of the new legislation in Poland in the impairment test as at 31 December 2016 which implied an impairment of its assets in the previous year.

E.6 Explain the response and supervision plans for the main risks, including tax.

The Audax Renovables Group has available an updated Risk Map which shows that significant risks are those that can negatively affect various aspects, such as: operations, economic profitability, financial solvency, information, corporate reputation and integrity of its employees, including the risk of fraud.

For this reason the Group has identified which of these risks can affect the Group somehow or other and what measures have been used to cover such risk in the best way minimising its impact. Furthermore, for other risks whose impact is still not covered, there is an executive schedule, established together with an action plan, of appropriate measures that will help avoid as far as possible a significant impact of such risks on the Group.

The implementation of such measures is carried out by the Management of the Group, with the Audit Committee and, lastly, the Board of Directors being the two governing bodies responsible for monitoring and approving the measures carried out, respectively.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that constitute the risk control and management systems in relation to the financial reporting process (ICFR) of your company.

F.1 Control framework of the entity

Inform, indicating the main features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The Internal Control over Financial Reporting System (hereinafter ICFR) of the Audax Renovables Group is part of its general system of internal control and is arranged as a set of procedures carried out by the Board of Directors, Audit Committee and Management and employees of the Group in order to provide reasonable security concerning the reliability of the financial information subject to disclosure.

The Board of Directors of the Audax Renovables Group is the maximum decision body of the Group, delegating the ordinary management to the executive bodies and the management team, and concentrating, therefore, its activity on monitoring which can be delegated to the Audit Committee. The Board of Directors has the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR system.

On the other hand, the Management is responsible for the accurate implementation of the ICFR system.

Among the direct responsibilities to be carried out by the Board of Directors, in terms of the internal control over financial reporting, without any prejudice to the effects that the delegations and powers granted may cause to third parties, and according to what is established in its own Regulations (article 4), there are, among others, the following duties:

• The determination of the risk control and management policy, including tax issues, and regular monitoring of the internal information and control systems.
• The determination of the corporate governance policy and of the Company and of the group being its dominant entity; its organization and operation and, in particular, the adoption and amendment of its own regulations.
• The approval of the financial information which the Company must regularly publish as a listed company.

Article 7 section 3 of the Regulations of the Board of Directors of the Group defines the actions and competence of the Audit Committee. For this purpose and in connection with the process of preparing and monitoring financial reporting, the Committee, under the Regulations of the Board of Directors, has the following duties:

• Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discussing with the auditor any significant weaknesses in the internal control system detected during the audit.
• Supervising the preparation and submission of the required financial information.

It is also important to point out that the Audit Committee has available the function of Internal Audit which, together with the monitoring of the former, ensures the proper functioning of the information systems and internal control evaluating periodically the efficiency of the ICFR system and informing regularly the Audit Committee of the weaknesses detected during the performance of its job and the possible infringements of the internal control policy and the timetable for the implementation of the proposed correction measures.

The Management of the Group is responsible for performing the following functions in relation with the ICFR system:

• Revising and approving the policies and guidelines referring to the management of financial reporting;
• Establishing and spreading the needed procedure for the internal control over financial reporting;
• Establishing and carrying out the internal control over financial reporting in order to ensure its reliability and guarantee that the reports, facts, transactions and other relevant aspects are notified properly within the adequate time frame; and
• Monitoring and controlling the compliance of the internal control over financial reporting and of the internal controls and procedures aimed at spreading the information outside, as well as analysing and verifying the efficiency of the controls and their effectiveness.

All the aspects related with the internal control over financial reporting are regulated in the corporate document ICFR Organizational and Monitoring Model which is applicable to all the companies belonging to the Audax Renovables Group; the document establishes the functioning principles and the responsible bodies of the procedures.

F.1.2. If the following elements exist, especially those related with the process of elaboration of the financial statements:

• The departments and/or mechanisms that are in charge of: (i) the design and review of the organizational structure; (ii) clearly define the main line of responsibility and authority, with an adequate distribution of the tasks and functions; and (iii) of the existence of enough procedures so as to ensure its correct diffusion inside the entity.

The Board of Directors of Audax Renovables assigns to the Management of the Group the responsibility for designing and revising the organizational structure as well as for its modification whenever it is deemed necessary. In this respect the appropriate guidelines of authority and responsibility have been developed for each business unit of the Group, documented in the form of an organizational chart and models of dependence which define the tasks and functions of different units. On the other hand, the ICFR Organizational and Monitoring Model, a document formally approved by the Audit Committee, refers to the functions connected with the ICFR.

In order to attain the priority goal of obtaining a correct and reliable financial information, the Group has developed and approved the ICFR Operation Model. This document, approved by the Audit Committee, defines the process of preparing the financial information, functioning of the reports (identification of key controls, formats and the persons responsible of conducting the evaluation and supervision) as well as the executive reporting to be performed by the Internal Audit Department and the evolution and supervision of the overall ICFR system.

Therefore, the responsibility for the internal control over financial reporting is formally determined and assigned.

On the other hand, the documents regarding the ICFR Operation Models are published in a portfolio generally accessible to all the staff.

- Code of conduct, approval bodies, degree of diffusion and instruction, principles and values included (indicating if specific mentions in the registry of operations and the elaboration of the financial statements exist), bodies in charge of analysing the breaches and of suggesting corrective actions and sanctions.

The Audax Renovables Group has a Corporate Code of Ethics and Conduct, approved by the Board of Directors, which explains the ethic commitments and responsibilities in the management of the business and in corporate activities assumed by its professionals, regardless of their post, position within the company, geographical situation or function carried out. Also, complying with the Code is understood without prejudice to the complying with the company's corporate governance and, in particular, of the Internal Regulations for Conduct in the Securities Market.

The document is part of the welcome pack handed in to the new employees together with a letter of agreement with the Corporate Code of Ethics and Conduct, subject to acceptance and signature by all Group employees. The main principles and values defined in this document are: ethics and trust, economic performance, respect to the environment and to the society as well as professional and personal development.

The Corporate Code of Ethics and Conduct is composed by:

• The general principles which regulate the relationship with the implicated parts and which define the reference values for the Group activities;
• The behaviour principles which regulate the relationship with all the parties involved, and provides specific guidelines and norms that the contributors of the Audax Renovables Group must abide by so as to respect the general principles and prevent the risk of non-ethic performance; and
• The implementation mechanisms, which describe the duties of the Audit Committee (concerning dissemination, implementation and control of the Corporate Code of Ethics and Conduct), and of the Internal Audit Department (supervision and issuing of reports as well as improvement proposals), and of the Management (by spreading its communications as well as information to the employees).

The Group applies the Regulation of disciplinary proceedings and sanctions system approved by the Board of Directors to complement the Code of Ethics in regulating the disciplinary procedures of the misdemeanours committed by the employees of the Group. The body in charge of analysing such misconducts and proposing the sanctions and/or corrective measures is the Board of Directors or the Executive Committee, either from the beginning or by request of the Management and after receiving a non-binding report of the Audit Committee.

- Channel of complaints, that allows the communication to the Audit Committee of irregularities of financial and accounting nature, in addition to temporary breaches of the code of conduct and irregular activities in the organization, informing as the case may be if this one is of confidential nature.

The Audax Renovables Group has available a channel of complaints, regulated in the Corporate Code of Ethics and of Conduct of the Group, which makes it possible for all the employees to notify, in a secure and confidential way, any behaviour that can imply an irregular or illegal act or conduct that can be contrary to the established rules. At the start point of the channel of complaints all employees of the Group were informed about the implementation of such form of communication and about its functions. Besides, all the employees are regularly reminded about the aims and operating rules of the channel.

Moreover, the established procedures for the use of this channel guarantee the total and strict confidentiality, given that the received information is managed directly by an independent third party, the Chairman of the Audit Committee of the Group. The responsibility of handling of the complaints made through the Channel of complaints lies with the Chairman of the Audit Committee.

- Training and regular updating programs for those employees involved in the preparation and review of the financial statements, as well as the evolution of the ICFR, that cover at least, accountable norms, auditing, internal control and risk management.

It is the Group's will to systematically update the knowledge of all the employees and management staff about the changes and novelties in preparing and publishing of the financial information. Likewise, the Group's intention is to systematically provide specialised courses about the matters related to ICFR to the employees engaged in preparing the financial statements of the Group. Constant communications with the external auditors and other independent professionals ensure this permanent update.

Additionally, as a consequence of such communications, the directors receive the information about novelties and participates also in the presentations and meetings organised by the external auditors, during which the main news related to the legal regulations, corporate governance and/or financial or tax matters are discussed.

F.2 Evaluation of the financial statements risk

Inform, at least, of:

F.2.1. Which are the main characteristics of the process of risk identification, including the mistakes or fraud, regarding:

• Whether the process exists and is documented.

The Audax Renovables Group implements General Policy of Control and Risk Management intended to establish the basic principles and overall framework of action in terms of control and management of any kind of risk which the Group is exposed to. The policies are developed to supplement various systems of corporate policies regarding risk and specific risk policies which may be established for companies belonging to the Group. This way the Group has identified and updated the main kinds of risks during 2017, organizing appropriate systems of control and internal information, and keeping periodical supervision of them.

This policy also aims at integrated management of financial risk within the borders of the Group's culture and its strategic goals with consideration given to the following goals:

• Identification, analysis, management and limiting of financial risk to which the Group is exposed due to the nature of business it conducts;
• Providing the organisation with a framework in order to enable conducting financial activities in a way that is controlled and consistent;
• Improving the decision making process and financial planning through complex and orderly knowledge of business activity;
• Contributing to a more effective use of resources within the Group;
• Limiting variability within the financial areas of activities;
• Protecting financial assets;
• Developing and supporting persons and knowledge base of the organisation, and
• Optimising the operational effectiveness.

Moreover, the Audax Renovables Moreover, the FERSA Group possesses a general Risk Map which aids in making some of the company's strategic decisions; the duty to upgrade and maintain said document rests with the General Manager and the Board of Directors. This document, upgraded in the year 2017, states that a significant risk is defined as a risk which could negatively impact the operational activity, economical profitability, financial liquidity, information, corporate image, and the employees' integrity, including the risk of fraud. In regards to the latter, the Group, in collaboration with legal advisors and other external advisors, continually works on determining the means to limit potential dishonest behaviours. These means include various methods of action and tasks as well as developing necessary textbooks and procedures (Risk Map, textbooks, procedures, Corporate Code of Ethics and Conduct, norms, conflict of interest / related parties, compliance, complying with the regulations of criminal law, etc.) in order to mitigate the risk of fraud within the Group.

• Whether the process covers the totality of the objectives of the financial statements, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and, if so, how frequently.

The Management of the Group has identified the control objectives for each risk, as well as the people responsible for them, according to the established methodology, taking into account the following potential mistakes in the financial information:

• Integrity.
• Validity.
• Register.
• Cut-off (operations).
• Valuation.
• Accounting classification.
• Breakdown and comparability.

These objectives are updated at least once a year.

• The existence of a process of identification of the scope of consolidation, taking into account, among other aspects, the possible existence of complex business structures, instrumental entities or of special purpose.

The consolidation scope of Audax Renovables is monthly determined by the Management, together with the Accountancy Department, and under a supervision of an external auditor, in accordance with the criteria established by the International Accounting Standards (hereinafter, “IAS”) 27, and other local accountancy regulations. The possible changes in the consolidation are communicated to all the Group's subsidiary companies. To this effect the Group conducts a constantly updated register of companies that covers the totality of shareholding, direct and indirect, as well as all the entities in which the Group has the possibility of exercising control, whichever the legal form in which such control may be assumed.

• Whether the process takes into account the effects of the other typologies of risks (operating, technological, financial, legal, reputational, environmental, etc.) according to the extent by which they affect the financial statements.

Under this general risk management process the Group applies the ICFR Procedures Manual which defines the methods and procedures in the management of special risks in the financial reporting, describes the key processes, the risks present in the ICFR and the controlling actions in order to evaluate determined guidelines for its adequate implementation, functioning and monitoring. In this respect the description of the processes, risks and controls contained in this document is periodically updated and revised by the Group.

• Which governance body of the entity supervises the process.

The body responsible for the supervision of the internal control and risk management system is the Audit Committee of the Group with assistance of the Internal Audit Department.

F.3 Control Activities

Report, indicating your main characteristics, whether you have available at least:

F.3.1. Financial reporting review and authorization procedures, and the description of the internal control system of financial reporting which needs to be published in the stock market, indicating the persons in charge, as well as the descriptive documentation of the activity flows and controls (including those related to the risk of fraud) of the different types of transactions that can affect significantly the financial statements, including the procedures of accounting closure and the specific review of the trials, estimates, valuations and relevant consequences.

The Audax Renovables Group applies the Manual of Regulated Information for Disclosure, duly approved by the Audit Committee and Management of the Group, in which all the obligatory communications are detailed, required by the regulator, and the risks and controls related to that process are identified.

In this way, the Management are in charge of referring quarterly, semi-annually and annually the mandatory financial information to the stock market (CNMV) in coordination with the Internal Audit Department, legal assessors and the Board of Directors. This financial information is elaborated through the different departments dependants of the Management. In said process the Accountancy Department is relevant, as, during the process of closure and consolidation of the accounting cycle, it undertakes different control activities that ensure the fairness of the disclosed information. Additionally, the Management Control Department analyses and supervises the information. Ultimately, the Management reviews and approves the general financial information as well as the specific information about the opinions, estimations, valuations, provisions and forecasts relevant for quantifying the assets, liabilities, income, expenses registered and/or disclosed in the Annual Accounts of the Group.

As was already mentioned above, the Audit Committee is responsible for the process of verifying and approving financial information and for the description of the ICFR. During the closures of the accounting cycle that fall on the end of half-year, the Audit Committee receives comments and information conveyed by the external auditors of the Group based on the control results. Moreover, the Audit Committee (in reference to the half-year closures) informs the Board of Directors about its conclusions regarding the presented financial report, which, after being approved by this body, is forwarded to the stock markets.

In reference to the documentation describing the flows of activities and controls regarding various kinds of transactions which may impact the content of financial reporting, the Group has at its disposal the aforementioned Internal Control over Financial Reporting Manual. The Group implements formulated procedures in these processes which are regarded as significant in terms of their potential influence on financial reporting intended for disclosure; it applies to the following processes:

• Financial closing (accountancy closing and consolidation)
• Impairment test
• Hedging treatment
• Cash and bank accounts
• Operating income recognition
• Exchange rate differences
• Portfolio distribution

It should be mentioned that in recent years the company has undertaken an effort to formulate key actions meant to prevent, mitigate or diminish the risks of fraud within the Group, such as drawing up the Corporate Code of Ethics and Conduct, establishing the Channel of Complaints, centrally managing the appointment of proxies, creating the Investments, Purchases and Suppliers' Management Policy, as well as the Accounting Policies Manual and the Information Security Systems Manual.

The Group also has at its disposal the Criminal Risk Prevention Manual, verified and updated periodically and functioning as one of the important means of action aimed at preventing fraud and establishing the right internal control environment. Additionally, in the year 2016 the Group, on the basis of new requirements imposed by the reform of the Criminal Code (Organic Law no. 1/2015, of 30 March), has developed a Compliance Programme (also called Corporate Defence) with the aim of executing a model of organisation and management involving the optimum supervisory measures which would prevent the commission of torts in the Group (the holding company and its subsidiaries). The aim of the Programme is to indicate the general principles of conduct and action which are expected of the Group's employees, and to indicate the Group's key values within the means to achieve business goals and for the purpose of preventing the occurrence of material threats within the company through avoiding situations of breach of law, and complying with current legal regulations.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Audax Renovables uses information systems for the purpose of conducting a correct register and control of its operations and, subsequently, their correct functioning is a key element of special significance to the Group. Simultaneously the Group continually develops (under the name of Systems Plan) its information systems, creating and upgrading a map of individual applications and planned improvements through creating the right procedures and security devices. Periodic controls of information systems are being carried out and appropriate actions indicated by the Group's Management are being undertaken, in cooperation with the IT Department of Audax Energía (majority shareholder).

For identified applications and systems the Group has the Information Security Systems Manual, verified by the Audit Committee and formally approved by the Board of Directors. This document aims at establishing the technical and organizational means of these systems, spreading the principles and standards of information safety, minimising the risk related to utilising information technologies, preventing the leaks of sensitive data and ensuring a greater integrity, reliability and privacy of the generated information.

In reference to the continuity of operations and data storage, the Audax Renovables Group has at its disposal the following safety measures aimed at preventing data loss due to accidents or unforeseen incidents:

- Backups stored within the company.
- Backups stored outside the company.
- Backups stored by the IT services provider.
- Partition of server with access authorisations depending on the user's profile.

Between the years 2012 and 2017 appropriate improvements have been introduced into the new systems, for the purpose of increasing integrity and security, such as managing orders through the system and gradation of authorisation.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services carried out by independent experts, when these may materially affect the financial statements.

In the year 2017 the Audax Renovables Group did not outsource any significant activities which might have material influence on financial reporting and which would not be subject to oversight on the Group's part. The Group did outsource some of the activities, such as drafting and managing the payroll. Usually evaluations, calculations or appraisals commissioned to third parties, which may have direct influence on financial reporting, are deemed to be necessary actions within the scope of generating financial information, which, in individual cases, lead to identification of the prioritised kinds of error risks, which requires designing internal controls related to them. These controls include analysis and internal approval of key assumptions which may be implemented, as well as verifying evaluations, calculations of appraisals conducted by external entities, through juxtaposing them with calculations carried out internally.

Therefore, in such cases when the company enlists the services of an independent entity, it ascertains the entity's competences, authorisations, independence as well as technical and legal capabilities. In any case the results or reports of individual experts independent in the area of audit, tax or legal matters, are monitored by persons responsible from the Management or other departments for the purpose of confirming the conclusions drawn.

Moreover, within the Group the Investments, Purchases and Supplier's Management Policy is in effect, determining in detail the procedures of investment and purchase approval, levels of making decisions regarding approvals, as well as the policy of selection of suppliers and management of contracts with suppliers.

F.4 Information and communication

Indicate whether at least the following components exist and specify their main features:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy area or department) and settling doubts or disputes arising from the interpretation thereof, maintaining regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The responsibility for applying the accounting policies of the Group is unified for all the geographical area of the Audax Renovables Group's activity and is centralised in the Financial Department. The functions of this Department, together with the active participation of the Accountancy Department of the Group, are the following:

• Draw up and update the Accountancy Policy Manual for the Audax Renovables Group;
• Analyse the operations and transactions undertaken or foreseen to be undertaken by the Group with the main aim of determining its suitable treatment in accordance with the accountancy policies;
• Monitor the new regulatory projects drawn up by the IASB, the new standards passed by this organisation, and the related approval process conducted by the European Union, so as to determine the impact of the implementation thereof on the consolidated accounts of the Group; and
• Answer any question which may arise in any of the subsidiary companies of the Group about the application of the accountancy policies.

Generally, and also in those cases when the application of the accountancy regulations is especially complex, the Financial Department of the Group informs its external auditors about the conclusions of the accountancy analysis conducted by the Group and requests them their opinion. Subsequently, the information is conveyed to the Audit Committee for analysis and approval.

The Accountancy Policies of the Audax Renovables Group are developed in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter “IFRS”) and are collected in a document called Accountancy Policies Manual of the Audax Renovables Group, approved by the Management and by the Audit Committee, and verified by the external auditor. The Group, through the Accountancy Department, and under the supervision of the Financial Management, developed and formalized during the year 2011 said Manual, which collects the accounting principles and criteria of the companies of the Group, determining the registry and valuation guidelines so as to homogenize the accountancy in all the subsidiary companies of the Group, thus making sure of the uniformity of the accountancy and financial information. The document details the sufficient information which the Accounting Department and the Management have deemed necessary and relevant, thus ensuring that both the subsidiaries and the holdings have an adequate knowledge thereof. Such Policies include a general framework and detailed policies, such as those referring to impairment tests, policies and methods of capitalization of costs, swaps calculations, and dismantling provisions. The policies are updated systematically and are subject to a continuous reviewing process.

Additionally, the Audax Renovables Group maintains documented other business processes and detailed procedures that are deemed relevant. All these documents are available for the people responsible for the drawing up of the financial statements of the companies belonging to the Group.

F.4.2. Mechanisms for the capture and preparation of financial information in standard format, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.

The Audax Renovables Group applies the ERP system in drafting and forwarding financial information, the system covering all companies with internal accounting based on the unified chart of accounts. This application satisfies, on the one hand, the needs to report individual financial statements, and on the other, it facilitates the process of consolidation and of the following analysis and verification. Moreover, it contains within one, centralised system, all the information concerning accounting of individual financial statements of subsidiary companies of the Group and the notes and breakdowns necessary to draw up the annual financial accounts. This system is managed in a centralised way, has a uniform format and implements one shared chart of accounts according to the guidelines determined in the current Accountancy Policy of the Audax Renovables Group. The integrity and reliability of the information systems is confirmed by means of general control described in sectionF.3.2.

For the purpose of forwarding information to compile the consolidated financial accounts of the Audax Renovables Group, as well as the information which needs to be taken into consideration in the subsequent closing reports (quarter- or half-yearly) which are handed in to the Audit Committee and the Board of Directors, there is a standard reporting template which is sent out once a month to the subsidiary companies. Such a central reporting template includes the basic financial statements, information regarding intercompany balances, detailed balances which are modified based on the IFRS interpretation and the explanation of the main balances.

These reports are forwarded to the Management Control Department from:

• The operating subsidiaries located abroad; and
• The Accountancy Department (Audax Renovables individually and subsidiaries whose accounting is internalised).

After verifying the quality of the information received by the Management Control Department, the financial information is shared with the Accounting Department through the internal network, for the purpose of consolidation.

Lastly, it needs to be pointed out that the Group, through the formal approval by the Management and the Audit Committee, has a current ICFR Operation Model, which details the functioning of the reports related to the ICFR system (identification of the key controls, format, responsibility for the evaluation and supervision), as well as the executive reporting drawn up by the Internal Audit Department and the assessment and control over the ICFR as a whole.

F.5 Monitoring of the system operating

Indicate and describe the main features of at least the following elements:

F.5.1. The activities of supervision of the internal control over financial reporting system (ICFR) performed by the audit committee, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the internal control over financial reporting system. Information is also to be provided concerning the scope of the assessment of the internal control over financial reporting system performed during the financial year and on the procedure whereby the person or division charged with performing the assessment informs of the results thereof, whether the entity has an action plan in place of describing possible corrective measures, and whether the impact thereof on financial information has been considered.

The Audax Renovables Group has an Internal Audit Department, subject, in terms of functioning, to the Audit Committee, and its main task is to effectively monitor, analyse and evaluate the system of internal control and management of risks significant to the company and the Group. This department conducts independent and periodic controls of the structure and actions of the internal control system, identifies shortcomings, and formulates recommendations regarding improvement actions included in the reports handed over to the Audit Committee during periodic meetings. The reports are presented to the Committee along with a plan of mitigation measures undertaken by the managers of every area and the Management of the Group.

In regards to the above, the Internal Audit Department keeps constant oversight of the plans and actions agreed upon with individual departments for the purpose of correcting identified weaknesses and implementing recommendations. The Internal Audit Department carries out periodic controls of all the processes involved with formulating financial information, regarded as relevant in individual companies belonging to the Group and within the corporate finance area, at the closing of quarterly, half-yearly and yearly periods.

The weaknesses and/or aspects that require improvement identified during the verification process caused the need to formulate a plan of detailed actions in regards to each of them, based on which the Internal Audit Department conducted the monitoring, controls and reports, until they were fully removed or rectified.

Furthermore, an external auditor, according to the information given in section F.7.1., formulates each year a new report concerning the established procedures regarding the description of the ICFR system implemented by Audax Renovables, in which no significant issues were indicated.

F.5.2. Whether there is a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the international audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall be also provided on whether there is an action plan to seek to correct or mitigate the weaknesses found.

The discussion procedure about the improvements and identified significant weaknesses of the internal control is based, generally, on regular meetings held by the intervening parties. The Internal Audit department informs periodically the Management and the Audit Committee about the conclusions related to the internal control of the ICFR system and the internal audits carried out during the year, as well as about the situation regarding the implementation of the action plans established in order to mitigate weaknesses.

The auditor of the Group has direct contact with the Financial Department and the General Management through periodic meetings (for referring half-yearly information, before preparing the annual accounts, to expose the incidences detected and before beginning the audit, to explain the scope thereof), both in order to obtain necessary information for the performance of the work and to communicate the control weaknesses detected. Moreover, every six months the auditor reports to the Audit

Committee the conclusions of the half-yearly / yearly audit of the Group, including all the aspects considered as relevant.

Furthermore, the Accounting Department, responsible for the preparation of the consolidated financial statements, holds frequent meetings with the external auditors and the Internal Audit area and the Management, both for the half-year and year closure, in order to discuss relevant matters related to the financial reporting.

F.6 Other relevant information

There is no other relevant information to detail.

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons therefor.

The Audax Renovables Group has submitted for review by the external auditor the ICFR information disclosed to the markets, concerning the financial year 2017. The scope of the auditor's review has been established pursuant to the document of the Spanish Auditors Institute nº E14/2013, of 19 July 2013, which contains the Guideline and a model of the auditor's report on the ICFR information of listed companies.

G COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons in order to furnish the shareholders, investors and the market in general sufficient information to assess the company's course of action. General explanation will not be accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchase on the market.

Complies [X] Explain [ ]

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:

a) Regarding the changes made since the previous annual general meeting.

b) Regarding the specific reasons for which the company does not follow certain recommendations of the Good Governance Code and, possibly, which alternative procedures are implemented instead.

Complies [X] Complies in part [ ] Explain [ ]

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies [X] Complies in part [ ] Explain [ ]

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies [X] Complies in part [ ] Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor's independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on related party transactions.

d) Report on corporate social responsibility policy.

Complies [ ] Complies in part [X] Explain [ ]

During the financial year 2017 the company has published on its website well in advance of the general meeting all of the reports listed above except for the report of the audit committee on related party transactions.

7. The company should broadcast its general meetings live on the corporate website.

Complies [ ] Explain [X]

Due to the company's size and the profile of the majority of its shareholders there is no need to hold a broadcast, through the website, of the annual general meeting of shareholders. Also, none of the shareholders has expressed such a wish.

It should be noted that in the consolidated texts of the Articles of Association and the Regulations of the General Meeting of Shareholders, approved by the General Meeting on 26 June 2012, a provision was made for the possibility of participation in the General Meeting and voting on resolutions by proxy or personally by a shareholder via post or electronic correspondence or via other means of communication, insofar as they enable sufficient identification of the person participating in the debates or vote, and ensure the security of electronic communication.

However during the General Meetings of Shareholders conducted in accordance with the new regulations of the Articles of Association there has not been noted any interest in aforementioned electronic media on the part of the shareholders. However the Company nevertheless was duty bound to purchase certain services for the purpose of creating the possibility of making them available for the shareholders who might potentially want to make use of them.

Since the legislation did not require making available of such electronic media to the shareholders, and the matter was supposed to be regulated in a discretionary way based solely on the Articles of Association, it was deemed appropriate for the Board to determine each time when calling a General Meeting of Shareholders, whether electronic media would be made available, due to which both the Articles of Association and the Regulations of the General Meeting of Shareholders had been altered in this area in 2014. It was meant to serve, on the one hand, to eliminate the necessity to run such media each time, and on the other, to consider the possibility that the Board might decide to run them in regards to a particular General Meeting, in case in the future it was decided that the Company's shareholders are interested in making use of such kind of media (which interest, as mentioned before, has not been noted so far).

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies [X] Complies in part [ ] Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies [X] Complies in part [ ] Explain [ ]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

   a) Immediately circulate the supplementary items and new proposals.

   b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

   c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

   d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

    In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies [X] Complies in part [ ] Explain [ ]

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies [X] Explain [ ]

14. The board of directors should approve a director selection policy that:

    a) Is concrete and verifiable.

    b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

    c) Favours a diversity of knowledge, experience and gender.

    The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

    The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before year 2020.

    The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [ ] Complies in part [X] Explain [ ]

Although in regards to the selection and appointment of directors the aforementioned criteria and goals are implemented, the analysis of the company's situation and needs is conducted in reference to a particular situation in which the appointment or reappointment of a director is supposed to occur, and not in an abstract and general way.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies [X] Complies in part [ ] Explain [ ]

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

    The criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies [ ] Explain [X]

The percentage of proprietary directors out of all non-executive directors is 71.43% and the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital is 70.86%. However, due to the scarcity of significant shareholdings in Audax, the company may be considered as complying with the relaxed criterion.

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies [ ] Explain [X]

Independent directors represent almost one third of the share capital in relation to the total number of directors, namely, 28.57%. However, as 70.86% of the share capital of the Company is held by only one shareholder, it may be considered as complying with the relaxed criterion.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company and any options on the same.

Complies [ ] Complies in part [X] Explain [ ]

The information on the website refers to points c, d and e.

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from

the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies [X] Explain [ ]

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

    The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in particular, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ]

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other directors no subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

    When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

    The terms of this Recommendation also apply to the secretary of the board, even if she or he is not a director.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

    The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☐ Complies in part ☒ Explain ☐

The Company requires the directors to devote sufficient amount of time and involvement to be able to successfully carry out their duties. However there are no regulations concerning the number of company boards on which the directors may serve.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☒ Complies in part ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies ☒ Complies in part ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book at the request of the person expressing them.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☒ Complies in part ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☒ Explain ☐ Not applicable ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

    For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded, of the majority of directors present.

Complies [X] Complies in part [ ] Explain [ ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies [X] Complies in part [ ] Explain [ ]

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies [X] Complies in part [ ] Explain [ ]

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [X] Explain [ ]

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. The facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ]

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should act as secretary to the executive committee.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies [X] Complies in part [ ] Explain [ ]

40. Listed companies should have a unit in chargé of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies [X] Complies in part [ ] Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

    1. With respect to internal control and reporting systems:

        a) Monitor the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

        b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

        c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration paid to the external auditor for their services does not compromise the quality of such services or the independence of the auditor.

c) Ensure that the company notifies any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefor.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X] Complies in part [ ] Explain [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X] Complies in part [ ] Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

45. Control and risk management policy should specify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [X] Complies in part [ ] Explain [ ]

46. Companies should establish a risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, manager and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies ☐ Complies in part ☒ Explain ☐

These functions are assumed and carried out by the Internal Audit Department of the Audax Renovables Group and the Audit Committee is appropriately informed.

47. Appointees to the nomination and remuneration committee – or the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☒ Complies in part ☐ Explain ☐

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies ☐ Explain ☐ Not applicable ☒

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies ☒ Complies in part ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to the directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officer's pay contained in corporate documents, including the annual director's remuneration statement.

Complies ☒ Complies in part ☐ Explain ☐

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [X] Complies in part [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) Committees should be chaired by an independent director.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be recorded and a copy made available to all board members.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

53. The task of supervising compliance with corporate governance rules, internal code of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, for the legitimate interests of remaining shareholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X] Complies in part [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be developed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) The channels for stakeholders communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X] Complies in part [ ] Explain [ ]

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies [X] Complies in part [ ] Explain [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [ ] Complies in part [ ] Explain [X]

Not applicable. The directors' remuneration system is per diem and attendance-based.

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

63. Contractual agreements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report to the extent they are relevant and not reiterative.

   Specifically indicate whether the company is subject to corporate governance legislation form a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. You may also state whether the company voluntarily subscribes to other international, sectorial or other codes of ethical principles or good practices. If applicable, identify the code and date of adherence thereto.

Audax Renovables, S.A. is a signatory entity in the UN Global Compact since 7 August 2013, and has joined it voluntarily. By this agreement, Audax Renovables recognizes its commitment to comply with the ten (10) Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

This annual corporate governance report has been approved by the Board of Directors of the Company at its meeting of 23 February 2018.

State whether any directors voted against or abstained from voting in the approval of this Report.

Yes ☐ No ☒

Audax Renovables, S.A.

Report on the review of the description of the system for financial reporting (ICOFR) for 2017

(Free translation from the originals 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)

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

Report on the review of the description of the system for financial reporting (ICOFR)

To the directors of
Audax Renovables, S.A.

As requested by the board of directors of Audax Renovables, S.A. (the "Company") and in accordance with our proposal letter dated 16 February 2018, we have applied certain procedures to the information concerning the ICOFR included in section F of the Annual Corporate Governance Report (hereinafter ACGR) of Audax Renovables, S.A. for 2017, which summarises the Company's internal control procedures for annual financial reporting.

The board of directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning ICOFR included in section F of the attached ACGR.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute, assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies* published on the website of the Spanish Securities Market Commission, which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness, design or operational efficiency, with respect to the Company's annual financial reporting for 2017 described in the information concerning ICOFR included in section F of the accompanying ACGR. Consequently, had additional procedures been applied to those established in the aforementioned Guidelines, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

KPMG Auditores, S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Reg. Mer Madrid, T. 11.961, F.90
Sec. 3, H. M-188.007, Inscrip. 9
N.I.F. B-78510153

As this special work did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in the above-mentioned legislation.

The agreed-upon procedures applied were as follows:

1 Reading and understanding of the information prepared by the Company concerning ICOFR –disclosures included in the directors' report– and evaluation of whether it covers all the information required, taking into account the minimum content described in section F on the description of ICOFR, for the ACGR in accordance with Spanish National Securities Market Commission Circular 7/2015 of 22 December 2015.

2 Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.

3 Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on ICOFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.

4 Comparison of the information detailed in point 1 above with the understanding of the Company's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5 Reading of the minutes of the meetings of the board of directors, audit committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.

6 Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the information concerning ICOFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and Spanish National Securities Market Commission (CNMV) Circular 7/2015 of 22 December 2015 for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Alejandro Núñez Pérez

23 February 2018

STATEMENT OF RESPONSIBILITY ON THE ANNUAL FINANCIAL STATEMENTS

AUDAX RENOVABLES, S.A. AND SUBSIDIARY COMPANIES

Annual Accounts and Directors' Report
31 December 2017

The members of the Board of Directors of Audax Renovables, S.A., pursuant to Article 8 of the Royal Decree 1362/2007, declare that, in so far as they know, the individual and consolidated annual financial statements for the year ended on 31 December 2017 formulated in their meeting on 23 February 2018, have been drawn up under the applicable accounting standards, present fairly the equity, financial position and results of Audax Renovables, S.A. and the companies comprising the consolidated Group as a whole, and that the Directors' Report includes a reliable analysis of business evolution and results and the position of Audax Renovables, S.A. and the companies comprising the consolidated Group as a whole, along with the description of the main risks and uncertainties the business is exposed to, duly signed by all the Directors.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro Chairman	Mr Eduard Romeu Barceló Board Member
Mr Rafael Garcés Beramendi Board Member	Mr Emilio Moraleda Martínez Board Member
Mr Ramiro Martínez-Pardo del Valle Board Member	Mr Pedro Luis Fernández Pérez Board Member
Mr Josep Maria Echarri Torres Board Member	

Badalona, 23 February 2018