AUDAX RENOVABLES, S.A.

Annual Accounts
as at 31 December 2019

Audax Renovables, S.A.

Annual Accounts

31 December 2019

Directors' Report

2019

(With Independent Auditor's Report Thereon)

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

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

Independent Auditor's Report on the Annual Accounts

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

To the shareholders of Audax Renovables, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Audax Renovables, S.A. (the "Company"), which comprise the balance sheet at 31 December 2019, 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 2019, 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 –28046 Madrid

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Key Audit Matters

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

Recoverable amount of investments in and loans to Group companies and associates **See note 7 to the annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
The Company has non-current investments in and loans to Group companies and associates amounting to Euros 272,200 thousand. The recoverable amount of investments in Group companies is calculated, in the case of companies showing indications of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the significance of the amount of investments in and loans to Group companies and associates, the aforementioned estimates have been considered a key audit matter.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to the valuation of investments in and loans to Group companies and associates. - evaluating the indications of impairment, as well as the methodology and assumptions used to estimate the 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.

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Recognition of revenue from unbilled energy supplied **See note 18 to the annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
Trade and other receivables at 31 December 2019 include Euros 29,422 thousand in unbilled energy supplied in the period from the last meter reading to year end. Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of unbilled estimated consumption by the tariff agreed with each customer, a process that is subject to a high degree of judgement, as a result of which this has been considered a key audit matter.	Our audit procedures included the following: - analysis of the design and implementation and operating effectiveness of the key controls related to the estimation of revenue from unbilled energy supplied, - retrospective analysis of the estimates made at the previous years' closes and actual consumption, - verification of the reasonableness of the volume of unbilled energy through an analysis of historical consumption, - verification of the tariffs applied by comparing them with the data contained in the contracts, - analysis of the control and monitoring systems established by the Company in relation to future legislation and regulations that could have an impact on recognised revenue. 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 2019 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 as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

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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 specific information mentioned in section a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the 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.

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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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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.

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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 27 February 2020.

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 original in Spanish)

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

27 February 2020

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AUDAX RENOVABLES, S.A.

Balance Sheet
(EUR thousands)

BALANCE SHEET - AUDAX RENOVABLES, S.A.

ASSETS	Note	31/12/2019	31/12/2018
NON-CURRENT ASSETS		**279,942**	**304,194**
Intangible assets	5	**1,838**	**1,983**
Property, plant and equipment	6	**551**	**1,810**
Long-term investments in group companies and associates	7, 20	**272,200**	**295,145**
Equity instruments		163,503	173,511
Loans to companies		108,697	121,634
Long-term financial investments	8	**2,595**	**5,086**
Equity instruments		1	11
Loans to third parties		-	(5)
Debt securities		45	45
Derivatives		-	1,329
Other financial assets		2,549	3,706
Deferred tax assets	17	**2,758**	**170**
CURRENT ASSETS		**209,555**	**133,205**
Inventory		**774**	**4,079**
Trade and other receivables	9	**60,885**	**60,210**
Receivables from sales and services		49,211	56,512
Trade receivables from group and associated companies	20	4,121	3,099
Sundry receivables		6,447	189
Staff		3	(3)
Current tax assets		248	263
Other receivables from Public Administration		855	150
Short-term investments in group companies and associates	7, 20	**9,642**	**6,637**
Loans to companies		8,932	5,731
Other financial assets		710	906
Short-term financial investments	8	**22,079**	**20,912**
Equity instruments		2,696	2,391
Loans to third parties		5,030	511
Debt securities		-	636
Derivatives		195	8,345
Other financial assets		14,158	9,029
Short-term accruals		**6,677**	**7,060**
Cash and other cash equivalents	10	**109,498**	**34,307**
TOTAL ASSETS		**489,497**	**437,399**

LIABILITIES AND NET EQUITY	Note	31/12/2019	31/12/2018
NET EQUITY	11	**167,904**	**159,099**
Shareholders' Equity		**168,338**	**151,843**
Capital		44,029	308,204
Share premium account		420,316	420,316
Reserves		(312,820)	(596,652)
Profit (loss) for the year		16,813	19,975
Valuation adjustments		**(434)**	**7,256**
Hedging transactions		(434)	7,256
NON-CURRENT LIABILITIES		**147,386**	**112,985**
Long-term provisions	12	**269**	**-**
Long-term debts	13	**146,295**	**106,758**
Bonds and other negotiable securities		143,184	98,158
Amounts owed to credit institutions.		3,016	8,600
Derivatives		95	-
Other non-current liabilities	14	**439**	**438**
Deferred tax liabilities	17	**383**	**5,789**
CURRENT LIABILITIES		**174,207**	**165,315**
Short-term provisions	12	**49**	**-**
Short-term debts	13	**91,961**	**103,031**
Bonds and other negotiable securities		67,534	67,985
Amounts owed to credit institutions.		23,748	35,046
Derivatives		679	-
Short-term payables to group companies and associates	20	**33,312**	**8,026**
Trade and other payables	15	**48,821**	**53,633**
Suppliers		15,337	26,360
Suppliers, group companies	20	67	1,044
Sundry payables		23,868	13,133
Personnel (outstanding wages and salaries)		182	212
Current tax liabilities		(35)	(35)
Other payables to Public Administration		9,402	12,919
Other current liabilities	14	**64**	**625**
TOTAL LIABILITIES AND NET EQUITY		**489,497**	**437,399**

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

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

INCOME STATEMENT - AUDAX RENOVABLES, S.A.

	Note	2019	2018
Net turnover	18	**414,091**	**483,113**
Sales		399,858	470,390
Provision of services		9,058	10,257
Income on dividends		5,175	2,466
Change in inventory of finished goods and work in progress		**42**	**56**
Procurements	18		
		(378,667)	**(448,753)**
Consumption of goods			
		(373,933)	(438,834)
Work performed by other entities		(4,734)	(9,919)
Other operating income		**4,035**	**4,542**
Non-core and other current operating income		4,035	4,542
Staff cost	18	**(9,411)**	**(8,884)**
Wages and salaries and similar		(7,587)	(7,236)
Employer contributions		(1,796)	(1,621)
Other social expenses		(28)	(27)
Other operating expenses	18		
		(17,561)	**(13,360)**
External services			
		(11,024)	(7,118)
Taxes		(3,512)	(3,333)
Loss, impairment and change in provisions from business operations		(2,787)	(2,461)
Other current operating expenses		(238)	(448)
Amortisation and depreciation	5, 6	**(1,176)**	**(939)**
Surplus provisions		**3,439**	**13**
Impairment and profit (loss) on disposal of fixed assets		**2,889**	**7,555**
Reversal/(Impairment) and profit/(loss)		899	5,602
Profit (loss) on disposal and others		1,990	1,953
OPERATING PROFIT (LOSS)		**17,681**	**23,343**
Financial income		**5,864**	**6,404**
From negotiable securities, loans and other financial instruments		5,864	6,404
In group and associated companies	20	5,571	4,901
In third parties		293	1,503
Financial expenses	18	**(9,035)**	**(8,126)**
From liabilities to group companies and associates		(429)	-
From liabilities to third parties		(7,501)	(6,591)
Other financial expenses		(1,105)	(1,535)
Change in fair value of financial instruments		**25**	**-**
Trading book and others		25	-
Exchange differences	18	**(82)**	**(70)**
FINANCIAL PROFIT (LOSS)	18	**(3,228)**	**(1,792)**
INCOME BEFORE TAX		**14,453**	**21,551**
Corporate Income Tax	17	2,360	(1,576)
PROFIT (LOSS) FOR THE YEAR		**16,813**	**19,975**

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

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

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	2,019	2,018
Profit (Loss) of Income Statement	16,813	19,975
Releases to income statement	(7,690)	(253)
Cash flow hedges	(10,253)	(337)
Tax effect	2,563	84
Total valuation adjustments	(7,690)	(253)
TOTAL RECOGNISED INCOME AND EXPENSES	**9,123**	**19,722**

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

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

B) STATEMENT OF CHANGES IN TOTAL EQUITY

	Share capital	Share premium account	Reserves	Profit (loss) for the year	Valuation adjustments	TOTAL
CLOSING BALANCE FOR 2017	**98,003**	**278,948**	**(296,218)**	**7,635**	**-**	**88,368**
Reverse merger of Audax Energía effect (Note 11.a)	210,201	141,368	(356,103)	-	7,509	2,975
Non-monetary capital contribution	-	-	48,034	-		48,034
Total recognised income and expenses	-	-	-	19,975	(253)	19,722
Other changes in net equity						
Distribution of earnings	-	-	7,635	(7,635)	-	-
CLOSING BALANCE FOR 2018	**308,204**	**420,316**	**(596,652)**	**19,975**	**7,256**	**159,099**
Reduction of share capital (Note 11)	(264,175)	-	264,175	-	-	-
Total recognised income and expenses	-	-	-	16,813	(7,690)	9,123
Other changes in net equity						
- Other movements	-	-	(318)	-	-	(318)
- Distribution of earnings	-	-	19,975	(19,975)	-	-
CLOSING BALANCE FOR 2019	**44,029**	**420,316**	**(312,820)**	**16,813**	**(434)**	**167,904**

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

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

CASH FLOW STATEMENT - AUDAX RENOVABLES, S.A.				
		Notes	**2019**	**2018**
Profit (loss) for the year before tax			**14,453**	**21,551**
Adjustments to results			**(4,312)**	**(5,107)**
	Amortisation and depreciation	5.6	1,176	939
	Valuation adjustments due to impairment	7	2,787	2,461
	Changes in provisions		(3,439)	(13)
	Profit (loss) on derecognition and disposal of fixed assets		(27)	(6)
	Profit (loss) on derecognition and disposal of financial instruments		(2,862)	(7,561)
	Financial income	18	(5,864)	(6,404)
	Financial expenses	18	9,035	8,126
	Exchange differences	18	82	70
	Income on dividends		(5,175)	(2,466)
	Changes in fair value of financial instruments		(25)	(253)
Changes in working capital:			**75**	**12,566**
	Inventory		3,304	(4,079)
	Accounts receivable	9	(3,462)	4,678
	Other current assets		411	1,827
	Accounts payable	15	(178)	15,080
	Other current liabilities		-	9
	Collections (payments) of income tax		-	(4,949)
Other cash flows from operating activities			**(142)**	**744**
	Payments of interest		(9,581)	(8,126)
	Collections of dividends		4,928	2,466
	Collections of interest		4,511	6,404
Cash flows from operating activities			**10,074**	**29,754**
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Payments of investments			**(22,527)**	**(76,127)**
	Group and associated companies		(5,045)	-
	Acquisition of fixed assets	5.6	(942)	(1,248)
	Other financial assets		(16,540)	(74,879)
Collection on divestments			**48,832**	**62,717**
	Group and associated companies		39,249	44,556
	Derecognition of fixed assets	5.6	1,198	135
	Other financial assets		8,385	18,026
BUISNESS UNIT			**-**	**40,974**
Cash flows from investment activities			**26,305**	**27,564**
CASH FLOWS FROM FINANCING ACTIVITIES				
Collections and payments for financial liability instruments:			**38,812**	**(23,260)**
Issuing:				
	Bonds and other negotiable securities		61,199	35,000
	Amounts owed to credit institutions.		13,000	6,314
	Payables to group companies and associates		13,000	-
Return and repayment of::				
	Bonds and other negotiable securities		(16,460)	-
	Amounts owed to credit institutions.	13	(29,598)	-
	Payables to group companies and associates		(2,329)	-
	Other debts		-	(64,574)
Cash flows from financing activities			**38,812**	**(23,260)**
NET INCREASE/DECREASE IN CASH OR EQUIVALENTS			**75,191**	**34,058**
Cash and equivalents at the beginning of the year			34,307	249
Cash and equivalents at the end of the year			109,498	34,307

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

1. General information

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

Its registered address is Avenida Navarra, nº 14, Badalona.

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

Moreover, the Company's objects include energy retailing, purchase and sale of electricity, including export and import, fuel retailing for energy production, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as all the necessary additional activities.

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

Audax Renovables, S.A. is a holding company, which is the parent of a Group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources and in energy and gas retailing and that make up the Audax Renovables Group (hereinafter: the Audax Renovables Group or the Group).

Furthermore, the Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 2018, formulated on 29 March 2019, have been submitted to the Commercial Register in Barcelona.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The annual accounts of Audax Renovables S.A. and the consolidated annual accounts of the Audax Renovables Group as at 31 December 2018 were approved by the General Meeting of Shareholders on 29 April 2019 and were submitted to the Commercial Register in Barcelona.

The annual accounts of Audax Renovables, S.A. for the year 2019 were formulated by the Directors on 27 February 2020 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

2. Bases of presentation of the annual accounts

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

a) The Commercial Code and other commercial legislation.

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

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

d) The rest of the Spanish applicable accounting rules.

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

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

The consolidated annual accounts of the Audax Renovables Group for the year 2019 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EC) No. 1606/2002 of the European Parliament and the Council.

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

Total Assets	774,253
Equity attributed to the Parent Company	122,221
Non-controlling interests	33,493
Net turnover	1,040,969
Profit (loss) after tax attributable to the Parent Company	25,417

Comparison of the information

As required by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2019 is presented uniquely and exclusively for comparative purposes with the relevant information for the year 2018.

The structure of the income statement for the year 2018 presented for comparative purposes differs from the one that was formulated by the Directors on 15 March 2019. In accordance with the response from the Accounting and Auditing Institute published in BOICAC 79 concerning the enquiry 2 submitted in connection with the accounting classification of income and expenses of a holding company in its individual financial statements, the Company has decided to include in the turnover for the year 2018 the income from dividends received by the group companies amounting to EUR 2,466 thousand, though previously this income had been incorporated as a financial income from shareholdings in equity instruments.

Additionally, impairment and profit (loss) on disposal of financial instruments for the year 2018, amounting to EUR 7,561 thousand, was classified to the operating profit (loss) under impairment and profit (loss) on disposal of fixed assets, whereas previously it had been considered as part of the financial income (expenses).

Relative importance

So as to determine the information that needs to be broken down in the notes for each of the different accounts of the financial statements or other items, the Company has considered its relative importance in relation to the current annual accounts for the year 2019.

Going concern

As a consequence of the merger process carried out in the year 2018, the negative impact made on the reserves of EUR 356,103 thousand, situated the shareholders' equity of the Company below one half of the share capital, which involves equity imbalance according to article 363 of the Spanish Companies Act. The General Meeting of Shareholders held on 29 April 2019 adopted a resolution on share capital reduction in order to restore the equilibrium in the financial situation (Note 11).

3. Regulatory framework

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

a) Energy retailing segment

a.1) Electricity market

Spain

The energy sector regulations are mainly featured in Electricity Sector Law 24/2013, of 26 December, which, from said date onwards, repealed and replaced the previous Law 54/1997, of 27 November, which until then featured the basic regulations concerning this sector. The most significant aspects regulated by Law 24/2013 and its implementing rules, are as follows:

- The electricity production is conducted under the rules of free competition.
- Transmission, distribution, as well as economic and technical management of the system constitute regulated activities.
- The electricity supply is completely liberalised and each customer must sign an electricity supply agreement with a retailer. Since 1 July 2009, the customers who fulfil certain criteria may choose to enter into an agreement with a Supplier of Last Resort (SoLR) to which the Tariff of Last Resort (hereinafter: ToLR) applies. The Law 24/2013 replaced the term ToLR with the term "Voluntary Price for the Small Consumer" (PVPC), and the term SoLR with the term "Reference Retailer", and the term ToLR was reserved for the reduced tariff applicable to vulnerable consumers or for the de-incentivising tariff applicable to the consumers who temporarily have no retailer. Under the Royal Decree-Law 17/2013 "CESUR" tenders are removed from their role as a fixing mechanism of energy price component for the last resort tariffs (currently PVPC).
- The access tolls are equal nationwide and are collected by the distributors who act as collecting agents of the electricity system.

Moreover, on 25 September 2010 Royal Decree 1202/2010, of 24 September, was promulgated, establishing the terms of revision of access tolls to the electricity transmission and distribution networks. Under this Royal Decree the revision of access tolls will be conducted annually, although the Ministry of Industry, Tourism and Commerce may revise them with quarterly regularity in some circumstances:

- Possible temporary differences due to imbalance in settlement of regulated activities in the electricity sector.

- Regulatory changes in the regulated costs.

- Exceptionally, when there are special circumstances affecting the regulated costs or the parameters used to calculate costs.

Electricity tariff for 2019:

Order TEC/1366/2018, of 22 December, establishes access tolls from 1 January 2019 onwards and updates the remuneration of the system operator and market operator.

On 6 April 2019 the Royal Decree 244/2019 was published in the BOE (Official State Gazette), under which technical and economic administrative conditions of own use of electrical energy became regulated and the tax known as sun tax was repealed.

On the other hand, this year the MIBEL market has been integrated at operational level into the XIBD (Cross-border Intraday European Project) and is currently in the process of joining other European energy platforms deriving from "Clean Energy Package" established by the EU.

Italy

The reform of the Italian electricity system began in 1999, when Legislative Decree no. 79/1999 ("the Bersani Law") was promulgated with the aim of implementing the European directive 96/92/EC on internal electricity market. To this end, "Gestore dei Mercati Energetici S.p.A" (GME) was incorporated, a company controlled by "Gestore dei Servizi Energetici S.p.A." (GSE), whose duties involve the organisation and management of the electricity and natural gas market (law no. 99/2009).

On 1 April 2004 the IPEX (Italian Power Exchange) began operating and calculating for the Italian consumers a weighted single price, however remunerations for the producers are based on regional prices. The consolidated text of the Disciplina del Mercato Elettrico (Electricity Market Regulation) and the relevant appendices were updated by the ministerial decree of 21 September 2016 which establishes that:

- The distribution, measurement and sale of gas and electricity are subject to the current legal provisions and and to the regulation by the "Autorità di Regolazione per Energia Reti e Ambiente" (ARERA) (Law no. 481, 14/11/1995 with amendments).
- The transmission and stabilisation of energy flows constitute activities regulated by Terna Spa. (Legislative Decree of 20/04/2005, amended by LD of 15/12/2010).

The process of market liberalisation ended in July 2007, when each kind of client, domestic as well as non-domestic, could choose freely their own supplier. The new law of 4 August 2017, no. 124, "Legge annuale per il mercato e la concorrenza" establishes on 1 July 2019 the end of the protection of prices provided by ARERA. From that date on, the Authority will stop fixing and updating quarterly the economic conditions for the supply of electricity and natural gas for domestic clients and small enterprises, due to the disappearance of "Servizio di Maggior Tutela".

the Netherlands

The regulation of the electricity sector in the Netherlands is reflected basically in the Electricity Law of 1998 and the Law on Gas. The principal aspects regulated by the law are as follows:

- Rules of production, transport, retailing and supply of electricity and gas:

On 1 July 2018 the Law of 9 April 2018 entered into force amending the Electricity Law of 1998 and the Law on Gas (progress of energy transition). The aim of the law is to eliminate the existing obstacles to the energy transition so as to make the Electricity Law of 1998 and the Law on Gas feasible in future.

Since 1 July 2004 the energy market has been liberalised. The Dutch government has liberalised the energy market in order to promote the competition among the suppliers and grant liberty to the consumers to choose their own energy provider. The Dutch wholesale electricity is also a liberalised market where each client is free to choose their provider.

The supply of electricity or gas on the retail market (including consumers) with an electricity connection of up to 3x80A and a gas connection of a maximum capacity of 40m^3 (n) / hour is only permitted with an energy licence from the Authority for Consumers and Markets (ACM). No licence is necessary for wholesale delivery.

The energy licence holders are required to comply with certain rules, such as delivery obligation, reliable delivery, reasonable tariffs and terms, reporting obligation with ACM, supply model contract, complaint procedure and electricity label.

Poland

The Polish electricity market has undergone transformation in the last decades due to the political changes and the subsequent accession to the European Union in 2004, which particularly forced the energy sector to comply with the European regulations in this regard.

In order to adapt, the Polish government carried out a consolidation of the sector, first horizontal and then vertical, in order to make the Polish companies strong enough to confront the international competition in view of the changes that were necessary to attain compliance with the European regulations. The regulatory competences belong to the Ministry of Energy and the URE as the regulatory body of the energy sector.

The deregulation process of the Polish electricity sector began in 1997 (Polish Energy Act of 1997) by the separation of the activities of generation, transmission, distribution and retail and new business activities appearing in the sector, like energy trading.

Regarding the energy purchase and trading possibilities, the Polish regulated market (Polish Power Exchange - POLPX) is operated by Towarowa Gielda Energii SA – TGE, established in 1999 and followed by the launch, six months later, of the Day-Ahead Market.

In 2019 the Polish government has been working towards introducing measures to avoid the impact of the price increase expected in 2019 on end consumers (Act amending the Act on Excise Duty and selected other acts – 28 December 2018), establishing restrictions on the retail price, temporarily freezing transmission and distribution tariffs and reducing the tax imposed on electricity (Excise Tax).

On the other hand, this year Poland has become integrated at operational level into the XIBD (Cross-border Intraday European Project) and is currently in the process of joining other European energy platforms deriving from "Clean Energy Package" established by the EU.

Germany

The liberalisation of the German electricity market began in 1998, in accordance with the First Energy Package, Energiewirtschaftsgesetz (EnWG), which provided for the opening of the electricity market and the access of competition to the electricity sector in one single step.

The main feature of the implementation was the obligation to dismantle the vertically integrated enterprises, forcing the separation of distribution and transmission from the rest of the activities.

Additionally, the so-called "demarcation agreements", which limited the right of supply by areas to each retailer, were no longer permitted by law.

The second milestone of the liberalisation, introduced by the Second Energy Package, was applied through an amendment to the EnWG in 2005, its main features being as follows:

- The introduction of third parties on the basis of approved public tariffs, applicable to all customers and applied objectively and without discrimination among the users of the supply system.

- The establishment of the Federal Network Agency, Bundesnetzagentur (BNetzA), as the

regulatory body under the supervision of the government.

- Legal and accounting separation between the operators of the transmission grid (TSO) and the operators of the distribution grid (DSO).

As a consequence of the liberalisation, the market experienced substantial changes which brought about many mergers, acquisitions and other unions in order to maintain competitiveness.

The number of retailers rose considerably, together with an increase of trading volumes.
On the other hand, the German market is the manager, at the European level, on the XBID (Cross-border Intraday European Project).

a.2) Natural gas market

Spanish legislative framework

In Spain, through the Law 34/1998 of the Hydrocarbons Sector (Hydrocarbons Law or LHC), which was a transposition of the Directive 98/30/EC, the basis for liberalisation of the natural gas sector were established. Moreover, the National Energy Commission (CNE) was created and the control over the strategic reserves was handed over to CORES (Strategic Reserves Corporation).

The Royal Decree-Law 6/2000, of 23 June 2000, on urgent measures for the intensification of competition on the commodities and securities markets, apart from appointing Enagás S.A. as the Technical System Manager (GTS), introduced several important reforms of the natural gas system. Among others, there was the launch of the regulated income and cost settlement system supervised by the National Energy Commission (CNE), and setting a limit date (1 of January 2003) to complete the implementation of the right to choose the retailer.

The adoption of the Royal Decree 949/2001 was another important milestone of the development of the natural gas market in Spain. This royal decree established the economic arrangement of the regulated activities through a system of regulated fees, levies and tariffs for the access to the networks and the use of the infrastructures (gas pipelines for transmission and distribution, regasification plants and underground storage facilities).

Due to all these regulatory reforms, at the end of 2001, 38% of total consumption was being retailed on the free market, through 9 retailers.

In 2003 total liberalisation of the market was implemented. The consumers may freely choose among several retailers and negotiate the economic terms of the supply.

In this context, at the end of 2004, 80% of the consumed natural gas was traded already on the free market, with 11 active retailers offering their services there.

Later on, in 2005, the Standards of Technical System Management (NGTS), a set of detailed procedures and standards relating to the operation of the natural gas system and the conduct of the agents participating in the system and the users of the infrastructures.

In 2007, the Law 12/2007 was approved, transposing the second Gas Directive (Directive 2003/55/CE), eliminating the obligation of supply at consumers' tariff and obliging Enagás to separate its branches of transmission and of technical management of the system into two different companies.

On 1 July 2008 the Regulated Market ceased to exist and regulated tariffs disappeared. The tariff of last resort was created for low pressure supplies. In 2009 the tariff of last resort for low pressure customers with annual consumption of over 50,000 KWh also disappeared.

In April 2010, the Spanish energy regulator, CNE, published a document with a roadmap for the development of an organised market of natural gas. Between 2012 and 2014, several European

network codes were approved, making a significant impact on the design and operation of the electricity and natural gas markets, giving a final impulse to the development of the wholesale markets of natural gas in the countries where, as in Spain, the regulation had not advanced sufficiently in order to create a liquid and competitive wholesale gas market. Among them there are the network codes establishing the mechanisms of congestion management, capacity allocation, gas balance in transport networks and interoperability and data exchange rules.

In this context, from 2015 on, several regulations of different kinds have been published, defining the current regulatory framework of the wholesale gas market and aiming to secure its liquidity:

a. The Law 8/2015 of 21 May 2015 updated the Law 34/1998 (Hydrocarbons Law) and established the institution of the Organised Gas Market and designated MIBGAS, S.A. as the market operator.

b. The Circular 2/2015 of the CNMC defined a new balance mechanism in the gas transmission network in line with the European network code.

c. The Royal Decree 984/2015 implemented the detailed regulation of the Organised Gas Market and updated the legislative framework of the system of third-party access to the natural gas facilities.

d. The Resolution of 23 December 2015 of the Secretary of State for Energy, which implements the procedure of purchase of self-supply gas by Enagás GTS, increasing significantly the MIBGAS's liquidity.

e. The Order ETU/1977/2016 of 23 December, which established the gas fees and levies, empowered MIBGAS, S.A. to trade term product with physical delivery.

f. The Resolution of 11 December 2017 of the Secretary of State for Energy, which established the terms for the mandatory market maker service provision by the dominant operators of the natural gas market.

Currently (only 3 years after its launch) MIBGAS has more than 100 participating agents and its liquidity has increased exponentially, trading, at some points, even up to 15% of the national demand.

European legislative framework

The promulgation of the Directive 98/30/EC was the starting point of a great part of the current legislation in the natural gas sector. This regulation established a range of common rules for all the member states of the European Union with the primary objective of laying the groundwork for an orderly liberalisation of the natural gas sector, based on the principle of separation of activities, free and non-discriminatory access to the gas infrastructure by all the operators and the definition of regulated fees and tariffs system.

In 2003, with the promulgation of the Directive 2003/55/CE, known as the Second Gas Directive, progress was made in actual liberalisation and the opening the national gas markets to competition, thus contributing to further development of the true internal natural gas market of the European Union. In practice, this Directive provided that as of 1 July 2004 the industrial customer (and, as of 1 July 2007, the individual consumers) would be able to freely choose the natural gas supplier. Moreover, the Directive introduced rules whose aim was to reinforce free access to the networks and other infrastructures (for example liquefied natural gas), safety of deliveries, and consumer protection. Furthermore, the Directive recognises delivery of gas as service of general interest, therefore it takes into account the possibility of member states imposing the obligation of public service on the companies in order to ensure supply security, the social and economic cohesion objectives, the regularity, quality and price of deliveries and the natural environment protection.

In 2009, the Directive 2009/73/CE was approved and was the ultimate catalyst for the creation of the internal energy market through the following principles: (a) effective separation of the production and delivery activities from the management of the transmission networks, (b) expansion of competencies and independence of the national regulators, who should cooperate as part of a regulators' cooperation agency (ACER), with the right to make binding decisions and impose sanctions, (c) creation of a supranational management transmission networks (ENTSO-G) and (d) improvement of the functioning of the gas market and, in particular, increased transparency and effectively free access to the warehousing facilities and to the LNG terminals.

b) Renewable energy production segment

Spain

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

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remuneration system for renewable energy generation facilities. Under this new regulatory framework, the income from the special system plants will comprise:

- The income derived from sale of electricity on the market.
- The income derived from the special remunerative system, when applicable. The special remunerative system will comprise the sum of two elements periodically revised: the remuneration for the investment and the remuneration for the operation.

In accordance with the stated criterion, the specific remuneration is composed, according to each technology, by:

- A factor per unit of installed power (investment remuneration) which covers the investment costs of a standard plant that cannot be recovered from the sale of energy in the market, and
- A factor in the operation (operative remuneration) which covers the negative difference between the operative costs and the income from the market share.

The remuneration is calculated over a standard plant throughout its regulatory useful life, taking into account:

- The standard income for the sale of the generated energy, valued at the production market price (estimated),
- The standard operative costs and
- The standard value of the initial investment

The first additional provision of the RDL 9/2013 sets the fair profitability of those facilities that have the right to an economic premium system at the date of enforcement of the RDL 9/2013; as the average profitability in the secondary market of the previous ten years to the entry into force of the RDL 9/2013 of the 10- year Government Bonds, increased in 300 basic points (equivalent to the 7.398% for the first regulatory period).

On the other hand, it is important to note that the law states the priority access criterion and distribution for the electricity of renewable energy sources and of cogeneration of high efficiency, in accordance with that established in the Community directives.

Later, in December 2013, the Law 24/2013 on the Electric Sector was enacted to replace the existing Law 54/1997, of 27 November and to cover the regulations of the RDL 9/2013 and which, among others, includes the revision criteria of the remunerative parameters:

- Every 6 years all the parameters may be revised (fair profitability rate, legally fixed).
- Every 3 years the estimations of the income for sale of the generated energy, valued at the production market price.
- Every year, the values of the operative remuneration for the technologies whose operating expenses depend essentially on the fuel price.
- Under no circumstances, once the regulatory useful life or the standard value of the initial investment are recognised, will these values be able to be revised.
- Determines the beginning and the end of the first regulatory term: from the RDL 9/2013 entry into force (14 July 2013) until 31 December 2019 (6 years), with the first half-term ending 31 December 2016 (within 3 years).

In June 2014, the Real Decree 413/2014, of 6 June, was enacted, which regulates the activity of electricity production from renewable sources of energy, cogeneration and waste, and the Ministerial Order IET 1045/2014 which establishes new remunerative parameters of the type plants, applicable to certain plants of energy generation from renewable sources, cogeneration and waste materials.

The Royal Decree 413/2014 and the Ministerial Order IET 1045/2014 specify the amounts in euro for aforementioned remunerations for each type of technology and installation used to generate energy from renewable sources.

On 22 February 2017 the Order ETU/130/2017 of 17 February 2017 was published, updating the remuneration parameters for the aforementioned plants for the second half-term (from 1 January 2017 to 31 December 2019) in which were also established possible amounts of the operative remuneration which will be applied in the first half year of 2017, thus implementing the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2015, of 2 July.

In the Royal Decree-Law 17/2019, of 22 November 2019, urgent measures are adopted for the necessary adaptation of remunerative parameters which affect the electricity system and a response is provided to the process of closure of thermal power stations. Coinciding with the beginning of the next regulatory period (2020-2025), and in order to provide stability to the remunerative framework of the facilities entitled to privileged remuneration before the Royal Decree-Law 9/2013 of 12 July 2013 entered into force, they are allowed to opt to maintain for a period of 12 years the profitability rate fixed for the first regulatory period. In order to choose this measure, the facilities have to renounce the continuance or beginning of new arbitrations as well as renounce any possible indemnity or compensation. This measure will guarantee economic security of the facility, allowing it to attain a reasonable profitability of 7.398 % within the period 2020-2031, above the 7.09 % established during the period 2020-2025 and avoiding the uncertainty of the period 2026-2031.

On 30 January 2020, the resolution of 14 January 2020 of the National Commission on Markets and Competition was published in the BOE, establishing the amount of the remuneration of the electricity system operator for the year 2020 and the prices for the agents to provide financing for the remuneration. This resolution, among other issues, indicates the price corresponding to the variable amount which shall be paid by the demand and the generation by hourly programmes for 2020 which amounts to €0.13741/MEh (instead of €0.5/MWh as before the entry into force of the resolution).

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical

energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate.

In connection with the Law 15/2012, on 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, was published in the BOE, introducing urgent measures for energy transition and consumer protection. The RDL features provisions which adopt a series of measures connected with tax regulations with the main purpose to moderate the price evolution on the wholesale electricity market. To this end, the Tax on the value of electricity generation (IVPEE - a 7% tax) was temporarily suspended for six months, coinciding with the months of the largest demand and the highest prices on the wholesale electricity markets, in agreement with the ultimate aim of the current norm.

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 2019, the tariff applied to the company in the Audax Renovables Group in France was of 9.536 cents euro per KWh until 1 November, and from that date, of 9.427 cents euro per KWh.

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

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

On 6 May 2017 an order was published establishing the conditions for an additional compensation for the electricity produced by the power plants which use mechanic wind energy (in addition to the decree of 13 December 2016), of up to 6 wind turbines and nominal power of 3 MW for each turbine at the most.

This order establishes the formulas for calculating the additional remuneration that will be available to a mechanic wind energy facility.

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

2017	2018	2019	2020	2021	From 2022 onwards
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: Profit 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 144.91 PLN/MWh.

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

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

- There are annual energy auctions, separate for different sources of energy, with a prequalification phase in order to participate in the auction.

- For every annual auction, the required amount and maximal reference price will be published by the Ministry before every auction.

- The only criterion for winning the auction is the price: the lowest bidders are accepted until completing the required amount of energy of the auction.

- The winners will sign contracts for 15 years for the offered price. The price will be indexed annually.

The regulations established in the "2015 RES Law" were amended by the law of 22 June 2016 to promote the auctions and the renewable energy plants with a stable generation profile. This amendment stipulated that the right to benefit from the system of incentives and to sell all the produced energy on the average market price of the last quarter of 2017 (amounting to 162.50 PLN/MWh), would be valid only until 1 January 2018. From that date onwards, the final suppliers would be able to renegotiate or even terminate the contracts with the producers.

Lastly, it should be noted that the regulatory framework related to the real property tax payable to the municipality was also changed by the amendment of 20 May 2016, affecting particularly, among others, the investments in wind farms in Poland. Under this new regulation, the real property tax of 2% affected the investment in the construction of a wind farm in its entirety. The regulation was changed on 29 June 2018 with the promulgation of an amendment to the Construction Law of 7 July 1994 and to the Law of 20 May 2016 on investments in wind farms (which, in turn, amends the Law of 20 February 2015 on renewable energy sources), re-establishing from 1 January 2018 the real property tax of 2% only on the investment in the construction of the elements recognised as direct costs, such as foundations and substation.

4. Accounting and valuation standards

4.1 Intangible assets

Licences and trademarks

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

Computer software

Licenses for computer software acquired from third parties or developed by the company itself are capitalised on the basis of the costs incurred to acquire and prepare them for a specific program use. These costs are amortised during its estimated useful life (between 3 and 4 years).

The expenses related to the maintenance of computer software are recognised as cost when incurred. Cost related directly to the production of unique and identifiable software controlled by the Company, and when it is probable that it will generate economic profit exceeding the cost during more than one year, is recognised as intangible asset. Direct costs include staff costs of software developers and a suitable percentage of general costs.

4.2 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or cost of production minus their accumulated depreciation and accumulated recognised impairment losses.

The net financial expenses, and other expenses directly attributable to property, plant and equipment, are included in the acquisition cost until they are brought into use.

The costs of extension, modernisation or improvement of property, plant and equipment are capitalised only when they represent an increase in their capacity, productivity or a lengthening of their useful life, and as long as it is possible to know or estimate the carrying value of the assets that are written off inventories when replaced.

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

The depreciation of property, plant and equipment is calculated on a straight-line basis according to their estimated useful lives, taking into account ordinary wear and tear. The estimated useful lives are as follows:

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

The residual value and useful life of assets are reviewed, and adjusted if needed, at each balance sheet date.

When the book value of an asset is greater than its estimated recoverable value, it is immediately written down to the recoverable value.

The profit and loss on the sale of property, plant and equipment is calculated by comparing the income obtained from the sale against book value and then taken to the income statement.

4.3 Financial instruments

a) Recognition:

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

b) Classification and separation of financial instruments:

Financial instruments are classified at the moment of their initial recognition as a financial asset, a financial liability or an equity instrument, according to the substance of the contract and to the definitions of financial asset, financial liability or equity instrument.
The Company classifies the financial instruments into different categories according to their nature and the intentions of the Company at the moment of the initial recognition.

c) Claims and receivables:

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

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

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

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

d) Investments held to maturity:

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

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

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

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

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

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

f) Available-for-sale financial assets:

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

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

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

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

If the market for a financial 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.

g) Losses due to impairment of assets:

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

h) Financial liabilities:

Financial liabilities

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

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

Trade and other payables

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

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

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

i) Financial derivatives:

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

Financial derivatives are recognised at fair value on the contract date and are successively recalculated at fair value. The method for recognising the gain or loss depends on whether the derivative is classified as a hedging instrument, and if so, the nature of the asset hedged.

The Company documents the relationship between the hedging instruments and the assets or liabilities hedged at the beginning of the transaction, as well as the purpose of the risk management and hedging strategy.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument, with an effectiveness ranging from 80% to 125%.

The Company uses only cash flow hedge derivatives. For these derivatives, the effective part of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised in net equity.

The profit or loss related to the settlements of these contracts is recognised under the heading of Procurements of the income statement.

The amounts accumulated in net equity are released to the consolidated income statement in the year in which the hedged items affects profit or loss.

j) Deposits:

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

k) Derecognition and modification of financial liabilities

The Company derecognises a financial liability or a part of it when the obligation specified in the contract is fulfilled or when the Group is legally exempted from the principal responsibility contained in the liability whether through a court proceeding or by the creditor.
The exchange of debt instruments between the Company and the counterparty or substantial modifications of the liabilities initially recognised are accounted for as an extinguishment of the original financial liability and recognition of a new financial liability, provided that the terms of the instruments are substantially different.

4.4 Non-current assets held for sale

The Company classifies as non-current assets held for sale 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.

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

Non-current assets held for sale are presented in 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 Inventories

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

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

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

4.6 Cash and other cash equivalents

Cash and cash equivalents include cash in hand and bank deposits payable on demand in credit institutions. Also included within this concept are other short-term investments of high liquidity, if they are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Therefore, the account includes investments with maturity of less than three months from the date of purchase.

Investments in investment funds are considered as cash and cash equivalents only if the underlying assets of the fund meet the criteria specified above.

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

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

4.7 Net equity

Share capital is represented by ordinary shares.

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

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

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

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

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

Provisions are recognised when the Company has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated. No provisions are recognised for future operating losses.

Provisions are recorded when the unavoidable costs of meeting the liabilities in an onerous contract for valuable consideration exceed the profits expected to be obtained from them.

Provisions are stated at current value of the amount necessary to settle the liability at the balance sheet date, according to the best estimation available.

When it is expected that part of the disbursement necessary to settle the provision is refundable by a third party, the reimbursement is recognised as a separate asset, provided that its receipt is practically assured.

4.9 Corporate income tax

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

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

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

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

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

The deferred tax assets are recognised to the extent that it is probable that there will be future tax profits with which to offset the temporary differences.

4.10 Net turnover

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Company's normal course of business, minus returns, price reductions, discounts and value added tax.

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

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

a) Sales income

Electricity sales are recognised as income at the moment of delivery to the customer according to the quantities supplied during the period, before being invoiced. Therefore, sales figures include the estimated volume of supplied electricity, that has not yet been read on the customer's meter

b) Provision of services

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

c) Income on dividends

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

4.11 Leases

Leases in which the lessee substantially holds all the risks and reward of ownership are classified as finance leases. They are recognised at the beginning of the lease at the lower of the fair value of the asset and the present value of the lease payments including, as the case may be, the purchase option. Each lease payment is separated between the reduction of the debt and the financial charge, so that a constant interest rate is obtained on the outstanding debt. The payment obligation arising from the lease, net of the financial charge, is recognised under liabilities in the balance sheet. The part of the interest on the financial charge is taken to income statement during the period of the lease in order to obtain a constant periodical interest rate on the outstanding debt to be paid in each period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases in which the lessor retains a major part of the risks and benefits arising from ownership are classified as operating leases. Operating lease payments are charged to the income statement for the year in which they accrue on a straight-line basis over the term of the lease.

4.12 Transactions in foreign currency

The Company's annual accounts are stated in euro, which is its functional and presentation currency. The payables and receivables in foreign currency are stated at the year-end exchange rate. The gains and losses in foreign currency from the settlement of these transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

4.13 Related party transactions

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

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

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

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

4.14 Cash flow statement

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

a) Operating activities: activities that make up the ordinary revenues of the Company, and other activities that cannot qualify as investment or financing.

b) Investment activities: investment, sale or disposal by other means of long-term assets and other investments not included under cash and cash equivalents.

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

When it is possible to identify a tax flow in individual operations, such as, for example, Value Added Tax, which give rise to receipts and payments classified as investment and financing activities, these will be classified the same as the transaction to which it refers.

4.15 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) *Recoverability of equity instruments*

Shareholdings should be valued at cost less the accumulated amount of valuation adjustments due to impairment (carrying amount). The impairment is determined as the result of the comparison between the book value of the investment to its recoverable value understood as the greater of the fair value less the costs of sale and the present value of the cash flows that are expected to be received. The recoverable values have been calculated on the basis of the calculations of value in use from discounted cash flows based on the Company's assumptions. These calculations require the use of judgements, which, amongst others, mainly include the discount rate and sales prices of electricity (Note 7). In addition, the Company's activities are subject to existing regulation whose amendments may affect the valuation of the assets. Consequently, if the real data differs from the estimates and judgements used, the recoverable amounts resulting from the various CGUs may vary and, consequently, require a higher or lower impairment of assets. To be able to report how sensitive this calculation of impairment is, Note 7 sets out a sensitivity analysis for reasonable variations of key judgements which has been established by the Company's Management.

b) *Corporate income tax expenses calculation and deferred income tax assets recoverability*

The calculation of the corporate income tax expense requires interpretations of tax legislation in Spain. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgments.

The Company evaluates the recoverability of the deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient tax profits during the periods in which these deferred taxes are deductible.

c) *Provisions*

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Company makes an estimate of the amounts to be settled in the future, including additional amounts relating to corporate income tax, contractual obligations, the settlement of outstanding litigation, and other liabilities. These estimations are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

d) *Energy income and expenses estimates*

Ordinary income from energy sales is recognised considering the estimated amount of energy supplied at the date of the balance sheet, on the grounds of the information received from the distributors and internal estimates of supply prices.

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

e) *Derivatives estimates*

Financial derivatives are recognised at fair value on the contract date, and are successively recalculated at fair value. The method for recognising the gain or loss depends on whether the derivative is classified as a hedging instrument, and if so, the nature of the asset hedged.

The Company documents the relationship between the hedging instruments and the assets or liabilities hedged at the beginning of the transaction, as well as the purpose of the risk management and hedging strategy.

A hedge is considered to be highly effective when the changes in the fair value or the cash flows of the assets hedged are offset by the change in the fair value or cash flows of the hedging instrument.

5. Intangible assets

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

	Computer software	Licences and trademarks	Total
Net book value at 31-12-2017	**6**	**-**	**6**
Merger by absorption (Note 11)	1,732		1,732
Additions	897	-	897
Amortisation charge	(652)	-	(652)
Net book value at 31-12-2018	**1,983**	**-**	**1,983**
Cost	3,547	56	3,603
Accumulated amortisation	(1,560)	(56)	(1,616)
Impairment provision	(4)	-	(4)
Net book value at 31-12-2018	**1,983**	**-**	**1,983**
Additions	660	-	660
Amortisation charge	(805)	-	(805)
Net book value at 31-12-2019	**1,838**	**-**	**1,838**
Cost	4,207	56	4,263
Accumulated amortisation	(2,365)	(56)	(2,421)
Impairment provision	(4)	-	(4)
Net book value at 31-12-2019	**1,838**	**-**	**1,838**

On 1 January 2018 the intangible assets held by Audax Energía, S.A.U. at that date, of the net amount of EUR 1,732 thousand, were incorporated because of the retroactive accounting effect

of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

The recognitions in the year 2019 and 2018 correspond mainly to the development and implementation of various platforms and operating software by means of using both external and internal resources, recorded in the Other operating income account of the Company's income statement.

As at 31 December 2019 the intangible assets, still in use and completely amortised or impaired amount to EUR 1,022 thousand (EUR 662 thousand in 2018).

6. Property, plant and equipment

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

	Property and constructions	Plant and machinery	Other plants, facilities and equipment	Information processing equipment and other fixed assets	Means of transport	Total
Net book value at 31-12-2017	**-**	**-**	**-**	**3**	**-**	**3**
Merger by absorption (Note 11)	7	1,540	93	54	184	1,878
Additions	-	-	2	349	-	351
Derecognitions	-	-	-	-	(135)	(135)
Depreciation charge	-	(195)	(13)	(38)	(41)	(287)
Impairment provision	-	-	-	-	-	-
Net book value at 31-12-2018	**7**	**1,345**	**82**	**368**	**8**	**1,810**
Cost	8	1,959	195	557	91	2,810
Accumulated depreciation	(1)	(614)	(98)	(189)	(83)	(985)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31-12-2018	**7**	**1,345**	**82**	**368**	**8**	**1,810**
Additions	-	255	-	27	-	282
Derecognitions	-	(1,170)	-	-	-	(1,170)
Depreciation charge	(3)	(157)	(13)	(191)	(7)	(371)
Impairment provision	-	-	-	-	-	-
Net book value at 31-12-2019	**4**	**273**	**69**	**204**	**1**	**551**
Cost	8	293	195	584	20	1,100
Accumulated depreciation	(4)	(20)	(111)	(380)	(19)	(534)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31-12-2019	**4**	**273**	**69**	**204**	**1**	**551**

On 1 January 2018 the tangible assets held by Audax Energía, S.A.U. at that date, of the net amount of EUR 1,878 thousand, were incorporated because of the retroactive accounting effect of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

The derecognitions of the year 2019 correspond to the sale of technical facilities and similar to a company of the Excelsior Group called Orus Renovables, S.L.; this transaction did not generate any profit or loss for the Company.

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

As at 31 December 2019 the tangible assets, still in use and completely depreciated or impaired amount to EUR 241 thousand (EUR 201 thousand as at 31 December 2018).

As at 31 December 2019, the Company does not have commitments to purchase fixed assets.

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

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

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

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

	Equity instruments in Group companies	Loans to group entities	Equity instruments in associates and multi-group companies	Loans to multi-group companies and associates	Total
Net book value at 31-12-2017	**48,926**	**32,934**	**7,916**	**-**	**89,776**
Merger by absorption (Note 11)	55,172	37,505	-	-	92,677
Non-monetary contribution (Note 11)	48,034	-	-	-	48,034
Increases	136	64,063	-	8,808	73,007
Divestments/derecognitions	(24,662)	(15,089)	-	-	(39,751)
Transfers	7,673	(7,673)	-	1,058	1,058
Changes in provisions	30,316	31	-	(3)	30,344
Balance at 31-12-2018	**165,595**	**111,771**	**7,916**	**9,863**	**295,145**
Cost	293,913	115,311	8,187	9,971	427,382
Financial Instruments Provision	(128,318)	(3,540)	(271)	(108)	(132,237)
Net book value at 31-12-2018	**165,595**	**111,771**	**7,916**	**9,863**	**295,145**
Increases	23,784	26,452	-	1,607	51,843
Divestments/derecognitions	(107,521)	(39,260)	(271)	(108)	(147,160)
Changes in provisions	73,729	(1,736)	271	108	72,372
Balance at 31-12-2019	**155,587**	**97,227**	**7,916**	**11,470**	**272,200**
Cost	210,176	102,503	7,916	11,470	332,065
Financial Instruments Provision	(54,589)	(5,276)	-	-	(59,865)
Net book value at 31-12-2019	**155,587**	**97,227**	**7,916**	**11,470**	**272,200**

The breakdown of shareholdings in Group companies specifying recorded impairment and accumulated provision as at 31 December 2019 and 31 December 2018 is as follows:

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

2018	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	74,489	(876)	(38,760)	35,729
Plants under construction in Spain	51,445	-	(48,345)	3,100
Operating plants in France	3,498	-	-	3,498
Operating plants in Poland	41,153	6,529	(28,899)	12,254
Plants under construction in Poland	12,232	-	(12,232)	-
Total generation activity	**182,817**	**5,653**	**(128,236)**	**54,581**
Energy retailing				
Audax Netherlands, B.V. (the Netherlands)	38,500	-	-	38,500
Eryx Investments, S.L.U. (Spain)	46,714	-	-	46,714
Audax Energía, S.R.L. (Italy)	14,740	-	-	14,740
Audax Energia Sp. z o.o. (Poland)	8,443	-	-	8,443
Other	2,699	-	(82)	2,617
Total retailing activity	111,096	-	(82)	111,014
Total	**293,913**	**5,653**	**(128,318)**	**165,595**

The breakdown of loans in Group companies specifying recorded impairment and accumulated provision as at 31 December 2019 and 31 December 2018 is as follows:

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

2018	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	26,891	106	(202)	26,689
Plants under construction in Spain	1,269	(5)	(1,269)	-
Operating plants in France	1,550	-	-	1,550
Operating plants in Poland	-	-	-	-
Plants under construction in Poland	2,069	(70)	(2,069)	-
Total generation activity	**31,779**	**31**	**(3,540)**	**28,239**
Energy retailing				
Excelsior Times, S.L.U. (Spain)	70,778	-	-	70,778
Audax Energía, S.R.L. (Italy)	6,297	-	-	6,297
Other	6,457	-	-	6,457
Total retailing activity	83,532	-	-	83,532
Total	**115,311**	**31**	**(3,540)**	**111,771**

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

The Appendix II includes detailed information on equity instruments as at 31 December 2019 and 31 December 2018.

Changes in the year 2019

Purchase of photovoltaic projects

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

On 8 May 2019 Audax Renovables signed an agreement on purchase and sale of shares with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group) for the purchase of 100% of shares of the companies Audax Solar SPV III S.L.U., Audax Solar SPV IV S.L.U, Audax Solar SPV V S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U. and Aznalcollar Solar S.A.U. for the total amount of EUR 16,384 thousand.

This agreement contains certain conditions subsequent by which the buyer may terminate the purchase, and in this respect, on 20 December 2019, both parties concluded a novation of this purchase and sale agreement, in which they limit the purchase of 100% of shares to the companies Audax Solar SPV IV S.L.U, Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U. and Aznalcollar Solar S.A.U. for a total amount of EUR 10,678 thousand.

On 8 May 2019 Audax Renovables, S.A. and Audax Fotovoltaica, S.L. signed an agreement for the assignment of contracts for the purchase and sale of shares for the amount of EUR 3,464 thousand. Under this agreement, Audax Renovables assumes the rights and obligations of Audax Fotovoltaica, S.L. in the contracts for the purchase and sale of shares which the latter concluded for the purchase of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L and Elogia Calañas, S.L, and which were subject to the fulfilment of certain conditions precedent.

On 2 August 2019 Audax Renovables reached an agreement with the company Energy Pool España S.L., an entity not related to the Company, on the purchase of 100% of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L.and Da Vinci Energía, S.L. On 26 September 2019 the purchase of these companies was carried out for the amount of EUR 12,547 thousand.

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

Additionally, on 18 December 2019, Audax Renovables reached an agreement with the company Ruiz Velasco, S.A. and Juan Ruiz Velasco Coca, for the purchase of 100% of shares of the company Elogia Calañas, S.L. for the amount of EUR 350 thousand.

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

Divestments

In the first half year 2019, Audax Renovables S.A. reached an agreement for the sale of 100% of shares of the company Parc Eòlic Mudefer, S.L.U. to a third and non-related company, Helia Renovables II F.C.R. The agreement was subject to certain conditions precedent. Finally, on 31 July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant profit before tax amounting to EUR 5,651 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Moreover, in the first half year 2019, Audax Renovables S.A. secured another agreement for the sale of its shares in Gestora Fotovoltaica de Castellón, S.L., which correspond to 76% of the shares of that company, to a third non-related company, Minerva Renovables S.A. The agreement was subject to certain conditions precedent. Finally, in July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant loss before tax amounting to EUR 1,121 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

Additionally, on 21 November 2019, Audax Renovables S.A. carried out the sale of 100% of its shares in Parque Eólico Hinojal, S.L., to a third non-related company, Green Swell, S.L. The impact of the sale meant loss before tax amounting to EUR 4,075 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets". As at the date of preparation of these annual accounts the amount of EUR 2,800 thousand has not yet been paid, pending the fulfilment of certain conditions.

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

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

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

Other changes in the year 2019

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

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

Changes in the year 2018

On 23 November 2018, the General Meeting of Shareholders agreed to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), being Audax Renovables, S.A. the resulting company of the merger, and the subsequent dissolution without liquidation of Audax Energía, S.A.U. (Note 11).

Earlier, on 28 June 2018 the merger by absorption between Audax Energía S.A.U. as the acquiring company and A-DOS Energía S.L.U. and Orus Energía S.L.U. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L.U. (Note 11).

As a consequence, on 1 January 2018 the shares held by Audax Energía, S.A.U. at that date, of the amount of EUR 55,172 thousand, were incorporated because of the retroactive accounting effect of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. These shares correspond to the following investments of Audax Energía, S.A.U.:

Company	Country	% shareholding	Shareholding value
Generación Iberia, S.L.	Spain	100%	698
Audax Energia, S.R.L.	Italy	100%	11,740
Audax Energie, Gmbh	Germany	100%	1,279
Audax Energia Sp. z o.o.	Poland	100%	2,955
Audax Netherlands B.V.	the Netherlands	100%	38,500
			55,172

These companies are mainly involved in energy retailing and the shares none of them are admitted to trading.

The derecognitions in 2018 correspond primarily to the sale of the shareholding in the company Explotación Eólica La Pedrera, S.L, which caused a reduction of cost and of the Financial Instruments Provision, as the shareholding was provisioned in its entirety The impact of this transaction generated a profit before tax amounting to EUR 1,987 thousand, recorded under the heading of “Impairment and profit (loss) on disposal of financial instruments” of the income statement.

On 19 October 2018 the sole shareholder of Audax Energía, S.A.U. carried out a non-monetary capital contribution to Audax Energía, S.A.U. in the form of 100% of shares in the company ADS Energy 8.0, S.L.U. and 80% of shares in the company Eryx Investments 2017, S.L. (Note 11). The value of incorporation of these shareholdings into the Company amounted to EUR 48,034 thousand and corresponds to the book value at which they were recognised in the contributing company at the moment of the contribution.

Eryx Investments 2017, S.L. holds in turn 100% of shares of the company Unielectrica Energía S.A, which is the parent company of a group of companies (Unielectrica Group). As a consequence of the merger between Audax Energía and Audax Renovables, these shares were integrated in Audax Renovables.

In the year 2018 the Company conducted a debt-for-equity swap of the loans to subsidiaries, particularly Audax Italia, S.r.l., Audax Energía Sp. z o.o. and ADS Energy 8.0, S.LU. by the amounts of EUR 3,000 thousand, EUR 5,351 thousand and EUR 550 thousand, respectively, which caused a transfer between these accounts.

Assets impairment test:

The Company has conducted impairment tests using cash flow projections in order to determine the recoverable amount. The impairment tests were made at the year-end date. As a result of these tests, a reversal of the impairment provision was recorded in the amount of EUR 890 thousand in the year 2019 (reversal of allocation to the provision amounting to EUR 5,572 thousand in the year 2018), which breaks down as follows:

	2019	2018
Provision for shareholdings	2,704	5,653
Loans to group entities	(1,736)	27
Commercial loans to group entities	(9)	(33)
Other assets	(69)	(78)
Total	**890**	**5,569**

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

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

	2019	2018
Spain	(2,406)	(881)
Poland	3,296	6,453
Total	**890**	**5,569**

Provisions for shareholdings

In the current year 2019, valuation adjustments due to impairment have been carried out, recorded on certain shares owned by the Company. The breakdown of the movement in the provision by geographical segment is as follows:

Geographical segment	Accumulated provision 31.12.18	Allocation / (reversal)	Transfers	Derecognitions / Divestments	Accumulated provision 31/12/2019
Spain	87,456	673	-	(71,296)	16,833
Poland	41,133	(3,377)	-	-	37,756
Total	**128,589**	**(2,704)**	**-**	**(71,296)**	**54,589**

The derecognitions in the year 2019 correspond to the sale of shares in the companies Parque Eólico Hinojal, S.L., Parc Eòlic Mudefer, S.L., Parc Eòlic Coll de Som, S.L. Fercom Eólica, S.L. and to the assignment of the shareholding in the company Berta Energías Renovables, S.L.

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

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

- The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year Government bonds.

- The estimated risk premium considering the estimated betas of comparable companies of the sector and a market risk premium, which are after-tax observable variables.

The breakdown of the weighted average cost of capital after tax between generation and retailing (WACC) resulting from the main geographical segments is as follows:

Year 2019

	2019					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	1.32%	0.75%	2.82%	2.06%	0.24%	0.26%
Risk premium *	6.77%	6.56%	6.16%	7.16%	6.77%	6.65%
Capital cost	8.09%	7.31%	8.98%	9.21%	7.01%	6.90%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	5.80%	5.22%	6.39%	6.43%	5.20%	5.06%

Year 2018

	2018					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	2.61%	1.63%	2.82%	3.55%	0.91%	0.88%
Risk premium *	6.77%	6.56%	6.92%	6.79%	6.77%	6.65%
Capital cost	9.38%	8.19%	9.74%	10.34%	7.68%	7.52%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	6.51%	5.70%	6.75%	7.06%	5.57%	5.40%

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

** Because the sources of information consulted to obtain the parameters used for the calculation of the discount rate do not offer data before taxes, the Group uses discount rates after taxes. Consequently, and to maintain the coherency of the discount rate with the methodology of calculation of the planned flows, the payment of taxes was taken into account. If this calculation base was adjusted in order to reflect a rate before tax, the result would be as follows:

	Spain	France	Poland	Italy	the Netherlands	Germany
Before-tax weighted average cost of capital 2019	7.39%	8.79%	7.39%	8.70%	5.13%	5.30%

The Company uses after-tax weighted average cost of capital differentiated between generation and retail (WACC). The geographical segments of Italy, the Netherlands and Germany are exclusively of energy retail, and the geographical segment of France refers exclusively to energy generation. As a consequence, only the geographical segments of Spain and Poland include the segments of energy generation and retailing. However, the variation between the WACC of both segments is not significant and does not involve significant impacts on the impairment test results.

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

c) Production hours of generation plants: the production hours employed in the calculation of the impairment test have been based, for the operating generation plants, on the

average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels) and for the generation plants under development, on the estimated wind hours predicted by the wind studies carried out both as well as by independent third parties.

d) Gross margin and growth rates: the Company has determined the gross margin budgeted based on past return and market development expectations. The weighted average growth rates are coherent with the estimates included in the industry reports.

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

- Estimated life of the projects: In order to determine the number of years to plan in the sectoral segment of energy generation, the estimated useful life of the generating equipment, which is of 25 years, has been taken as a reference point in regard to the wind farms, without taking into account the residual value at the end of their useful life. The generating equipment is the more representative kind of assets of a wind farm. Moreover, it is necessary to take into account that the validity period of the administrative licences and lease contracts for the land of the power plants is longer than 25 years.

In regard to the sectoral segment of energy retailing, cash flows have been planned for the period of 5 years, including residual or terminal values.

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

- Increase rates: For production projections in the wind generation segment the estimated production hours were used without projecting any increase. Regarding prices, these are also estimated based on past experience and external information sources, with an increase according to the regulatory framework of each country.

Regarding the projections in the energy retailing segment, the increase rates have been estimated both for the projected period and for residual values of between 1% and 1.4%. These figures incorporate electricity volume increase and electricity price changes over time. The percentages of the residual value over the total recoverable amount for the main CGUs (Cash Generating Units):

Spain	the Netherlands	Poland	Italy	Germany
82%	58%	83%	71%	88%

In the year 2019, as a consequence of revising certain assumptions, such as for example the discount rate, the Company made a reversal of the provision for financial investments in the amount of EUR 3,377 thousand, related to the Postolin wind farm in Poland.

Moreover, the revision of certain assumptions, such as for example the estimated price of electricity, made it necessary to create a provision for certain assets, mainly investments and loans to companies dedicated to power generation in Spain.

In the year 2018, as a consequence of the new legislation passed in Poland, which affected the renewable energy sector and caused, among others, a significant drop in tax cost for local taxes, and also due to the increase in prices of the Green Certificates in Poland, the Group registered in 2018 a reversal of the provision for financial investments amounting to EUR 6,564 thousand related to the Postolin wind farm in Poland.

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

- Recurring losses in the evaluated companies.

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

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

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

Therefore, most of the financial investments and loans to group companies are subject to impairment tests; thus, impairment tests have been carried out for the investments and loans of the operating plants, as well as the main investments in retailing companies (Audax Netherlands, B.V, Eryx Investments, S.L.U., Audax Energia, S.R.L. (Italy)).

Sensitivity analysis:

As already mentioned, there are certain assumptions whose variations could significantly affect the recoverable value of the assets subject to the impairment testing, which are the discount rate, the production hours, and the sale prices of electricity. The sensitivity of the results to reasonably possible changes in these assumptions, according do different geographic segments, on which Management have based their determination of the recoverable amount of the power plants, is as follows:

For the year 2019

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

For the year 2018

	Effect on profit and loss before tax		
	Discount rates	Commodity price	Exchange rate
	Increase of 10%	Increase of 10%	Increase of 10%
Spain	(5,639)	13,352	-
Poland	(1,694)	3,278	3,189
Total	**(7,333)**	**16,630**	**3,189**
	Decrease of 10%	Decrease of 10%	Decrease of 10%
Spain	5,400	(13,162)	-
Poland	1,675	(3,277)	(2,899)
Total	**7,075**	**(16,439)**	**(2,899)**

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

Changes in the year 2019

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

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

The purchase of the photovoltaic companies Audax Solar SPV IV S.L.U, Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U., Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L. and Da Vinci Energía, S.L. in the year 2019 involved granting credit facilities to those companies amounting to EUR 81,664 thousand in order to address their needs of financing to conduct their businesses. As at 31 December 2019, the amount drawn down of these credit lines is EUR 4,329 thousand, they accrue interest at the rate of 3,6% in the year 2020 and their maturity period is up to 5 years.
In the year 2019, Audax Renovables, S.A. also entered into an agreement on credit line with Eryx Investments, S.L.U. for a maximum amount of EUR 10,000 thousand with maturity period of 5 years and an interest rate of 5% p.a. As at 31 December 2019, the amount of EUR 7,716 thousand has been drawn down.

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

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

Changes in the year 2018

As at 1 January 2018, the balances at that date of the loans granted by Audax Energía, S.A.U. to other companies of the group in the amount of EUR 37,505 thousand, were incorporated because of the retroactive accounting effect of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

The amount of the loans integrated at 1 January 2018 corresponds to the following companies:

Company	Country	Loans to Group entities
Eléctrica Nuriel, S.L.U.	Spain	2,982
Orus Properties, S.L.U.	Spain	148
Orus Renovables, S.L.U.	Spain	2,857
Banana Phone, S.L.U.	Spain	242
Inversiones Habiselva, S.L.	Spain	1,477
Generacion Iberia, S.L.U.	Spain	927
Audax Energia, S.r.l.	Italy	10,143
ADS Energy 8.0, S.L.U.	Spain	1,151
Audax Energía Sp. z o.o.	Poland	2,334
Excelsior Times, S.L.U.	Spain	14,406
Svendborg PV VII, S.L.U.	Spain	838
		37,505

In the year 2018 contributions were made to the associated company Parque Eólico Toabré, S.A., an investee company by 30%, amounting to EUR 8,805 thousand for the construction of the wind farm of 66 MW in Panama.

The recognitions in the year 2018 of loans to group companies corresponded primarily to the loan contributions made during the year to the company Excelsior Times, S.L. As at 31 December 2018 the outstanding balance with Excelsior Times, S.L. amounted to EUR 70,778 thousand.

Moreover, during the year loans granted by the Company to its subsidiaries were returned.

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

The loans to the group companies, associated companies and multi-group companies generally have a maturity period of over one year and an annual interest rate between 1.4% and 7%.
The breakdown by business segment as at 31 December 2019 and 2018 is as follows:

At 31.12.19						
Business segment	**Retailing**			**Generation**		
Geographical segment	**Loans to group companies and associates**	**Provisions**	**Net value**	**Loans to group companies and associates**	**Provisions**	**Net value**
Spain	55,455	-	55,455	22,048	(3,135)	18,913
Italy	13,571	-	13,571	-	-	-
Poland	4,133	-	4,133	2,141	(2,141)	-
Germany	3,604	-	3,604	-	-	-
the Netherlands	-	-	-	-	-	-
France	-	-	-	1,551	-	1,551
Panama	-	-	-	11,470	-	11,470
Total	**76,763**	**-**	**76,763**	**37,210**	**(5,276)**	**31,934**

At 31.12.18						
Business segment	**Retailing**			**Generation**		
Geographical segment	**Loans to group companies and associates**	**Provisions**	**Net value**	**Loans to group companies and associates**	**Provisions**	**Net value**
Spain	72,503	-	72,503	28,267	(1,579)	26,688
Italy	6,297	-	6,297	-	-	-
Poland	2,959	-	2,959	2,069	(2,069)	-
Germany	1,774	-	1,774	-	-	-
the Netherlands	-	-	-	-	-	-
France	-	-	-	1,550	-	1,550
Panama	-	-	-	9,863	-	9,863
Total	**83,533**	**-**	**83,533**	**41,749**	**(3,648)**	**38,101**

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

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

	At 31.12.19	**At 31.12.18**
Loans to companies	8,932	5,731
Other financial assets	710	906
Investments in group companies and associates	**9,642**	**6,637**

The balance of loans to companies for the year 2019 and 2018 corresponds primarily to the balances of current accounts with group companies.

The amount of Other financial assets for they year 2018 and 2019 corresponds to dividends receivable from other group companies.

8. Financial investments

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

	At 31.12.19	At 31.12.2018
Equity instruments	1	11
Loans to third parties	-	(5)
Debt securities	45	45
Derivatives	-	1,329
Other financial assets	2,549	3,706
Total long-term financial investments	**2,595**	**5,086**
Equity instruments	2,696	2,391
Loans to third parties	5,030	511
Debt securities	-	636
Derivatives	195	8,345
Other financial assets	14,158	9,029
Total short-term financial investments	**22,079**	**20,912**

Equity instruments

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

Derivatives

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

As at 31 December 2019 and 31 December 2018 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	At 31.12.19		At 31.12.2018	
	Assets	Other financial liabilities	Assets	Other financial liabilities
Derivative financial instruments				
Commodity price cash flow hedge				
Non-current	-	95	1,329	-
Current	195	679	8,345	-
Total	**195**	**774**	**9,674**	**-**

As at 31 December 2019, the Company holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Company hedges against the risk of

energy price changes for the maximum net volume of 10 MW for the year 2020. As at 31 December 2019 the net fair value of these derivative financial instruments amounts to EUR 195 thousand.

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

Other financial assets

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

9. Trade and other receivables

The composition as at 31 December 2019 and 2018 is as follows:

	At 31.12.19	At 31.12.18
Trade receivables	66,746	66,746
Trade receivables from group and associated companies (Note 20)	4,292	4,292
Sundry receivables	189	189
Staff	(3)	(3)
Current tax assets	263	263
Other receivables from Public Administration	150	150
Valuation adjustments due to impairment (Note 20)	(12,526)	(11,426)
Trade and other receivables	**60,885**	**60,210**

The balance of the trade receivables account as at 31 December 2019 and 2018 corresponds to the outstanding accounts receivable for energy supply.

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

The accounts receivable are not insured and accrue no interest.

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

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

Impairment movement

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

	Adjustment due to client impairment
Balance at 31 December 2018	**(11,426)**
Allocations	(2,534)
Reversals	518
Derecognition from sale of companies (Note 7)	916
Balance at 31 December 2019	**(12,526)**

10. Cash and other cash equivalents

	At 31.12.19	At 31/12/2018
Cash and bank accounts	109,490	33,246
Other cash equivalents	8	1,061
Total	**109,498**	**34,307**

As at 31 December 2019, there are restrictions to the disposable cash in the amount of EUR 837 thousand.

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 after it was inscribed in the Registry of the Spanish National Securities Market Commission (CNMV), recorded in a public deed and inscribed in the Mercantile Registry.

On 20 February 2008, the Extraordinary General Meeting of Shareholders of Audax Renovables, S.A. adopted a resolution approving a transaction under which several business groups made contributions to the Company in the form of companies with operating wind farms and at different stages of administrative process. In consideration thereof, the Company made a capital increase with non-cash contributions. This transaction included wind farms in Spain and abroad, specifically in India, France and Poland, and resulted in the incorporation of 562.7 MW and contributions amounting to EUR 274,874 thousand.

On 4 August 2008, Audax Renovables, S.A. and Fomento de Inversiones de Capital, S.L. (Foinca), fully owned by Audax Renovables, S.A., were merged by means of a takeover of the latter by the former, with the transfer en bloc of the equity of the latter to Audax Renovables, S.A. All the information referring to this transaction is presented in the 2009 Annual Accounts of Audax Renovables, S.A.

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

On 30 June 2015 the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. agreed to reduce the share capital by decreasing the nominal value of the shares by EUR 0.3 per share. Consequently, the share capital of the Company as at 31 December 2016 amounted to EUR 98,003 thousand and was represented by 140,003,778 shares, with individual value of EUR 0.7 each, which had been fully subscribed and paid up. All the shares had the same economic and voting rights. As a result of this transaction a special fund was created amounting to EUR 42,001 thousand.

On 19 May 2016 Audax Energía, S.A.U. made a bid to purchase 100% of shares of Audax Renovables, S.A. at the price of fifty cent euro (EUR 0.50) per share. On 8 August 2016 the CNMV announced that the offer made by Audax Energía, S.A.U. had been accepted by the holders of 99,211,899 shares representing 70.86% of the share capital of Audax Renovables, S.A.

On 23 November 2018, the merger by absorption was approved between Audax Renovables S.A. (acquiring company) and Audax Energía S.A.U. (acquired company) by way of an en bloc transfer of assets of the former to the benefit of the latter, the dissolution without liquidation of the acquired company, an increase of the share capital of the acquiring company by the amount of EUR 210,201 thousand, with a share premium amounting to EUR 141,368 thousand, by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, of EUR 0.70 of nominal value each share. The transaction was entered into the Commercial Register on 25 January 2019.

Previously, on 28 June 2018, a merger was approved for Audax Energía, S.A. to acquire the companies Orus Energía S.L.U. and A-Dos Energía S.L.U. The merger was entered into the Commercial Register on 19 October 2018. The merger implied an en bloc transfer of assets of the acquired companies (Orus Energía S.L.U. and A-Dos Energía S.L.U.) to the acquiring company (Audax Energía S.A.U.) and the dissolution without liquidation of the acquired companies.

On 19 October 2018, the sole shareholder of Audax Energía, S.A.U. carried out a non-cash increase of capital of Audax Energía, S.A.U. by the amount of EUR 352 thousand, with a share premium account of EUR 68,574 thousand. The increase was wholly subscribed and paid up by the sole shareholder of Audax Energía, S.A.U. through the contribution of 258,240 shares in the company ADS Energy 8.0, S.L.U. representing 100% of the share capital of that company and 3,000 shares in the company Eryx Investments 2017, S.L. representing 80% of the share capital of that company (Note 7). These contributions were taken into account at the moment of calculating the swap ratio in the merger by absorption of Audax Energía, S.A.U.

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

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

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share quotation as at 31 December 2019 of the Company’s shares was of EUR 2.14 per share (EUR 1.285 as at 31 December 2018).

As at 31 December 2019 and 2018, the share capital is divided in 440,291,054 shares of EUR 0.10 of nominal value each of them.

The Company's shareholders holding more than 10% of shares as at 31 December 2019 and 31 December 2018 are the following:

Shareholders	At 31.12.19 %	At 31/12/2018 %
Eléctrica Nuriel, S.L.	90.29%	90.73%
Rest of shareholders (*)	9.71%	9.27%
Total	**100.00%**	**100.00%**

(*) None of them holds more than 10%

b) Share premium

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

As a consequence of the merger carried out in the year 2018 between Audax Renovables, S.A. and Audax Energía, S.A.U. the share premium was increased by EUR 141,368 thousand, the new premium amounting to EUR 420,316 thousand.

c) Reserves

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

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

As at 31 December 2019, the Company has this reserve funded with the minimum amount established by the Consolidated Text of the Spanish Companies Act.

	At 31.12.19	At 31/12/2018
Legal and statutory		
Legal Reserve	19,027	17,029
Other reserves		
Other reserves	(331,847)	(613,681)
Total	**(312,820)**	**(596,652)**

The changes occurred in the reserves account in the year 2019 and 2018 are detailed in the Statement of Changes in Net Equity.

d) Treasury shares

As at 31 December 2019 and 2018 the Company does not own treasury shares.

e) Distribution of earnings

The Company's General Meeting of Shareholders held on 29 April 2019 agreed to distribute the profit for the year 2018 amounting to EUR 19,975 thousand to the legal reserve in the amount of EUR 1,998 thousand and to offset the losses from the previous years in the amount of EUR 17,977 thousand.

The proposed allocation of earnings of Audax Renovables, S.A. for the year 2019 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	**EUR**
Profit and loss (loss)	16,812,748
Total	**16,812,748**

Base of distribution	**EUR**
To Dividends	10,000,000
To compensate losses from previous years	6,812,748
Total	**16,812,748**

f) Profit / (Loss) per share

Profit / (loss) per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted arithmetic mean of ordinary shares during the period:

	31.12.19	**31.12.18**
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	171,438,810
Profit (loss) of the Company (EUR thousands)	16,813	19,975
Profit / (loss) per share (euro per share)		
- Basic	**0.0382**	**0.1165**
- Diluted	**0.0382**	**0.1165**

As a result of the reverse merger carried out in the year 2018, 300,287,276 new shares were issued on 23 November 2018, which had an impact on the average number of shares throughout the year.

For the calculation of the average number of shares in the year 2018, the assumption was made that the shares from the capital increase were issued by 23 November 2018, which was the moment when the General Meeting of Shareholders approved the transaction. Had the assumption been made that the average number of shares was 440,291,054, the profit per share would have been of EUR 0.045 per share.

There are no financial instruments that could dilute the profit per share.

12. Provisions

The breakdown of provisions as at 31 December 2019 and 2018 is as follows:

	At 31.12.19	At 31/12/2018
Non-current provision for liabilities	269	
Current provision for liabilities	49	-
Total	**318**	**-**

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities. As at 31 December 2019, the Management of the Company considers that there are no contingencies requiring to be provisioned for.

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

13. Financial liabilities

The breakdown of financial liabilities, excluding liabilities towards the Group, trade and other payables, as at 31 December 2019 and 2018 is as follows:

	31.12.19	31/12/2018
Bonds and other negotiable securities	143,184	98,158
Amounts owed to credit institutions.	3,016	8,600
Derivatives	95	-
Total long-term debts	**146,295**	**106,758**
Bonds and other negotiable securities	67,534	67,985
Amounts owed to credit institutions.	23,748	35,046
Derivatives (Note 8)	679	-
Total short -term debts	**91,961**	**103,031**

Bonds and other negotiable securities

The Board of Directors of the Company, on its meeting of 16 June 2014, and pursuant to the second resolution of the General Meeting of Shareholders of the same date, agreed to carry out an issuance of plain bonds of nominal amount of EUR 21,000 thousand of single nominal value fully paid up on 29 July 2014, admitted to be incorporated into the Alternative Fixed-Income Market (MARF) at a nominal annual fixed interest rate of 5.75% till maturity. On 26 July 2019, the remaining capital and the relative interest amounting to EUR 12,594 thousand was repaid. As at 31 December 2019, this bond is entirely settled.

In January 2017, Audax Energía, S.A. (company absorbed by Audax Renovables, S.A.), registered a programme of promissory notes on the Alternative Fixed-Income Market (MARF) for the maximum amount of EUR 50,000 thousand with maturity in 2019. On 13 February 2019 this promissory note programme was expanded to a maximum amount of EUR 75,000 thousand with maturities of up to 2 years. As at 31 December 2019, the balance drawn down amounts to EUR 74,478 thousand.

In May 2017 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 100 million, the subscription of which amounted to EUR 65,000 thousand of unit nominal value that as at 31 December 2019 have not yet been

returned; the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 4.20% until their maturity in June 2022.

In September 2018 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a new programme of fixed income securities under which it decided to carry out an issue of plain bonds for the amount of EUR 35,000 thousand, which were subscribed for in their entirety. These bonds were admitted and incorporated to the Alternative Fixed-Income Market (MARF) at an annual nominal interest rate of 5.5% until their maturity in October 2023. In October 2019, the Company expanded this issue of bonds by the amount of EUR 35,000 thousand. As at 31 December 2019 the Company's debt arising from this bond amounts to EUR 71,443 thousand.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2019 all the established ratios are met.

In the first half year 2019, the outstanding amount of EUR 4,160 thousand of a private contract on promissory notes issuing of 11 July 2018 for the maximum amount of EUR 5,000 thousand between Audax Renovables, S.A. and Toro Finance, S.L.U. (Bravo Capital) was settled.

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2019 includes the debt to be repaid as a consequence of the issuance of said bonds and promissory notes in current and non-current liabilities.

Current liabilities include financial expenses that had been accrued but not paid at the balance sheet date of 2019 and 2018.

As at 31 December 2019 and 31 December 2018, the following financial liabilities are subject to the requirement of meeting certain minimum ratios or to clauses which, if not complied with, may result in declaring the payment immediately due.

	At 31.12.19	At 31.12.18
Bond of nominal value €21M approved in June 2014	-	12,601
Bond of nominal value €65M approved in May 2017	65,967	65,687
Bond of nominal value €35M approved in September 2018	70,125	32,660
Total	136,092	110,948

includes accrued interest and capitalised costs

The conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. As at 31 December 2019 all requirements specified in those contracts are met and no breach of financial obligations is expected to arise by the closing date of the next financial year.

Amounts owed to credit institutions.

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

	2019	2018
Loans	16,471	29,641
Lines of credit	-	2,863
Reverse factoring and similar	10,293	11,142
Total amounts owed to credit institutions.	**26,764**	**43,646**

The main loans of the Company from credit institutions relate to loans from the following institutions: CaixaBank, S.A., Bankinter, Toro Finance and Finalbion, whose outstanding balances as at 31 December 2019 amount to EUR 12,197 thousand. Each of these loans accrues interest at an average rate of 2.61% and has a maturity date between 2020 and 2022.

The reverse factoring contracts of the Company relate mostly to the loans obtained by the Company from diverse financial institutions in order to finance the payment of invoices to suppliers and creditors when the invoices become due. Usually the maturity period of these loans is 60 to 120 days. In this sense, the term does not include transactions carried out between group companies.

Therefore, we consider the nature of the transaction as financial, including the liability arising in short-term amounts owed to credit institutions.

There are no deposits or guarantees associated with these transactions.

Classification of Financial Liabilities by maturity date

	2020	2021	2022	2023	Total
Bonds and other negotiable securities	67,534	(724)	72,831	71,077	210,718
Amounts owed to credit institutions.	23,748	2,074	942	-	26,764
Derivatives	679	95	-	-	774
	91,961	**1,445**	**73,773**	**71,077**	**238,256**

Movement of financial liabilities

	31.12.18	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.19
Bonds and other negotiable securities	98,158	44,588	-	438	-	143,184
Amounts owed to credit institutions.	8,600	-	-	(5,584)	-	3,016
Derivatives	-				95	95
Total non-current financial liabilities	**106,758**	**44,588**	**-**	**(5,146)**	**95**	**146,295**
Bonds and other negotiable securities	67,985	165,652	(165,665)	(438)	-	67,534
Amounts owed to credit institutions.	35,046	78,047	(94,929)	5,584	-	23,748
Derivatives	-				679	679
Total current financial liabilities	**103,031**	**243,699**	**(260,594)**	**5,146**	**679**	**91,961**

14. Other liabilities

The composition of Other current and non-current liabilities as at 31 December 2019 and 2018 is as follows:

	At 31.12.19	At 31.12.18
Sureties and deposits received	439	438
Other non-current liabilities	**439**	**438**
Sureties and deposits received	64	14
Long-term deferred payments	-	611
Other current liabilities	**64**	**625**

In 2018 'Deferred payments' included mainly outstanding payments for the purchase of the company Parque Eólico Toabré, S.A. (formerly Fersa Panamá, S.A.), which were settled in November 2019.

15. Trade and other payables

The composition as at 31 December 2019 and 2018 is as follows:

	At 31.12.19	At 31.12.18
Suppliers	15,337	26,360
Suppliers, group entities (Note 20)	67	1,044
Sundry payables	23,868	13,133
Staff	182	212
Current tax liabilities	(35)	(35)
Public Administration (Note 18.d)	9,402	12,919
Trade and other payables	**48,821**	**53,633**

The amount corresponding to Public Administration in the year 2019 and 2018 relates mainly to the Municipal Electricity Tax (IMU).

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

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

	2019	2018
	Days	**Days**
Average period of payment to suppliers	27	36
Paid transactions ratio	25	33
Transactions with outstanding payment ratio	27	36
	Amount in EUR thousands	
Total payments carried out	378,283	466,657
Total outstanding payments	28,190	46,210

(1) Under the law 11/2013 of 26 July 2013, the maximum legal time limit for payment, applicable to the company with its tax residence in Spain, is of 30 days, except for the case when by agreement a longer time period is established, which under no circumstances can exceed 60 days.

The payments detailed in the above table as payments to providers refer to those which by their nature are trade payables for debts with suppliers of goods and services, in such a way that they include the needed information for the 'Other creditors' account found as current liabilities in the balance sheet.

16. Risk management

The Company, in general, considers risk to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives.

In this regard, Audax Renovables is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it from achieving its objectives and successfully implementing its strategies. For that reason, the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant risks to be correctly identified, managed and controlled.

According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure:

a) Integration of the risk-opportunity vision into the Company's management and strategy.

b) Implementation of an appropriate separation of duties while ensuring an adequate level of independence.

c) Ensuring the appropriate use of hedging instruments.

d) Information on the risks faced by the Group and of the systems implemented to mitigate them.

e) Align the Policy with all the specific policies that need to be developed in the matter of risk.

f) Ensuring the appropriate compliance with the rules of corporate governance.

g) Acting at any and all times in accordance with the rules of law and the Corporate Code of Ethics and Conduct.

Regardless of the above, the Company, being aware of their importance, has been taking the appropriate measures concerning the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall Company's risk management programme is centred on the uncertainty of the financial markets and attempts to minimise the potential adverse effects on its financial profitability.

Interest rate risk

The fluctuations in interest rates modify the fair value of the financial assets and liabilities on which a fixed interest rate is accrued as well as the cash flows from the financial assets and liabilities indexed to a floating interest rate, and, accordingly, they impact both net equity and net income, respectively.

Any rise of interest rates would increase the Group's financial expenses related to the part of its debt indexed to a floating interest rate, which would be mitigated by the interest rate hedging policy.

The purpose of interest rate risk management is to maintain a balance between floating and fixed rates on debt in order to reduce the costs of borrowings within the established risk parameters.

On the entirety of the issued bonds an interest at a fixed rate is accrued (Note 13).

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

	At 31.12.19	At 31.12.18
Fixed interest rate	222,268	201,462
Floating interest rate	15,214	8,327
Total	**237,482**	**209,789**

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

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2019	10%	(323)
	(10%)	399
2018	10%	(41)
	(10%)	38

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

Exchange rate risk

The variations in exchange rates can affect the fair value of the debt denominated in non-local or non-functional currencies and the transactions and investments denominated in non-euro currencies, and, accordingly, the counter-value of net equity and income.

The non-euro currencies with which Audax Renovables, S.A. has mostly operated in 2019 are the dollar and the zloty.

Commodity price of electricity risk

Audax Renovables is exposed to the risk of fluctuations in commodity prices given that its sales are linked to the price of electricity.

In certain countries where the Company operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile.

Furthermore, it is impossible to ensure that the market prices will be maintained at the levels which would enable the Company to attain desirable profit margins and investment recovery levels. A reduction of the prices below those levels could have a significant adverse effect on the business, the financial situation and the results of the Company's operations.

In order to mitigate the electricity price volatility risk the Company holds long-term power purchase agreements, as well as derivative hedging contracts (Note 8).

Credit risk

The credit risk lies in that the counterparty to an agreement might fail to fulfil their contractual obligations, thus bringing about economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.

The Company, even though it has no significant credit risk concentrations in the energy retailing activity, does keep policies to ensure that the energy is sold to the clients with appropriate credit history, e.g. sales carried out through analysis of client scoring before signing the contract.

The designation of an existing credit risk as bad debt is established according to the implemented accounting principles (Note 2). In particular, the Company carries out an individual analysis of the unpaid credits older than 180 days, clients in state of insolvency as well as the clients with relevant proceedings initiated against them.

As at 31 December 2019 the provision for bad debts reached the amount of EUR 12,526 thousand (EUR 11,426 thousand as at December 2018).

In order to mitigate the credit risk arising from financial positions, the derivative contracts are entered into and cash surpluses are invested in high solvency banks and financial institutions limiting the time horizon of the open positions as well as the credit quality of the counterparties in financial transactions.

As at 31 December 2019 and 2018 the Company did not have significant credit risk concentrations.

Liquidity risk

Prudent liquidity risk management derives from the need of financing the Company's activity by temporary differences between the needs and cash generation and involves maintaining sufficient cash and marketable securities and the availability of funding through a sufficient amount of committed credit facilities as well as sufficient ability to close out market positions.

Management follows up the liquidity reserve forecasts of the Company (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. In this respect, the schedule established for expected cash flows of financial debt (without taking into account financial interest) is included in Note 13, to which the payments corresponding to Trade and other payables maturing in 2019 should also be added (Note 15).

As at 31 December 2019, available liquidity amounts to EUR 109,498 thousand including cash and cash equivalents (EUR 34,307 thousand as at 31 December 2018), and there are no undrawn credit facilities.

Capital management

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

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

	At 31.12.19	At 31.12.18
Long-term financial liabilities (Note 13)	**146,295**	**106,758**
Short-term financial liabilities (Note 13)	91,961	103,031
Derivatives	(195)	(9,674)
Financial assets	(18,384)	(12,270)
Cash and other cash equivalents	(109,498)	(34,307)
Net financial debt:	**110,179**	**153,538**
Net equity (Note 11)	**167,904**	**159,099**
Leverage (Net financial debt / (Net financial debt + Net equity))	**39.62%**	**49.11%**

Guarantee terms risk

In order for Audax Renovables to be able to carry out its activity, it has to provide the guarantees connected to the electricity purchase. The guarantees are provided in the form of guarantees issued by a bank and/or an insurance company, some of which are secured by the positive net liquidity position of the Company.

Should the financial institutions that grant the guarantees decide to cancel them, the Company's retailing activity would become limited, which could, to some extent, affect its viability. Likewise, if those financial institutions modified substantially the terms of the guarantees they had granted (cost, validity, warranties, among others), such modification could affect the profitability of the Company.

As at 31 December 2019 and 2018, the Company does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

In the division of energy generation the development of the facilities under construction, owned by Audax, the financing conditions and the amount of own funds to be contributed by the Company depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

Financing the renewable energy projects with loans may imply, as a guarantee for the financial institutions, the necessity to pledge all or some of the shares of the Company's investees.

17. Tax situation

The movement in deferred taxes is as follows:

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

	Balance 31/12/2017	Sale of companies	Recognitions	Derecognitions	Balance 31.12.18
Deferred tax assets	-	-	170	-	170
Deferred tax liabilities	(3,625)	(3)	(2,408)	247	(5,789)
Net total	**(3,625)**	**(3)**	**(2,238)**	**247**	**(5,619)**

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

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

The reconciliation of the taxable income for the year 2018 is the following:

Income Statement			**Total**
Profit (loss) for the year before tax			21,551
	Increases	Decreases	
Permanent differences	795	(5,708)	(4,913)
Temporary differences			
- arising this year	-	-	-
- arising in previous years	198	(5,581)	(5,383)
Previous taxable income			**11,255**

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

The reconciliation between the applicable tax rate and the effective tax rate for the year 2019 and 2018 is as follows:

	2019	**%**	**2018**	**%**
Income before tax	14,453		21,551	
Theoretical tax	3,613	25%	5,388	25%
Permanent differences from dividends	(1,294)		(616)	
Other permanent differences	247		247	
Goodwill amortisation	(317)		(317)	
Profit from disposal of shares	(491)		(494)	
Allocation / (reversal) of financial provision	(223)		(1,393)	
Recognition of tax credits	(2,563)		-	
Use of NOLs and tax credits	(1,510)		(1,103)	
Other	178		(136)	
Corporate income tax accrued	**(2,360)**		**1,576**	

Due to the fact that the Company is subject to the tax consolidation system, the income tax balance for the year is a payable of Excelsior Times, S.L. amounting to EUR 1,474 thousand, recorded in the account of short-term payables to group companies and associates (Note 20).

As at 31 December 2019, the Company has net operating losses (NOLs) to be carried forward amounting to EUR 132,805 thousand (EUR 118,998 thousand as at 31 December 2018) as well as other tax credits amounting to EUR 4,569 thousand. In 2019 and in relation to these amounts, the Company has recognised in the annual accounts a tax credit of EUR 2,563 thousand, corresponding to the tax credits whose recoverability has been considered highly probable.

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

The Company, as well as other companies of the Group, are subject to Corporate Income Tax under the consolidated tax system along with the following companies where Excelsior Times, S.L. is the head entity of the tax group.

Excelsior Times, S.L.U	Unieléctrica Energía, S.A.	Audax Solar SPV XVI, S.L.
Orus Properties, S.L.U.	Explotación Eólica La Pedrera, S.L.U.	Audax Solar SPV XVII, S.L.
Orus Renovables, S.L.U.	Audax Fotovoltaica, S.L.U.	Audax Solar SPV XVIII, S.L.
Audax Renovables, S.A.	Audax Eólica, S.L.U.	Audax Solar SPV XXIII, S.L.
Eléctrica Nuriel, S.L.U.	Audax Solar SPV I, S.L.U	Audax Solar SPV XXIV, S.L.
Audax Green, S.L.U.	Audax Solar SPV II, S.L.	Audax Solar SPV XXV, S.L.
Generación Iberia, S.L.	Audax Solar SPV III, SLU	Audax Solar SPV XXVI, S.L.
ADS Energy 8.0., S.L.U.	Audax Solar SPV IV, SLU	Audax Solar SPV XXVII, S.L.
Aspy Global Services, S.L.U.	Audax Solar SPV V, SLU	Audax Solar SPV XXVIII, S.L.
Aspy Salud Gobal, S.L.U.	Audax Solar SPV VI, SLU	Audax Solar SPV XXIX, S.L.
Svendborg PV VII, S.L.	Audax Solar SPV VII, SLU	Audax Solar SPV XXX, S.L.
Aspy Prevención, S.L.U.	Audax Solar SPV VIII, SLU	Audax Solar SPV XXXI, S.L.
Aspy Formación, S.L.U.	Audax Solar SPV IX, SLU	Audax Solar SPV XXXII, S.L.
The Energy House Group, S.L.U.	Audax Solar SPV X, SLU	Audax Solar SPV XXXIII, S.L.
Eólica Del Pino, S.L.	Audax Solar SPV XI, SLU	Audax Solar SPV XXXIV, S.L.
Eólica El Pedregoso, S.L.	Audax Solar SPV XII, SLU	Audax Solar SPV XXXV, S.L.
Fersa Asesoramiento y Gestión, S.L.U.	Audax Solar SPV XIII, S.L.	Aznalcóllar solar, S.L.
Eryx Investments, S.L.U.	Audax Solar SPV XIV, S.L.	

18. Income and expenses

a) Net turnover

The breakdown of the net turnover is as follows:

	National		Rest of the European Union		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Income from energy retailing	327,182	359,638	72,676	110,752	399,858	470,390
Provision of services	8,835	10,096	223	161	9,058	10,257
Income from shareholding in equity instruments in group and associated companies	4,590	1,797	585	669	5,175	2,466
Net turnover	**340,607**	**371,531**	**73,484**	**111,582**	**414,091**	**483,113**

The annual accounts for the year 2019 include the financial statements of a permanent establishment in Portugal. Its registered address is at Avenida das Túlipas, 6, 18º, Lisboa.

As the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate of the volume of sales to customers that has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured under the heading "Trade and other receivables" of the assets of the Balance Sheet and, as at 31 December 2019, amounts to EUR 21,297 thousand. Regarding this energy, there is an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 7,150 thousand.

Additionally, in the income statement for the year 2019 the Company presents an amount of EUR 594 thousand related to deficient provisions in connection with the provision for costs of energy purchase to be incurred, according to the best estimate made by the Company on the basis of available historical information.

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

The income from shareholding in equity instruments in group and associated companies corresponds to dividends recognised in the years 2018 and 2019.

b) Procurements

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

	2019	2018
Consumption of goods	**(373,933)**	**(438,834)**
National purchases	(304,329)	(362,873)
Intra-Community purchases	(69,604)	(75,961)
Work performed by other entities	**(4,734)**	**(9,919)**
Procurements	**(378,667)**	**(448,753)**

As indicated in previous paragraph, as the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 7,150 thousand. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the Balance Sheet. Additionally, there is an estimate related to the invoices for energy purchase not yet received, amounting to EUR 1,527 thousand. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the attached Balance Sheet.

Audax Renovables, S.A., has signed several long-term power purchase agreements with diverse non-related companies. Under these agreements the Company will purchase directly an expected aggregated maximum of energy of approximately 2.4 TWh/year. These agreements have an expected validity period of between 10 and 20 years and are subject to certain conditions. Given the nature of these agreements, the Company does not consider them to be financial derivatives.

c) Staff costs

The breakdown of staff costs for the year 2019 and 2018 is as follows:

	2019	2018
Wages and salaries	(7,377)	(6,825)
Damages	(210)	(411)
Employer contributions	(1,796)	(1,621)
Other social expenses	(28)	(27)
Total staff costs	**(9,411)**	**(8,884)**

The average number of employees for the years 2019 and 2018 by category is as follows:

	2019	2018
Management*	3	3
Technicians	36	39
Back office staff	198	173
Total	**237**	**215**

* including internal auditor.

Moreover, in accordance with the provisions of the Gender Equality Act, Organic Law 3/2007 of 22 March 2007, published in the BOE (Official State Gazette) of 23 March 2007, the average number of employees at the end of 2019 and 2018 broken down by category and gender is as follows:

At 31.12.19	**Men**	**Women**	**Total**
Management*	1	2	3
Technicians	24	10	34
Back office staff	61	124	185
Total	**86**	**136**	**222**

* including internal auditor.

At 31.12.18	**Men**	**Women**	**Total**
Management*	2	1	3
Technicians	23	7	30
Back office staff	59	133	192
Total	**84**	**141**	**225**

* including internal auditor.

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

The average number of the Company's employees with a disability equal to or greater than 33% (or equivalent local qualification) in the years 2019 and 2018, by category, is as follows:

	2019	**2018**
Management*	-	-
Technicians	-	-
Back office staff	2	2
Total	**2**	**2**

* including internal auditor.

d) Other operating expenses

The breakdown of other operating expenses is as follows:

	2019	**10/07/1905**
External services	(11,024)	(7,118)
Taxes (Note 15)	(3,512)	(3,333)
Loss, impairment or change in provisions from business operations	(2,787)	(2,461)
Other current operating expenses	(238)	(448)
Total operating expenses	**(17,561)**	**(13,360)**

The taxes account is comprised mainly of the provision for IMU (Municipal Electricity Fee applied to the connection to the grid in order to transport electricity to the consumption points and depending on the grid being located on the ground, underground or air of municipal public ways, making special use of local public property which might be subject to tax at an established rate if the local government decides to apply it) amounting to EUR 1,819 thousand as at 31 December 2019 (EUR 2,317 thousand as at 31 December 2018). It also includes a contribution to the energy efficiency fund in the amount of EUR 565 thousand and a contribution to the electricity subsidy (Bono Social) amounting to EUR 268 thousand (EUR 627 thousand and EUR 335 thousand respectively in the year 2018).

e) Financial profit (loss)

	2019	2018
Financial income	**5,864**	**6,404**
From negotiable securities, loans and other financial instruments	5,864	6,404
In group and associated companies	5,571	4,901
In third parties	293	1,503
Financial expenses	**(9,035)**	**(8,126)**
From liabilities to group companies and associates	(429)	-
From liabilities to third parties	(7,501)	(6,591)
Other financial expenses	(1,105)	(1,535)
Change in fair value of financial instruments	**25**	**-**
Trading book and others	25	-
Exchange differences	**(82)**	**(70)**
FINANCIAL PROFIT (LOSS)	**(3,228)**	**(1,792)**

19. Commitments and contingencies

Guarantees with third parties

As at 31 December 2019 the Company has been given bank guarantees amounting to EUR 53,435 thousand (EUR 31,190 thousand at 31 December 2018) to cover the relevant obligations with third parties. The guarantees have been granted to cover the transactions of electricity purchase on the market.

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

Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2019 and 2018, corresponding to the Company:

Period	31.12.19	31.12.18
Up to one year	306	260
One to five years	231	397
More than five years	-	-
Total	**537**	**657**

Operating lease expenses in the year 2019 rose to EUR 413 thousand (EUR 203 thousand in 2018).

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

20. Information on related party transactions

Related parties are:

a) Significant shareholders of Audax Renovables, S.A., meaning those who directly or indirectly hold an interest equal to or exceeding 3%, as well as shareholders which, while not being significant, have exercised the power to appoint a member of the Board of Directors:

According to the above definition, Eléctrica Nuriel, S.L.U. is considered to be a related party.

b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, “Directors” meaning members of the Board of Directors, and “Senior Management” meaning people who report directly to the Company’s Board of Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 21.

c) All the companies belonging to the Excelsior Group.

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

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

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

The balances and transactions carried out in the years 2019 and 2018 between Audax Renovables, S.A. and the related parties are as follows:

a) Balances with related parties:

The accounts receivable and payable with the parent company (the parent company meaning Excelsior Times, S.L.) and companies belonging to the Excelsior Group as at 31 December 2019 and 2018 are as follows:

Year 2019

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

Year 2018

	Parent company	Group and related companies	Total
Long-term investments in group companies and associates (Note 7)	70,778	224,367	295,145
Trade and other payables			
Short-term receivables from group companies and associates (Note 9)	-	3,099	3,099
Short-term investments in group companies and associates (Note 7)	2,713	3,924	6,637
Total assets	**73,491**	**231,390**	**304,881**
Short-term payables to group companies and associates	6,176	1,850	8,026
Suppliers, group entities (Note 15)	-	1,044	1,044
Total liabilities	**6,176**	**2,894**	**9,070**

The increase in short-term payables to group companies and associates in the year 2019 corresponds mainly to the debt towards the company Audax Fotovoltaica, S.L.U. from the purchase of the companies Audax Solar SPV IV S.L.U, Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U.and Aznalcollar Solar S.A.U and from the agreement on assignment of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L and Elogia Calañas, S.L. (Note 7a).

b) Related party transactions:

Year 2019

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

Year 2018

	Parent company	Group and related companies	Total
Turnover			
Net sales	-	9,124	9,124
Technical, accounting and administration services	-	1,582	1,582
Generators management and bilateral contracts commission	-	1,547	1,547
Staff and other services	-	2,071	2,071
Financial income			
From shareholdings in equity instruments	-	2,466	2,466
Interest on granted loans	1,623	3,278	4,901
Total income	**1,623**	**20,068**	**21,691**
Other operating expenses			
Office space rental	-	23	23
Collection services and other	524	-	524
Purchase of energy	-	10,052	10,052
Commodity price hedge	-	(1,928)	(1,928)
Customer acquisition services	-	162	162
Green energy guarantee of origin services	-	49	49
Professional services	-	55	55
Occupational risk prevention services	-	25	25
Total expenses	**524**	**8,438**	**8,962**

In the year 2019 income from the most significant transactions carried out with the group companies relates to:

- Energy sales under bilateral contracts, mainly to Unieléctrica Energía, S.A. and its subsidiaries.
- Natural gas retail to end consumer, mainly to Audax Green, S.L.
- Invoicing for technical and administrative assistance services, as well as staff and other general services provided to the companies of the Group.
- Dividends receivable.
- Interest receivable from the loans granted.

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

The expenses for the most significant transactions of the year 2019 correspond to the purchase of energy for the group companies and to the management services provided by the parent company Excelsior Times, S.L.U.

"Expenses and similar" for the year 2019 includes the purchase of photovoltaic projects by Audax Renovables, S.A. from Audax Fotovoltaica, S.L. for the total amount of EUR 14,142 thousand.

In the year 2019 the expenses for the most significant transactions carried out with the group companies correspond to the energy purchase for the group companies and collection services.

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

Remuneration of the members of the Board of Directors

The Ordinary General Meeting of Shareholders of the Parent Company, held on 29 April 2019, approved, in accordance with the previous report of the Appointments and Remuneration Committee, an amendment to the Company's current board members remuneration policy applicable in the years 2019, 2020 and 2021.

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

The remuneration comprises (i) a monetary remuneration which the directors may receive for their attendance at the meetings of the Board of Directors, of the Audit Committee and of the Appointments and Remuneration Committee, as appropriate, in accordance with the criteria established in the remuneration policy; and (ii) a monetary remuneration for the directors who were given executive duties. Moreover, there is a remuneration for coordination duties, paid to the coordinating director of the Company.

In the year 2019 the amount accrued by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 153 thousand (EUR 104 thousand in 2018) for their membership of the Board and its various Delegated Committees, as well as remuneration for their employment relationship or direct responsibilities at different executive levels, where appropriate.

In the year 2019 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 42 thousand (EUR 29 thousand in 2018).

As at 31 December 2019 and 2018 the Board of Directors of the Company is composed of 6 men.

Other information on Directors

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

In this regard it should be noted that in the years 2019 and 2018 no situations of direct or indirect conflict of interest occurred between the members of the Board of Directors and the Company.

In the years 2019 and 2018 no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

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

Senior Management's remuneration

The remuneration charged for all kinds of reasons in the year 2019 by the Senior Management amounted to EUR 343 thousand (EUR 394 thousand for the year 2018). Furthermore, there is one contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2019 the Senior Management of the Company is made up of two women and one man, including the internal auditor (one woman and two men in 2018, including the internal auditor).

22. Auditors' fees

The audit company (KPMG Auditores, S.L.) who audited the annual accounts of the Company has invoiced over the years ended on 31 December 2019 and 2018 fees for professional services in the following amounts:

	EUR thousands	
	2019	**2018**
Audit services	80	137
Other services	56	63
Total	**136**	**200**

The amounts featured in the above table include the entirety of the fees related to the services rendered during the years 2019 and 2018, independently of the invoice date.

The net fees accrued by other entities associated to KPMG International in 2019 amount to EUR 133 thousand (EUR 80 thousand in 2018).

23. Environment

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

In 2019 and 2018 no significant environmental expenses have been incurred by the Company.

On 27 August 2004 Royal Decree Law 5/2004, which regulates the regime for trading in greenhouse gas emissions rights, was adopted, the objective of which was to assist in complying with the obligations under the Kyoto Protocol Convention.

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

24. Subsequent events

In January 2020, Audax Renovables, S.A. signed a turnkey contract, or an EPC (Engineering, Procurement and Construction) contract between Da Vinci Energía, S.L.U (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. (belonging to the Risen Energy Co. Ltd group) for the construction of the photovoltaic plant Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 5 MWp. The construction works of this facility have already started.

In February 2020, Audax Renovables, S.A. signed another turnkey contract, or EPC contract between Las Piedras Solar, S.L.U. (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. for the construction of the photovoltaic plants Carolina I and ii in the El Casar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 10 MWp. The construction works of both power plants are due to begin shortly.

In February 2020, the non-controlling shareholders of the Dutch subgroup, whose parent company is Main Energie, B.V. (formerly Audax Netherlands B.V.), formally announced their intention to exercise certain sale options over the entirety of their shares for a price of approximately EUR 15,227 thousand (Note 7). This transaction will bring about an increase of this company's share price.

APPENDIX I:

Shareholdings in Group companies

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

				Shareholding	
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generation Iberia, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo (Burgos)	Spain	Generation	51%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Eólica Postolin Sp. z o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Eolica Warblewo Sp. z o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Audax Solar SPV IV, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VI, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV IX, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Aznalcóllar solar, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Botey Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Corot Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Las Piedras Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Da Vinci Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Elogia Calañas, S.L.	Calle Velázquez, 150, 5º - Madrid	Spain	Generation	100%	-
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	55%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	51%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	51%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	41%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	46%

b) Shareholdings in associated companies and multi-group companies

				Shareholding		
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**	**Controlling relation**
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind energy	30,00%	-	Significant influence

APPENDIX II:

Shareholdings in Group companies

	At 31.12.19					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total shareholders' equity**	**Gross book value**	**Dividends**
ADS Energy 8.0., S.L.U.	258	-	(88)	170	1,870	-
Generación Iberia, S.L.	200	23	96	319	779	-
Audax Energia, S.R.L.	100	981	350	1,431	14,740	-
Audax Energie, GmbH	50	(3,614)	(1,980)	(5,544)	50	-
Audax Energía, SP. Z O.O.	1,453	(282)	(728)	443	8,443	-
Main Energie, B.V.	-	41,716	(1,017)	40,699	38,500	-
Eólica El Pedregoso, S.L.	146	2,211	274	2,631	8,990	-
Eólica Del Pino, S.L.	75	(1,554)	(94)	(1,573)	8,630	
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	
Castellwind 03, S.L.	764	350	(11)	1,103	580	
Fersa Asesoramiento y Gestión, S.L.U.	50	(12)	(6)	32	166	
Eoliennes De Beausemblant, S.A.S.	556	1,118	1,130	2,804	3,498	585
Eólica Postolin Sp Z.o.o	11,931	4,780	3,127	19,838	41,153	
Eolica Warblewo Sp Z.o.o	14	(172)	(18)	(176)	12,232	
Audax Solar SPV IV, SLU	3	-	-	3	2,445	-
Audax Solar SPV VI, SLU	3	-	-	3	3,636	-
Audax Solar SPV IX, SLU	3	-	-	3	2,640	-
Aznalcóllar solar, S.L.	60	613	-	673	1,504	-
Botey Solar, S.L.	3	(2)	(38)	(37)	4,938	-
Corot Energía, S.L.	3	(2)	(9)	(8)	4,199	-
Las Piedras Solar, S.L.	3	-	(10)	(7)	2,589	
Da Vinci Energía, S.L.	3	(2)	(7)	(6)	1,223	
Elogia Calañas, S.L.	3	5	-	8	609	
Eryx Investments, S.L.U.	4	57,760	4,000	61,764	46,714	3,366
Total	**15,688**	**103,898**	**4,971**	**124,557**	**210,176**	**3,951**
Provision for shareholding impairment					(54,589)	
Net book value					**155,587**	

	At 31.12.18					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total shareholders' equity**	**Gross book value**	**Dividends**
ADS Energy 8.0., S.L.U.	258	194	(194)	258	1,870	-
Generación Iberia, S.L.	200	200	(177)	223	779	-
Eólica El Pedregoso, S.L.	146	2,050	161	2,357	8,988	-
Eólica Del Pino, S.L.	75	(1,109)	(445)	(1,479)	8,630	-
Parc Eòlic Mudefer, S.L.U.	2,554	4.547	1,079	8,180	28,663	-
Fercom Eólica, S.L.U.	37	19,506	(19)	19,524	43,720	-
Gestora Fotovoltaica de Castellón, S.L.	30	1,764	140	1,934	1,425	-
Parque Eólico Hinojal, S.L.U.	2,876	4,092	1,224	8,192	26,783	1,796
Eólica Postolin Sp Z.o.o	11,931	4,496	284	16,711	41,153	-
Fersa Asesoramiento y Gestión, S.L.U.	50	(6)	(6)	38	166	-
Parc Eòlic Coll De Som, S.L.U.	643	177	(1)	819	6,931	-
Eolica Warblewo Sp Z.o.o	14	(156)	(17)	(159)	12,232	-
Eoliennes De Beausemblant, S.A.S.	556	957	892	2,405	3,498	669
Castellwind 03, S.L.	764	359	(9)	1,114	580	-
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	-
Audax Energia, S.R.L.	100	5,289	(4,308)	1,081	14,740	-
Audax Energie, GmbH	50	(1,565)	(1,912)	(3,427)	50	-
Audax Energía, SP. Z O.O.	579	3,492	(2,901)	1,170	8,443	-
Audax Netherlands B.V.	-	39,391	(13,596)	25,795	38,500	-
Eryx Investments, S.L.U.	4	62,372	(404)	61,972	46,714	-
Total	**20,870**	**146,031**	**(20,209)**	**146,692**	**293,913**	**2,465**

Provision for shareholding impairment					(128,318)	
Net book value					**165,595**	

b) Shareholdings in associated companies and multi-group companies

	At 31.12.19					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total shareholders' equity**	**Gross book value**	**Dividends**
Parque Eólico Toabré	534	1,981	(290)	2,225	7,916	
Total	**534**	**1,981**	**(290)**	**2,225**	**7,916**	**-**

Provision for shareholding impairment					-	
Net book value					**7,916**	

	At 31.12.18					
Company	**Share capital**	**Reserves and other**	**Profit (loss)**	**Total shareholders' equity**	**Gross book value**	**Dividends**
Berta Energies Renovables, S.L.	5,716	(2,146)	(383)	3,187	271	
Parque Eólico Toabré	524	(265)	(160)	99	7,916	-
Total	**6,240**	**(2,411)**	**(543)**	**3,286**	**8,187**	**-**

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

AUDAX RENOVABLES, S.A.

DIRECTORS' REPORT FOR THE YEAR 2019

The following Directors' Report for the Year 2019 has been drawn up in accordance with the "Guide for Setting up Listed Companies' Management Reports" issued by the CNMV.

1. Entity's situation

Audax Renovables, S.A. (hereinafter: Audax Renovables, Audax or the Company), incorporated in the year 2000 under the name of Fersa Energías Renovables, S.A., currently has its registered office at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

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

Its principal objects include:

- Energy retailing, purchase and sale of electricity, including export and import, fuel retailing for energy production, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as all the necessary additional activities.

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

In 2003 the shares of Audax were admitted to trading on the secondary market of the Barcelona Stock Exchange and in 2007 they were included in the SIBE (integrated stock exchange system) of the Madrid Stock Exchange. Now the shares are traded on the Spanish Continuous Market with the ticker symbol of ADX.MC.

In August 2016 Audax Energía, S.A., after its takeover bid had been accepted by 70.86% of the shareholders of Audax Renovables, became the majority shareholder the latter. The transaction was in line with the strategy of Audax Energía, S.A. of vertical integration between the generation and the retailing activities in order to mitigate the impact of electricity price fluctuations on the business margins.

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November 2018 by the board of directors of both companies, Audax Renovables, S.A. as the absorbing company, and Audax Energía, S.A. as the absorbed company.

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

The distribution of the share capital of Audax as at 31 December 2019 is as follows:

Shareholder	**Shareholding**
Eléctrica Nuriel, S.L.	88.48%
Free float	11.52%
Total	**100.00%**

1.1. Organisational structure

Audax manages jointly the businesses of both retailing and generating energy in order to optimise the vertical integration that has been carried out. Thus the entity's management is able to act flexibly in each one of the two existing business lines.

The information on the entity's management structure, the functions and the different regulations of the Board of Directors' committees is available in the corporate governance report attached to this document.

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 88.48% of the shares as at 31 December 2019. In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2019 is presented in Appendix I to this report.

1.3. Profile and strategy

Audax's strategy in recent years has been centred around three fundamental pillars:

(i) A strong process of internationalisation referred to the retailing activity by establishing the company in different European countries: Portugal (2013), Italy (2014), Germany (2015), Poland (2016) and the Netherlands (2017).

(ii) A better positioning on the Spanish market by way of both organic and inorganic growth.

(iii) The maintenance and optimisation of the facilities for the generation of energy from 100% renewable sources, thus enabling the vertical integration with the retailing activity and providing the customers with 100% renewable energy.

In 2019, the Group presented its guidelines for the future, with the aim to achieve certain objectives by the year 2022, the main of which are the following:

1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.

2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.

3. Replicate the success achieved in Spain on the international markets where the Group operates.

- **RETAILING:**

Spain and Portugal:

The retailing activity is based on a commodity product placed on a very competitive market, especially since the liberalisation of energy retailing in January 1998. On the basis of this liberalisation and considering the strong competition on the market, Audax strives to present new products which will set it apart from the competitors and which will better meet the needs of the clients, positioning a significant proportion of the sales in the SME segment.

In regard to the retailing activity, as at 31 December 2019 Audax Renovables ranks 10th on the Spanish electricity market, with a market share of 1.43%. In Portugal the company is ranked 9th among the retailers on the Portuguese market, with a market share of 1.11%.

The Company retails at three rates:

I. Indexed rate: The client pays for the consumed electricity at a variable price depending on the sale price on the wholesale market. It allows access to the free market and paying for the energy

at a cost price plus a management commission. Audax establishes a mark-up applied to the cost of energy.

II. Flat indexed rate: It allows paying the same amount of the electricity invoice each month. This rate is established on a personalised basis depending on the consumption needs of the client and includes a mark-up for costs covering.

III. Flat rate: In this case the prices of invoiced energy supply contracted as well as energy consumption are fixed during the validity of the contract, which is at least 12 months.

Italy:

Audax Energía, S.R.L. is involved in electricity and gas retailing and is present through its own trademarks that offer local services linked to the environment. It has 15 offices and the headquarters in Milan.

Audax entered the Italian market through the acquisition of the retailer BigEnergía, S.R.L. in 2014 and a subsequent acquisition of a portfolio of clients of Compagnia Energetica Italiana (CEI) with the aim of increasing the turnover.

Poland:

Audax entered the Polish market in 2016 through the acquisition of 51% of the retailer Deltis sp. z o.o., which changed its name to Audax Energía sp. z o.o. In March 2017 Audax acquired the remaining 49% of shares and now has control over the entire company.

Audax's strategy is to accelerate its growth in Poland, given the country's potential market of 1.8 million businesses and 14 million households.

Germany:

The Company initiated its activity on the German retailing market in 2015. Unlike in the internationalisation process carried out in other European countries – where Audax entered through the acquisition of an already operating company – the Company's strategy in Germany has been based on starting the retailing activity from scratch by creating the Audax Energie GmbH company.

the Netherlands:

In March 2017, Audax acquired 71.97% of the company Main Energie, B.V. (Main) involved basically in electricity and gas retailing on the Dutch market, mainly in the SME segment of the real property sector.

The acquisition of Main has enabled a more accelerated consolidation of the international expansion strategy by increasing the presence on the European market.

- **REPRESENTATION:**

Generación Iberia, S.L. is a company incorporated in 2005 for the purpose of representing the energy generation plants. Its aim is to maximise the profitability of the electricity producers. The company manages the sales of energy from independent generators at OMIE for the daily and intraday market.

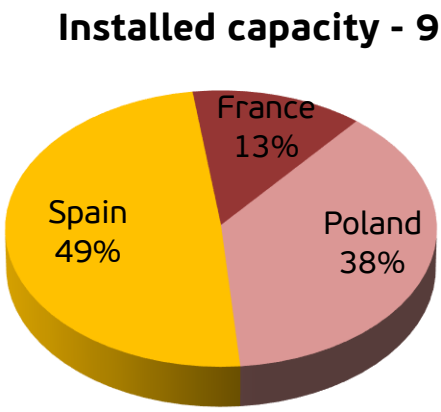
Furthermore, the company offers complementary management services, such as hedging and guarantees management to OMEL and MEFF.

- **GENERATION:**

Currently Audax manages a total portfolio of operating plants of 91 MW in Spain, France and Poland, which are of wind technology; there is a project under construction in Panama, of 66MW (a 30% shareholding in the company Eólica Toabré, S.A.).

In the year 2019 Audax incorporated 320 MW in photovoltaic projects located in Andalucía, Castilla la Mancha and Murcia. The energy produced in the future by these photovoltaic projects will be retailed through the incorporation of a PPA in the retailing division of Audax.

As at 31 December 2019 the distribution of the Audax's operating plants is as follows:



Spain:

Currently Audax has in Spain 44.6 MW in operation, located in Cádiz. The incorporated photovoltaic projects of 320 MW will be also located in Spain.

France:

Currently Audax has an operating wind farm in France, of 12 MW, in the region of Drôme (in the south-east of the country).

Poland:

Audax has in Poland the Postolin wind farm of 34 MW, operating since December 2015. It is located in the north of the country, near the city of Sztum.

Panama:

Audax holds a 30% shareholding in the Parque Eólico Toabré, S.A. company, the owner of a wind farm under construction which, in the first stage, will have 66MW.

2. Evolution and results of the business

2.1. Significant events of the period

Audax Renovables ends the year 2019 with a Net Profit of EUR 16,813 thousand, compared to EUR 19,975 thousand of the previous year. The EBITDA amounts to EUR 12,529 thousand, compared to EUR 16,714 thousand in the previous year.

Among the most important events of the period, in chronological order, we can point out the following:

- On 18 February Audax renewed its current programme of promissory notes of EUR 50 million, expanding it with a new programme of up to EUR 75 million with a maturity period of up to 24 months.

- On 4 February Audax informed that it had commenced acting as a sales agent on the Portuguese market for the retail of electricity from the photovoltaic plant Ourika of 46 MWp, developed by WElink Group and owned by the company Morningchapter S.A., controlled by Allianz Insurance Companies, on the basis of a 20-year Power Purchase Agreement (PPA).

- On 7 February the conclusion of a representation contract was announced, for the retail on the Portuguese market of the electricity generated by the photovoltaic plant Solara4, of 218.8 MWp, pursuant to a 20-year fixed-price PPA signed with WElink Investment Holdings (Ireland) Ltd., under which Audax will buy the energy produced by the projects in Spain and Portugal, with an option to achieve a total of 708 MW.

- On 19 March, an agreement was concluded, which regulates the long-term purchase and sale of electric power from diverse photovoltaic plants of the company Trina Solar (Spain) Systems S.L.U. in Spain. The Company will be buying, over the period of 20 years and under PPAs, all the electric power generated by the photovoltaic plants with a capacity of up to 300 MWp.

- In April, Audax announced that it was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.

- On 29 April the General Meeting of Shareholders was held, where, apart from disclosing the resolutions adopted by the General Meeting, the main guidelines towards 2022 were presented:

    1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.

    2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.

    3. Replicate the success achieved in Spain on the international markets where the Group operates.

- On 8 May, Audax announced the incorporation of photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia, 60 MW of which are currently in a very advanced stage of development. Those projects were acquired through purchase at a total price of EUR 19,848 thousand. The energy produced in the future by these photovoltaic projects will be retailed through the incorporation of a PPA in the retailing division of Audax.

- On 28 May Audax Renovables celebrated the first edition of its Investor Day. The Company was represented by Mr José Elías, Chairman, founder and majority shareholder, by Mr Eduard Romeu, Vice-Chairman and CEO, and Ms Anabel López, General Manager. In their address, the three executives explained the history of the company, the main factors and the guidelines for the future.



Audax is working towards achieving by the year 2022 a portfolio of more than 500 thousand clients, supplying more than 15 TWh of energy, attaining a revenue of around € 1.5 billion and an EBITDA of over €100 million, through the means of doubling its profitability and relaxing financial leverage due to substantial cash generation.

- On 3 July the conclusion of a PPA was announced, the agreement having been signed with Statkraft, the biggest renewable energy producer in Europe. Over a period of ten years and a half, Statkraft will be supplying to Audax Renovables 525 GWh of electricity per year. The energy will come from its Spanish solar portfolio.

- On 1 August an agreement was concluded for a transfer of direct shares of two of its Spanish subsidiaries. The transactions were the following:

  Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a solar project located in the Tarragona province, with installed capacity of 57.6 MW;

  - Sale of direct shares of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;

  The buyers of those shares were, respectively, Helia Renovables II, F.C.R., a found managed by Plenium Partners Asset Management SGEIC, S.A., and Minerva Renovables, S.A., a company advised and managed by Kira Renovables, S.L.

- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.

- On 18 November Audax signed an agreement for the long-term purchase of energy (PPA) with the German multinational Innogy SE. Over a period of ten years, Innogy will be supplying to Audax Renovables 100 GWh of electricity per year. The energy will come from the Innogy's power plant in Alarcos (Ciudad Real).

- On 24 November an announcement was made of the conclusion of a sale agreement on the transfer of direct shares of 100% of share capital and loans associated to the

company Parque Eólico Hinojal, S.L., a wind project located in the Cádiz province, with installed capacity of 36.0 MW.

- On 25 November, Audax announced the agreements reached in the General Assembly of the Syndicate of Noteholders, held on Friday, 22 November, regarding the issuances with code ISIN ES0305039010 and code ISIN ES0305039028.

2.2. Profit or loss for the financial year

The results of Audax presented in the notes to the Annual Accounts for the year 2019 and its comparison to the year 2018 shall be regarded in the context of the merger by absorption already reflected in the annual accounts for the year 2018. In the current year and in its comparison to the previous year, financial income in group companies and impairment and profit (loss) on disposal of financial instruments were classified within the operating profit or loss, the holding activity being considered as the main one for Audax.

As required by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2019 is presented uniquely and exclusively for comparative purposes with the relevant information for the year 2018.

2.3. Analysis of the results

The most significant results figures for the year 2019 in comparison to the year 2018 are as follows:

Consolidated Income Statement	2019	2018	Var. (%)
Operating income	418,168	487,711	-14.3
Gross Margin (1)	39,501	38,958	1.4
EBITDA (2)	12,529	16,714	-25.0
EBIT (3)	17,681	23,343	-24.3
Profit/loss attributable to the Parent Company	**16,813**	**19,975**	**-15.8**

EUR thousands

(1) Operating income = Net turnover + change in inventory + other income

(2) Gross margin = Operating income + procurement

(3) EBITDA (Gross operating income) = Gross margin + staff costs + Other fixed operating expenses

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

Operating income has dropped by 14.3%, due to, among other factors, the decrease of the amount of energy supplied and its relation to the average market price in Spain and Portugal in comparison to the previous year. Moreover, lower results from impairment (reversal) and disposal of financial instruments involve a decrease in income in comparison to the same period of the previous year.

The decrease in income has been curtailed by the implementation of improvements in the procurement management, placing the Gross Margin at 9.4% of the operating income, compared to 8.0% in the same period of the previous year.

The EBITDA amounts to EUR 12,529 thousand, compared to EUR 16,714 thousand in the previous year.

Audax Renovables ends the year 2019 with a Net Profit of EUR 16,813 thousand, compared to the profit of EUR 19,975 thousand in the previous year.

2.4. Principal operating figures

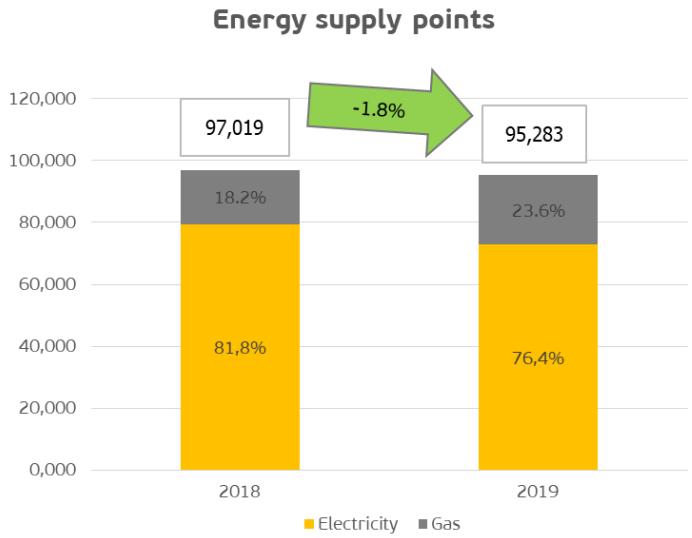
The principal figures arranged by segments are as follows:

- **Retailing:**

Supply points:

At the balance sheet date of the year 2019 Audax has more than 95 thousand active energy supply points, compared to 97 thousand of energy supply points at the end of 2018.

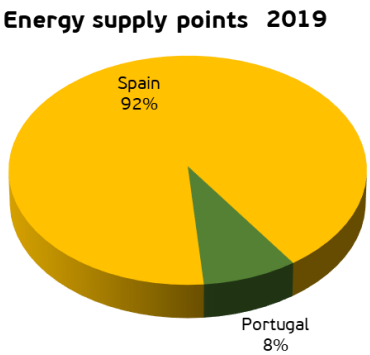
Electricity supply points constitute 76.4% of the total number, and natural gas supply points constitute 23.6%. In comparison to the previous year, the rise of the importance of the gas supply points is noticeable, due to the boost that has been given to the business of natural gas retailing in the present year.



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

Energy supply points	2019	2018	% Var.
Total Electricity	**72,826**	**79,380**	**-8.3**
Total Gas	**22,457**	**17,639**	**27.3**
TOTAL ENERGY SUPPLY POINTS	**95,283**	**97,019**	**-1.8**

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

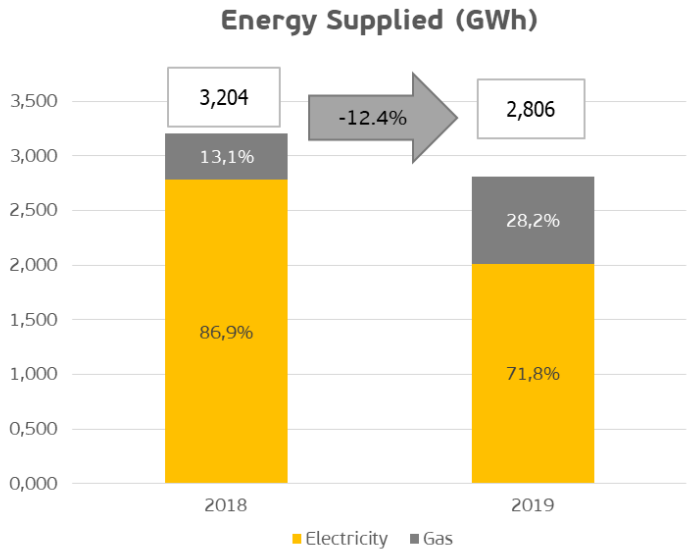


Supplied energy:

The total amount of energy supplied by Audax in the year 2019 is of 2.8 TWh, compared to 3.2 TWh of the previous year. This decrease is connected with the reduction over this period (12 months) by 1.7% of the demand on the peninsula, adjusted by a lower number of working days and higher temperatures, according to R.E.E.*

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

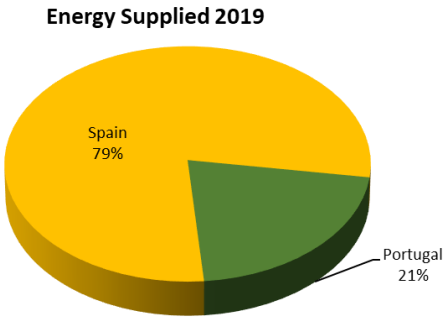
** R.E.E.: Official Gazette of Electric Power #36 - December 2019 - Spanish Electricity Network*



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

Energy Supplied (GWh)	2019	2018	% Var.
Total Electricity	**2,014**	**2,784**	**-27.7**
Total Gas	**793**	**420**	**89.0**
TOTAL ENERGY SUPPLIED	**2,806**	**3,204**	**-12.4**

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



- **Generation:**

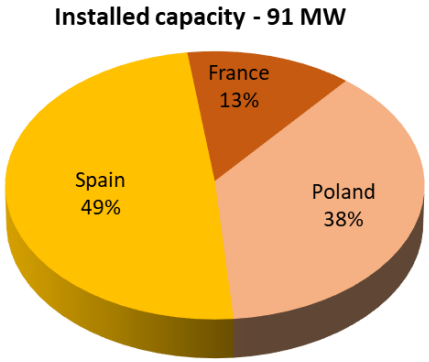
Audax's renewable energy generation division has changed its installed capacity during the year 2019 in comparison to the year 2018, due to the transfers carried out. The transactions were the following:

- Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a wind project located in the Tarragona province, with installed capacity of 57.6 MW;
- Sale of direct shareholding of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;
- Sale of direct shareholding of 100% of share capital and loans associated to the company Parque Eólico Hinojal, S.L., a wind project located in the Cádiz province, with installed capacity of 36.0 MW.

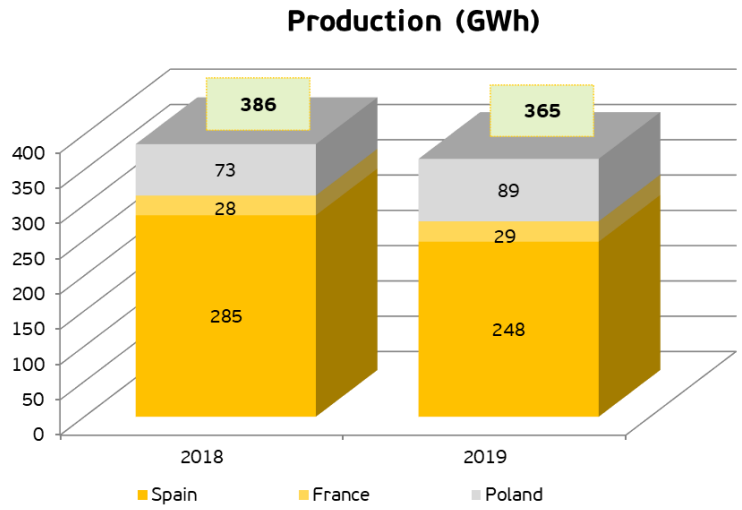
The aforementioned transactions match the objective to reduce the Audax's debt and are in line with the asset rotation strategy implemented by the Company, these objectives having been presented on the Investor Day celebrated last May. Thus, the installed capacity at the end of 2019 is of 91 MW, belonging wholly to wind technology.

On 8 May 2019, photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia were incorporated, 60 MW of which are currently in a very advanced stage of development. These projects, when put into operation, will supply around 600 GWh of green energy per year, which correspond to the annual consumption of more than 175,000 households.

The distribution of this operating installed capacity by country is as follows:



The production for the year 2019 has reached 365 GWh, only 5% less than in the same period of the previous year, bearing in mind that the production of the wind farm Mudefer of 57.6 MW, of the photovoltaic plant Gestora of 1 MW and of the wind farm Hinojal of 36 MW are not included in these figures for the year 2019 from the dates of their respective sale. The production of comparable plants for the year 2018 was 6% higher, the good performance of the Postolin wind farm in Poland standing out.



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec-19	Dec-18	Var.
Current and non-current financial debt	238,256	209,789	28,467
Derivatives	-195,000	-9,674	9,479
Cash and other current financial assets	-127,882	-46,577	-81,305
Net Financial Debt *	**110,179**	**153,538**	**-43,359**
Net Equity **	**167,904**	**159,099**	**8,805**
Leverage ***	**39.6%**	**49.1%**	**-9.49%**

(EUR thousands)

* Net Financial Debt = Current and non-current financial debt + Derivatives - Cash and others
** Net Equity = Net Equity of the Parent Company + of the Minority interests
*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net Financial Debt at the end of 2019 amounts to EUR 110,179 thousand, compared to EUR 153,538 thousand as at 31 December 2018 (a decrease of 28.2%). Likewise, the Leverage decreased by 19.3% (9.5 basis points).

The sale of the generation projects reduces the Net Financial Debt linked to them by the amount of EUR 66,977 thousand of the total reduction for the year 2019 amounting to EUR 43,359 thousand.

3.2. Rating management

On 29 April, the rating agency AXESOR RISK MANAGEMENT S.L.U. awarded Audax Renovables, S.A. a "BBB-" stable outlook rating.

3.3. Debt structure

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

Financial liabilities breakdown *	Dec-19	% total	Dec-18	% total
Bonds & promissory notes	210,718	89%	166,143	79%
Loans	16,471	7%	29,641	14%
Credits	0,000	0%	2,863	1%
Confirmings and others	10,293	4%	11,142	5%
Total financial liabilities	**237,482**	**100%**	**209,789**	**100%**

(EUR thousands)
* Without considering liabilities from derivatives

The issues of bonds and promissory notes on the MARF throughout the year 2019 contributed to increase this kind of financing, comprising 89% and 70% respectively of the total of the aforementioned financial liabilities. The said issues were as follows:

- In February 2019 Audax registered a programme of promissory notes under the name of “Programa de Pagarés Audax 2019” on the Alternative Fixed-Income Market ("MARF") in the amount of EUR 75 million and with maturity period of 24 months.
- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.

See Note 13 to the financial statements about Financial Liabilities for more detailed information.

4. Main risks and uncertainties

The Company’s Risk Control and Management System

As a general rule, the Group considers "risk" to be any danger that an event, action or omission might prevent the Company from achieving its objectives and implementing successfully its strategies.

The Company has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Company's general Policy of Risk Control and Management updated in 2019, the risk factors are, in general, the ones specified below:

a) Corporate governance risks.

b) Financial risks
- (i) Credit risks
  - a) Energy generation activity
  - b) Energy retail activity
- (ii) Market risk
- (iii) Electricity market price volatility risk
- (iv) Liquidity risk
- (v) Interest rate risk
- (vi) Guarantee terms risk
- (vii) Access to finance
  - i. Exchange rate risk
  - ii. Capital management risk
  - iii Financial restriction risk

c) Risks related to the activity sector

i. Macroeconomic risks
ii. Market concentration risks

d) Regulatory risk
i. Retail activity
ii. Generation activity

e) Competition risk

f) Operational risks
i. Cost of deviation of demand for energy
ii. Risk of malfunction

g) Risk of exposition to the Spanish market

h) Litigation and reclamation risk

i) Dependence and concentration of qualified providers

j) Risk related to the meteorological conditions

k) Risk related to insurance

l) Dismantling of facilities

m) Dependence on factors impossible to be controlled by the Company

n) Risks that are specific to the Company
i. Concentration in Audax ownership
ii. Customer concentration
iii Information systems risk
iv. Risk derived from debt
v. Key-person dependency risk
vi. Risk of fraud
vii. Other risks related to the retail activity
(a) Risk of product or price of the retail activity
(b) Risk of reduced ability to negotiate price

5. R+D+i activities

In the year 2019 the Company allocated EUR 653 thousand to the R+D+i activities.

6. Staff

As at 31 December 2019 the number of the Company's employees is 222, the average of the year 2019 being 237 employees.

7. Environment

In the year 2018 no significant environmental expenses have been incurred by the Company.

8. Acquisition and disposal of treasury shares

As at 31 December 2019 the Company does not hold treasury shares.

9. Other important information

9.1. Stock market information

The price of the shares of Audax (ADX.MC) in the current year 2019 has increased by 66.54%, with high average trading volumes, which ensure the share liquidity on the market.

The stock market evolution of Audax during 2019 was as follows:



The following table shows the main trading data:

Audax Renovables - ADX.MC	2019	Units
Number of shares admitted to trading	440,291,054	Num.
Share price at the beginning of the period	1.285	€ / share
Share price at the end of the period	2.140	€ / share
Maximum trading price	2.780	€ / share
Minimum trading price	1.370	€ / share
Trading price fluctuation during the period	66.54	%
Capitalisation at the end of the period	942,222,856	€
Number of traded shares	176,841,551	Num.
Effective volume	370,358,782	€
Daily volume of traded shares (average)	693,496	Num.
Effective daily volume (average)	1,452,387	€

9.2. Dividend policy

The goal of the Board of Directors of Audax is to maximise the remuneration to the shareholders.

Audax endeavours to ensure the dividend payout, providing that pertinent factors are fulfilled regarding cash generation and distributable reserves availability.

10. Significant events subsequent to the balance sheet date

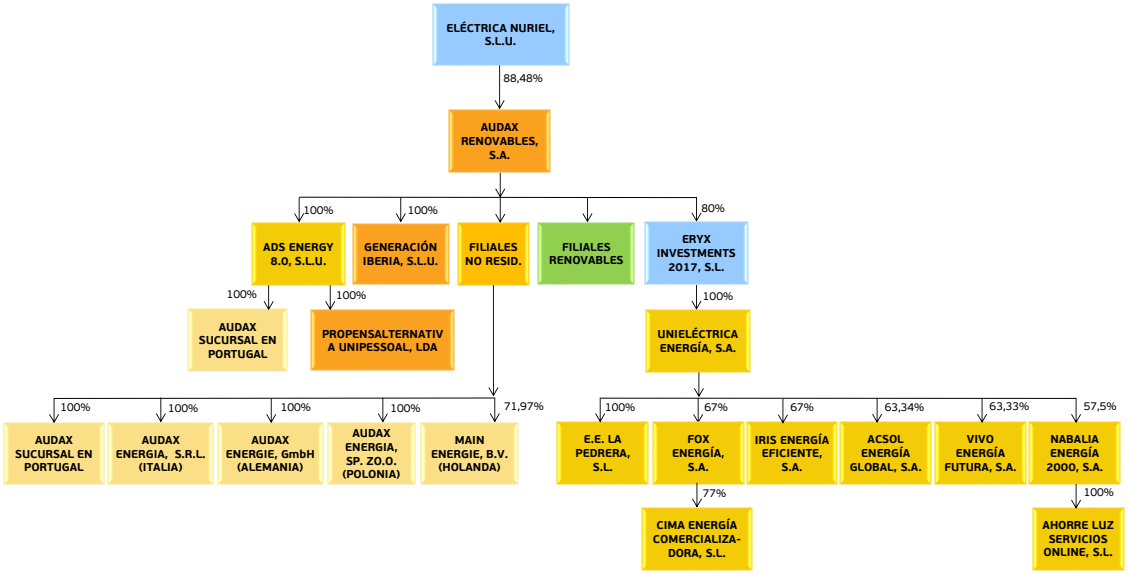
- On 20 January 2020 the Company announced the commencement of the construction of the photovoltaic plant of Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) of 5 MWp capacity. Furthermore, the Company announced the plan to sign an EPC contract and to commence the construction of the photovoltaic plants Carolina I and II of 10 MWp together, both being located in the municipality of El Casar (Guadalajara, Castilla-La Mancha).

11. Corporate Governance Annual Report

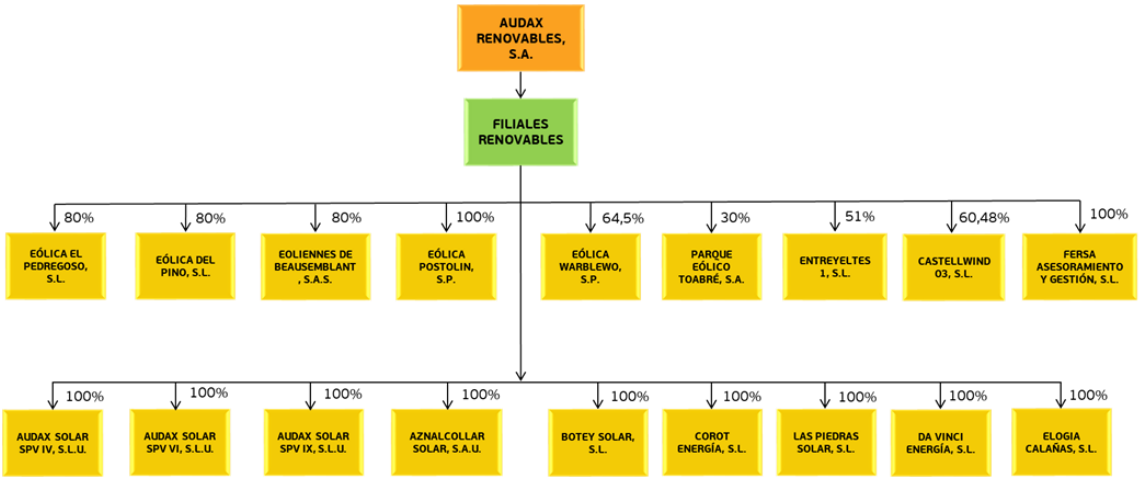
Appendix II attached to this document contains the Corporate Governance Annual Report.

Appendix I: Company's structure

The following is a chart of the corporate structure of Audax Renovables, S.A., whose majority shareholder is Eléctrica Nuriel, S.L.U. which as at 31 December 2019 holds 88.48% of the shares.



Within the "RENEWABLE SUBSIDIARIES" there are the following companies:



The corporate chart of Audax as at 31 December 2019 indicating the shareholding in each of the companies is as follows:

Company	Holding direct + indirect	Country	Division
Generation Iberia, S.L.	100%	Spain	Retail
ADS Energy 8.0., S.L.U.	100%	Spain	Retail
Eryx Investments, S.L.U.	80%	Spain	Retail
Unieléctrica Energía, S.A.	80%	Spain	Retail
Fox Energía, SA	55%	Spain	Retail
Nabalia Energía 2.000, S.A.	46%	Spain	Retail
Acsol Energía Global, S.A.	51%	Spain	Retail
Vivo Energía Futura, S.A.	51%	Spain	Retail
Iris Energía Eficiente, S.A.	54%	Spain	Retail
Cima Energía Comercializadora, S.L.	41%	Spain	Retail
Ahorre Luz Servicios Online, S.L.	46%	Spain	Retail
Propensalternativa Unipessoal, LDA	100%	Portugal	Retail
Audax Energia, S.R.L.	100%	Italy	Retail
Audax Energie, GmbH	100%	Germany	Retail
Audax Energía, SP. Z O.O.	100%	Poland	Retail
Main Energie, B.V.	72%	the Netherlands	Retail
Eólica El Pedregoso, S.L.	80%	Spain	Generation
Eólica Del Pino, S.L.	80%	Spain	Generation
Fersa Asesoramiento y Gestión, S.L.U.	100%	Spain	Generation
Castellwind 03, S.L.	60%	Spain	Generation
Entreyeltes 1, S.L.	51%	Spain	Generation
Eoliennes De Beausemblant, S.A.S.	80%	France	Generation
Eólica Postolin Sp. z o.o.	100%	Poland	Generation
Eolica Warblewo Sp. z o.o.	65%	Poland	Generation
Parque Eólico Toabré, S.A.	30%	Panama	Generation
Explotación Eólica La Pedrera, S.L.U.	80%	Spain	Generation
Audax Solar SPV IV, S.L.U.	100%	Spain	Generation
Audax Solar SPV VI, S.L.U.	100%	Spain	Generation
Audax Solar SPV IX, S.L.U.	100%	Spain	Generation
Aznalcóllar Solar, S.L.	100%	Spain	Generation
Botey Solar, S.L.	100%	Spain	Generation
Corot Energía, S.L.	100%	Spain	Generation
Las Piedras Solar, S.L.	100%	Spain	Generation
Da Vinci Energía, S.L.	100%	Spain	Generation
Elogia Calañas, S.L.	100%	Spain	Generation

Appendix II: Corporate Governance Annual Report