AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2018

Audax Renovables, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of Audax Renovables, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

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

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

Basis for Opinion

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

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

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

KPMG Auditores, S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Paseo de la Castellana, 259C – Torre de Cristal – 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill from business combinations carried out prior to 2018 See note 5 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 December 2018 the Group has goodwill of Euros 138,564 thousand, of which Euros 98,468 thousand is from business combinations that took place prior to 2018. At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2018. This recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors in the use of estimates. The valuation process for goodwill from business combinations that took place prior to 2018 has been considered as a relevant aspect of the audit insofar as the valuation techniques used often require the exercising of judgement by the Directors and the use of assumptions and estimates.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill, - evaluating the criteria used by the Directors and management of the Group in identifying indications of impairment, - assessing the methodology and assumptions used to estimate the recoverable amount, through value in use or fair value less costs to sell based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists. - comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained, - contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by management, - evaluating the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the expected future growth rate and future cash flows. We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Recognition of non-monetary contributions See note 2.5 b) to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
During 2018, the Group was integrated into the Unieléctrica Group, through a non-monetary contribution. As a result of this transaction goodwill and intangible assets (customer relationships and trademarks) for a total amount of Euros 82,321 thousand have been recognised. The accounting of this transaction was complex and required the application of value judgements in identifying and determining the fair value of the assets and liabilities received. The independent expert engaged by Group management used the discounted cash flow method for this purpose. We consider that this transaction is a key audit matter due to its significance, the inherent judgement involved in making fair value estimates and its impact on the consolidated annual accounts.	Our audit procedures included the following: - assessment of and discussion with Group management regarding the process followed for identifying and recognising the assets and liabilities integrated, - procurement of the valuation report prepared by the independent expert engaged by the Group, - assessment of the methodology and key assumptions used in the report to determine the fair values of the assets and liabilities acquired and their identification, involving our valuation specialists for this purpose and comparing the Group's explanations with market data and our prior experience in similar transactions, - evaluation of the independence and professional competence of the independent expert employed by Group management. We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Recognition of revenue from unbilled energy supplied See note 10 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
Recognition of revenues of the energy trading segment is a significant area due to its amount and because it is subject to material misstatement, particularly at the reporting date as regards the appropriate timing of recognition based on the commercial terms agreed with customers. At 31 December 2018 trade and other receivables include Euros 53,305 thousand in unbilled energy supplied, corresponding to the period from the last meter reading to year end. Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a relevant aspect of our audit.	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 Group in relation to future legislation and regulations that could have an impact on recognised revenue. We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

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

Contract Period

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

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

(Signed on the original in Spanish)

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

15 March 2019

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

Assets	**Note**	**31/12/2018**	**31/12/2017***	**01/01/2017***
Goodwill	5	138,564	98,468	4,077
Other intangible assets	5	111,510	81,784	36,980
Property, plant and equipment	6	166,597	167,907	174,573
Investments as per equity accounting	7	6,992	6,931	7,463
Financial assets	8	99,355	33,022	22,114
Deferred tax assets	18	5,461	1,103	5,817
Total non-current assets		**528,479**	**389,215**	**251,024**
Inventory		4,513	56	5
Trade and other receivables	10	136,076	127,213	77,549
Current tax assets		1,432	378	260
Financial assets	8	44,460	64,918	20,296
Time period adjustments and other current assets	10	19,626	12,899	11,991
Cash and other cash equivalents	11	98,313	50,258	31,030
Total current assets		**304,420**	**255,722**	**141,131**
Total assets		**832,899**	**644,937**	**392,155**

Net Equity and Liabilities	**Note**	**31/12/2018**	**31/12/2017**	**01/01/2017**
Capital		308,204	98,003	98,003
Share premium account		420,316	278,948	278,948
Reserves		(623,212)	(320,128)	(325,032)
Profit (loss) for the year attributable to the parent company		8,997	8,250	11,391
Translation differences		1,717	(151)	(5)
Other comprehensive income		4,904	7,009	-
Equity attributed to the parent company		**120,926**	**71,931**	**63,305**
Non-controlling interests		33,258	13,132	6
Total net equity	12	**154,184**	**85,063**	**63,311**
Provisions	13	2,670	1,762	1,732
Bonds and other negotiable securities	14	96,938	85,128	21,000
Bank loans and borrowings	14	129,873	162,009	158,974
Derivative financial instruments	9	11,373	10,633	14,270
Other financial liabilities	14	46,283	22,333	4,794
Subsidies	15	5,869	6,381	6,192
Deferred tax liabilities	18	29,755	18,391	9,499
Total non-current liabilities		**322,761**	**306,637**	**216,461**
Provisions		949	324	26
Bonds and other negotiable securities	14	67,985	28,941	513
Bank loans and borrowings	14	103,713	69,126	43,169
Derivative financial instruments	9	462	-	334
Other financial liabilities	14	16,495	38,333	3,792
Trade and other payables	16	93,313	68,885	53,954
Current tax liabilities		1,994	157	-
Other current liabilities	16	71,043	47,471	10,595
Total current liabilities		**355,954**	**253,237**	**112,383**
Total net equity and liabilities		**832,899**	**644,937**	**392,155**

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

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

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

	Note	31/12/2018	31/12/2017*
Ordinary income	19	984,354	670,645
Procurement	19	(883,246)	(594,185)
Other operating income		2,593	4,949
Wages and salaries	19	(19,360)	(14,340)
Other operating expenses	19	(39,521)	(29,943)
Amortisation and depreciation	5 y 6	(25,079)	(18,527)
Impairment and profit (loss) on disposal of fixed assets	5	8,575	(50)
Operating profit (loss)		**28,316**	**18,549**
Financial income		4,124	2,716
Financial expenses		(20,246)	(19,154)
Profit (loss) on disposal and change in value of financial instruments		(291)	3,522
Exchange differences		(94)	286
Financial income (expenses)	20	**(16,507)**	**(12,630)**
Profit (loss) of companies consolidated by equity accounting	7	(48)	(133)
Profit (loss) before tax from continuing operations		**11,761**	**5,786**
Income tax expenses	18	(1,772)	494
Profit (loss) after tax from continuing operations		**9,989**	**6,280**
Consolidated profit (loss) for the year		**9,989**	**6,280**
Profit (loss) attributable to the parent company		**8,997**	**8,250**
Profit (loss) attributable to non-controlling interests	**12**	**992**	**(1,970)**

The attached notes are an integral part of the consolidated annual accounts.
* Re-expressed figures (Note 2.3) that have not been audited

	2,018	2,017
Profit (loss) per share		
Basic	0.1165	0.0545
Diluted	0.1165	0.0545

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

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

The attached notes are an integral part of the consolidated annual accounts.
* Re-expressed figures (Note 2.3) that have not been audited

Audax Renovables, S.A. and subsidiaries
Consolidated statement of changes in net equity
(EUR thousands)

In EUR	Capital	Share premium	Reserves	Profit (loss) attributable to Parent Company	Translation differences	Other Comprehensive Income	Equity attributed to Parent Company	Non-controlling interests	Net equity
Balance at 31 December 2016	**98,003**	**278,948**	**(258,472)**	**(31,608)**	**(10,115)**	**(6,099)**	**70,657**	**502**	**71,159**
Reverse merger effect (Note 2)	-	-	(69,324)	42,999	10,110	6,099	(10,116)	(496)	(10,612)
ADS, ORUS and A-DOS effect (Note 2)	-	-	2,764	-	-	-	2,764	-	2,764
Balance at 1 January 2017	**98,003**	**278,948**	**(325,032)**	**11,391**	**(5)**	**-**	**63,305**	**6**	**63,311**
Profit (loss) for the year	-	-	-	8,250	(146)	7,009	15,113	(1,970)	13,143
Dividends	-	-	-	(1,187)	-	-	(1,187)	-	(1,187)
Business combinations (note 2)	-	-	-	-	-	-	-	15,096	15,096
Reserves	-	-	10,204	(10,204)	-	-	-	-	-
Other movements	-	-	(5,300)	-	-	-	(5,300)	-	(5,300)
Balance at 31 December 2017	**98,003**	**278,948**	**(320,128)**	**8,250**	**(151)**	**7,009**	**71,931**	**13,132**	**85,063**
First application of IFRS (Note 2.1)	-	-	(2,543)	-	-	-	(2,543)	-	(2,543)
Profit (loss) for the year	-	-	-	8,997	1,868	(2,105)	8,760	992	9,752
Dividends	-	-	(973)	-	-	-	(973)	(167)	(1,140)
Capital increase due to merger (Note 12)	210,201	141,368	(354,529)	-	-	-	(2,960)	(49)	(3,009)
Business combinations (note 2)	-	-	46,711	-	-	-	46,711	19,350	66,061
Reserves	-	-	8,250	(8,250)	-	-	-	-	-
Balance at 31 December 2018	**308,204**	**420,316**	**(623,212)**	**8,997**	**1,717**	**4,904**	**120,926**	**33,258**	**154,184**

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

Audax Renovables, S.A. and subsidiaries
Consolidated cash flow statement
(EUR thousands)

	Note	2018	2017*
Cash flows from operating activities			
Profit (loss) before tax		**11,761**	**5,786**
Adjustments to results		**37,935**	**33,091**
Amortisation and depreciation	5.6	25,079	18,527
Value adjustments due to impairment	5.6	6,426	(125)
Changes in provisions		(6,993)	1,876
Profit (loss) on derecognition and disposal of fixed assets		-	50
Profit (loss) on derecognition and disposal of financial instruments		(61)	133
Financial income	20	(4,124)	(2,716)
Financial expenses	20	20,246	19,154
Exchange differences		932	(286)
Variations of fair value of financial instruments		(3,058)	(3,522)
Other income and expenses		(512)	-
Changes in working capital		**23,371**	**(108,867)**
Inventory		(4,457)	(51)
Accounts receivable		11,946	(25,712)
Other current assets		(6,687)	(39,995)
Accounts payable		24,428	(43,109)
Other non-current assets and liabilities		(1,859)	-
Other cash flows from operating activities		**(17,176)**	**(14,853)**
Interests paid		(20,246)	(17,569)
Interests collected		4,124	2,716
Income tax payments		(1,054)	-
Cash flows from operating activities		**55,891**	**(84,843)**
Cash flows from investment activities			
Payments of investments		**(79,189)**	**(14,402)**
Intangible assets		(2,522)	(2,088)
Property, plant and equipment	6	(590)	(2,224)
Group and associated companies			
Other financial assets		(10,647)	-
Other assets		(65,430)	(10,090)
Collection on divestments		**35,266**	**84**
Intangible assets	5	297	59
Property, plant and equipment	6	119	25
Other financial assets		34,850	-
Business unit	2.5	**9,973**	**6,900**
Cash flows from investment activities		**(33,950)**	**(7,418)**
Cash flows from financing activities			
Collections and payments for financial liability instruments		**27,254**	**112,676**
Issuing			
Bonds and other tradable securities	14	60,817	-
Bank loans and borrowings	14	141,534	137,918
Repayment			
Bank loans and borrowings	14	(175,097)	(25,242)
Payments of dividends and remuneration of other financial liabilities			
Dividends		**(1,140)**	**(1,187)**
Cash flows from financing activities		**26,114**	**111,489**
Net increase/decrease in cash or equivalents		**48,055**	**19,228**
Cash and equivalents at the beginning of the year	11	50,258	31,030
Cash and equivalents at the end of the year	11	98,313	50,258

The attached notes are an integral part of the consolidated annual accounts.
*Re-expressed figures (Not 2.3) that have not been audited

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP FOR THE YEAR 2018

NOTE 1 – GENERAL INFORMATION

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

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

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

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

On 23 November 2018 the General Meeting of Shareholders agreed unanimously to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. As a result of the merger, Audax Renovables, S.A. became the new parent company of the Group. Audax Energía, S.A.U. had been incorporated in Spain on 30 October 2007 as a limited liability company (formerly under the business name of Audax Aplicaciones, S.L.) for an unlimited duration. The merger was entered into the Commercial Register in Barcelona on 25 January 2019.

In order to carry out the merger, the General Meeting of Shareholders of the acquiring company, Audax Renovables, S.A., adopted the resolution to increase its share capital by EUR 210,201,093.20 by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, with a nominal value of EUR 0.70 each share, which were attributed entirely to Eléctrica Nuriel, S.L.U., the Sole Shareholder of the acquired company, The shares were issued with a share premium of EUR 0.4770775549 per share, i.e. EUR 141,367,906.98.

The new shares, resulting from said capital increase, were subject to exchange at a ratio of 300,287,276 new shares of Audax Renovables, S.A. (acquiring company) for 1,800,000 shares of Audax Energía, S.A.U. (acquired company) without any additional compensation in cash. The share exchange was established on the basis of the real value of the merged equity. The main valuation method used to determine the exchange ratio was based primarily on discounted cash flow on future business plans, and this valuation was verified by an independent expert.

Ahead of the reverse merger transaction, the following preparatory transactions were carried out:

- On 28 June 2018 the merger by absorption between Banana Phone, S.L.U as the acquiring company and Eléctrica Nuriel, S.L.U, as the acquired company was approved. As a result of this merger, Banana Phone S.L.U became the holder of 100% of shares of Audax Energía, S.A.U. Subsequently Banana Phone, S.L.U. changed its business name for Eléctrica Nuriel S.L.U.

- On 28 June 2018 the merger by absorption between Audax Energía S.A.U. as the acquiring company and A-DOS Energía S.L. and Orus Energía S.L. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L.U. (Note 2).

- Moreover, on 19 October 2018, a non-cash increase of share capital of Audax Energía, S.A.U. was carried out, in which the sole shareholder of that company contributed 100% of shares of

the ADS Energy 8.0, S.L.U. company and 80% of shares of the Eryx Investments 2017, S.L. company (Note 2).

All these transactions were duly entered in the Commercial Register in Barcelona during the year 2018.

As a consequence of the merger between Audax Energía S.A.U. and Audax Renovables, S.A. the company's objects were extended so as to include the activities of energy retailing, electricity sale and purchase including import and export, retailing of fuels for energy generation, natural gas retailing, CO2 emissions trading and telecommunications retailing; as well as any kind of accessory activities, necessary to carry out the company's objects.

As a consequence of the merger between Audax Renovables and Audax Energía, Audax Renovables, S.A. became the parent company of a group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources and in energy and gas retailing, hereinafter: the Audax Renovables Group or the Group.

The Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 2017, formulated on 29 March 2018, have been submitted to the Commercial Register in Barcelona.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The annual accounts of Audax Renovables S.A. and the consolidated annual accounts of the Audax Renovables Group as at 31 December 2017 were approved by the General Meeting of Shareholders on 27 June 2018 and were submitted to the Commercial Register in Barcelona.

The consolidated annual accounts of the Group for the year 2018 were formulated by the Directors of the Parent Company on 15 March 2019 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

The figures presented in theses consolidated annual accounts are stated in thousand euros, except for the figures of profit per share, unless specifically noted otherwise.

NOTE 2 - BASIS PR PRESENTATION, ACCOUNTING POLICIES AND VALUATION STANDARDS

2.1 Application of International Financial Reporting Standards adopted by the European Union (IFRS-EU)

The consolidated annual accounts of the Audax Renovables Group for the year 2018 have been drawn up by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as per the Regulations (CE) nº 1606/2002 of the European Parliament and the Council. All the accounting principles and standards and the mandatory valuation criteria, along with the Commercial Code, the Spanish Companies Act, the Stock Exchange Market Law and any other applicable commercial legislation have also been taken into consideration. The Group adopted the IFRS-EU on 31 December 2016 and applied on that date the IFRS 1 "First-time Adoption of International Financial Reporting Standards".

New IFRS-EU accounting standards and IFRIC interpretations

a) New IFRS-EU accounting standards and IFRIC interpretations

New standards, amendments and interpretations	Mandatory application for annual periods beginning on
IFRS 15 Revenues from contracts with customers	1 January 2018
IFRS 9 Financial instruments	1 January 2018
IFRS 16 Leases	1 January 2019
Amendment to IFRS 2 Classification and measurement of share-based payment transactions	1 January 2018
Amendment to IAS 40 Reclassification of property investments	1 January 2018
IAS 28 Investments in associates and joint ventures	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	1 January 2018

The Group applies the standards and interpretations enumerated above from the date of their entry into force, with no significant impact on the accounting policies implemented by the Group.

IFRS 9 Financial instruments

IFRS 9, issued in July 2014, establishes the requirements for recognition, classification and measurement of financial assets, financial liabilities and certain contracts for purchase or sale of non-financial items. This standard replaces IAS 39.

The Group has adopted the requirements of the new standard retroactively on the date of its first application on 1 January 2018, having chosen the option to not re-express the figures corresponding to comparative periods.

i) Classification and measurement

IFRS 9 introduces a new way of classification depending on the characteristics of contractual cash flow of financial assets and the business model of managing said assets, determining three categories of financial asset measurement:

- Measurement at amortised cost
- Measurement at fair value through other comprehensive income
- Measurement at fair value through profit or loss

There are also two options for irrevocable designation at initial recognition:

- The entity may choose the option to present later changes of fair value of certain investments in equity instruments in other global gains and losses, and to present only dividend income in profit and loss.
- Financial assets may be measured at fair value and changes recognised in the profit and loss account, if it serves to limit or eliminate accounting asymmetry.

Concurrently, the standard states that changes in contracts in financial liabilities, which do not result in their amortisation, are recognised as changes in measurement with the retention of the initial effective interest rate.

The Group has classified its financial assets to the following categories allowed by the standard:

- Financial assets measured at amortised cost,
- Financial assets measured at fair value with changes recognised in profit or loss, which include those assets that cannot be measured at amortised cost.
- Financial assets measured at fair value with changes in equity.

From this new classification no significant adjustments have been recognised as most of the assets are still measured at amortised cost, because contractual cash flows are only principal and interest payments and the assets are held to maturity.
It should be added that regarding equity instruments which are measured by default at fair value witch changes in profit or loss, there is an option at the moment of initial recognition to present the changes of their fair value in other comprehensive income. This decision is irrevocable and is made individually in relation to every asset.

Thus the amounts classified under IAS 39 to the following categories correspond to the following new categories under IFRS 9:

Under NIC 39	Under NIIF 9
Loans and accounts receivable	Financial assets measured at amortised cost
Assets available for sale	Financial assets measured at fair value with changes in equity
Assets held for trading	Financial assets measured at fair value with changes in profit and loss

Regarding financial liabilities, the IFRS 9 does not introduce any changes in comparison to the IAS 39, except for the change of treatment in the renegotiation of financial liabilities without bringing about their derecognition. There is no transition adjustment for this reason.

ii) Impairment

IFRS 9 substitutes the model of incurred loss of IAS 39 by introducing a new model of expected loss. Under the new standard the provision for losses is calculated based on expected losses for the next 12 months or for the whole life of the instrument, depending on significant increase in risk.

The Group has applied the simplified approach (provision for expected loss during the lifetime of the asset). In this regard the Group has established a procedure by which receivables are not only impaired when they are no longer recoverable (incurred loss), but possible expected loss is considered based on the evolution of specific credit risk related to the client, sector and country. The Group has applied the simplified approach to the receivables and the general approach to the rest of the financial assets.

The impact of applying the new model of expected loss for the calculation of financial assets impairment recorded by the Group on 1 January 2018 is as follows:

EUR thousands	
Non-current financial investments	804
Trade and other receivables	1,607
Current financial investments	47
Other assets	85
Total impacts on assets	2,543

iii) Hedge accounting

IFRS 9 requires the Group to ensure the compatibility of hedging relationships with the Group's risk management strategies and objectives as well as to implement a more qualitative and perspective approach to measure effectiveness. Concurrently, IFRS 9 also introduces new requirements regarding hedging rebalancing and prohibits discontinuing hedge accounting.

On first implementing IFRS 9 the Group has the option of continued implementation of requirements of hedge accounting as determined in IAS 39 instead of the requirements determined in IFRS 9. The Group has elected to implement the new requirements determined in IFRS 9. The new standard has not had any significant impact in this respect on the consolidated financial statements as at 31 December 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 – Revenue from contracts with customers establishes a new model for recognition of revenues from contracts with clients. The new standard for recognition of revenue replaces the IAS 18 Revenue and the IAS 11 Construction contracts,
The new standard defines a new model for procedure in five steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determining the transaction price
- Allocating the transaction price to the obligations in the contract
- Recognising the revenue when the entity satisfies a performance obligation

According to this new model, revenue must be recognised when (or as) the entity transfers the control over the goods or services to a client and for the amount that the entity expects to have the right to receive. Depending on whether certain criteria are fulfilled, revenue is recognised either over time, so as to reflect the performance, or at a point in time, when the customer obtains control over the goods or services.

The Group has revised different types of contracts with customers identifying performance obligations, determining the schedule for the satisfaction of these obligations, the transaction price and its allocation, in order to identify potential differences with the model of recognition of revenue set by the new standard, and did not find significant differences nor performance obligations that could lead to recognition of liabilities from contracts with customers.

On the other hand, IFRS 15 requires an asset to be recognised at the incremental cost incurred to obtain contracts with customers, and which is expected to be recovered, with systematic amortisation in the consolidated profit and loss account in proportion to the allocation of the revenue related to that asset; that is to say, the expected average lifetime of the contracts with customers which varies between 1 and 2 years. On the grounds of the valuations carried out on the date of the entry in force of the new standard, and taking into account that the Group had already been registering as anticipated expenses the cost incurred in obtaining contracts with customers (see note 2.24), there is no significant impact of implementing the new standard.

According to the analysis and the implementation carried out as at 1 January 2018, adopting the IFRS 15 "Revenue from contracts with customers" has had no significant impact.

Issued standards which are not in force

At the date of preparation of these consolidated annual accounts, the following standards, amendments and interpretations had been published by the IASB but had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not been yet adopted by the European Union:

	Mandatory application	
Standard	IASB	European Union
IFRS 16 Leases	1 January 2019	1 January 2019
IFRS 17 Insurance contracts	1 January 2021	(*)
IFRIC 23 Uncertainty over income tax treatments	1 January 2019	(*)
Amendment to IFRS 9 Prepayment features with negative compensation	1 January 2019	1 January 2019
Amendment to IAS 28 Investments in associates and joint ventures	1 January 2019	(*)
Amendment to IAS 19 Plan amendment, curtailment or settlement	1 January 2019	(*)
Improvements to the IFRS in 2015 – 2017 period	1 January 2019	(*)

(*) Not yet approved by the European Union.

IFRS 16 Leases

IFRS 16 entered into force on 1 January 2019 and replaced IAS 17 and the related interpretations (IFRIC 4, SIC-15 and SIC-27).

IFRS 16 introduces a new single accounting model for the lessees to include in the balance sheet the majority of leases (as there are recognition exemptions) in a similar way to the current recognition of financial leases established in the IAS 17 (a lessee is required to recognise a right-of-use asset and a lease liability representing in the income statement the expense for the right-of-use asset amortisation and financial expense for the lease liability measured at amortised cost). This is to say that from the lessee point of view there will be no difference between operating lease and finance lease, but that all of them shall be accounted for in the same way.

The standard, which increases its stress on asset control, allows two recognition exemptions with the aim of facilitating the application of the new standard: leases with a lease term of twelve months or less, as well as leases where the underlying asset has a low value may be recognised not in the indicated way, but as an expense for the lease just as an operative lease is currently accounted for.

To summarise, under IFRS 16, except for those cases where the above mentioned recognition exemption have been applied, the lessee is required to:

- Recognise the financial liability at the present value of the lease payments payable over the lease term;

- Recognise in the balance sheet the right-of-use asset measured at the amount of lease liability plus any initial direct costs incurred to enter into the contract, advance payments, as well as future dismantling costs.

- Reflect in the income statement the depreciation of the recognised asset and the annual financial burden related to the financial liability (together those two components reflect in the income statement the expense of the lease related to fixed payments).

- Reflect in the balance sheet as well as in the income statement the tax effect related to the existing difference between the criteria of IFRS 16 and the criteria applicable to tax effect.

The Group decided to implement IFRS 16 from 1 January 2019 applying the simplified retrospective approach.

The Group has implemented the following policies, estimates and criteria:

- The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000) and short term (lease term of 12 months or less).
- The practical expedient indicated in point C3 of appendix C to IFRS 16 which stipulates that there is no need of a new measure if the contract is, or contains, a lease on the date of initial application.
- The Group has elected not to separate the non-lease components from lease components, in relation to the classes of assets where relative importance of those components is small regarding the total value of the lease.

An incremental effective interest rate has been applied per homogeneous lease portfolio, country and lease term.

In order to determine the lease term the initial term of every contract has been considered as a non-cancellable period, except for the cases where the Group has a unilateral option to extend or terminate the contract and is reasonably certain, on the grounds of the lifetime of the installed assets, that this option will be exercised, in which case a relevant term of extension or early termination will be considered.

On the basis of the preliminary analysis of the leases that are in force at the date of initial application, the Group has estimated an approximate increase of between EUR 9,500 thousand and EUR 13,500 thousand of the right-of-use assets and lease liabilities, as well as an increased expense in the income before tax statement of EUR 300 thousand approximately. These estimates were carried out based on the portfolio of contracts and market conditions existing on 31 December 2018, according to the best current estimates of term and discount rate. The Management of the Parent Company is in the process of finishing the analysis, however the results are not expected to differ significantly from the indicated range. Most of the leases affected by this standard are leases of the land where power plants, mainly wind farms, are installed.

IFRIC 23 Uncertainty over income tax treatments:

The IFRS Interpretations Committee (IFRIC) issued the IFRIC 23, which establishes the methods of recognition and measurement of deferred and current income tax assets and liabilities if there is uncertainty over tax treatment. An uncertain tax treatment is every tax treatment applied by an entity where there is uncertainty whether such approach will be accepted by the taxation authority. The interpretation analyses:

- how to determine the appropriate account unit and whether each uncertain tax treatment should be considered individually or collectively, depending on which method provides better predictions of the resolution of the uncertainty.

- that the entity is to assume that a taxation authority will examine uncertain tax treatments and will have full knowledge of all relevant information, i.e. the detection risk should be ignored.

- that the entity is to reflect the effect of the uncertainty in its accounting for the income tax when it is not likely that taxation authorities will accept the treatment.

- that the impact of the uncertainty is to be measured using the most likely amount or the expected value method, depending on which method provides better predictions of the resolution of the uncertainty, and that all judgements and estimates should be reassessed if there is a change of circumstances or new information that affects the judgements.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier

application is permitted. The Group will apply the standard for the first time on 1 January 2019 and estimates that the implementation of the interpretation will not have impact on its consolidated annual accounts.

2.2 Fair view, accounting principles and going concern

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2018, and the consolidated results of its operations, the changes in the statement of comprehensive income, changes in consolidated net equity and consolidated cash flows that have taken place in the Audax Renovables Group in the year then ended. The consolidated annual accounts have been prepared under the historical cost method, modified albeit by the revaluation of the financial instruments which under the standards for financial instruments are recorded at fair value, taking into account the criteria for recording business combinations.

The consolidated annual accounts for the year 2018 of the Audax Renovables Group have been prepared on the basis of the accounting records of Audax Renovables, S.A. and the other companies in the Group. Each company prepares its annual accounts under the accounting principles and standards in force in the country in which it carries out its operations, and, accordingly, the adjustments and reclassifications necessary have been introduced during the consolidation process in order to harmonise these principles and criteria and bring them into line with IFRS-EU. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure their consistency with the accounting policies adopted by the Audax Renovables Group.

The information set out in these consolidated annual accounts is the responsibility of the Directors of the Parent Company, Audax Renovables, S.A.

As a consequence of the merger process mentioned in Note1 and of the recognition and measurement criteria applicable to this kind of transactions, the negative impact made on the reserves by the reverse merger, of EUR 354,529 thousand, have situated the shareholders' equity of the Parent Company below one half of the share capital, which involves equity imbalance according to article 363 of the Spanish Companies Act. The Directors of the Parent Company plan to include in the agenda of the General Meeting of Shareholders of Audax Renovables, S.A. an item on the reduction of the nominal value of shares in order to re-establish the capital balance.

As at 31 December 2018, the Group presents negative working capital of EUR 51,534 thousand. This situation is primarily a consequence of the normal business evolution, as well as of financing the investments made in recent years (Note 2). Despite this working capital, the Group has sufficient capability to fulfil its obligations through its own cash generation as well as, among other factors, its financial resources. In this regard it is important to underline that the operating cash flow for the year 2018 has been positive, amounting to EUR 55,891 thousand, and that on 13 February 2019 the Parent Company renewed its current promissory note programme of EUR 50,000 thousand with maturity in 2019 (Note 14), and expanded it with a new programme of up to EUR 75,000 thousand with maturity of up to 24 months.

On the grounds of the above information, the Directors consider that there is no doubt about the application of the going concern principle.

2.3 Basis of preparation and comparison of the information

The consolidated annual accounts have been prepared according to the principle of historical cost, with the following exception:

- Derivatives, financial assets at fair value with changes in profit (loss) and financial assets at fair value with changes in comprehensive income;

The consolidated annual accounts contain for comparative purposes, for every account of the consolidated financial statement, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement and notes to the accounts, the figures for the year ended on 31 December 2018 along with the figures corresponding to the year 2017.

As a consequence of the merger (Note 1) between Audax Energía, S.A.U. (acquired company) and Audax Renovables, S.A. (acquiring company), and because of the implementation of the recognition and measurement criteria applicable to this kind of transactions under IFRS, the consolidated annual accounts for the year 2018 are compared to the information relating to the year ended on 31 December 2017. To this purpose, due to the fact that the acquired company (Audax Energía, S.A.U.) was qualified as an enterprise under joint control before 1 January 2017, the incorporation of the net assets of Audax Energía, S.A.U. into these consolidated annual accounts of Audax Renovables, S.A. has been carried out with retroactive application of the criterion of pooling-the-interests at 1 January 2017 in order to enable the comparability of the information and its consistency in comparison to the information reported in previous years. For the same reason that criterion has been applied also to the companies A-DOS Energía S.L., Orus Energía S.L. and ADS Energía 8.0, S.L.U. (see Note 1). The effects of said incorporations on the balance sheet as at 1 January 2017 and on the income statement for the year 2017 is presented in section b) Changes to the consolidation scope and business combinations of the following Note 2.5.

Moreover, in the comparison of information the impact of the new standards IFRS-EU (IFRS 15, 9) applicable from 1 January 2018 should be also considered (Note 2).

2.4 Relative importance

So as to determine the information that needs to be broken down in the consolidated notes for each of the different accounting items, the Group has considered its relative importance in relation to the current consolidated annual accounts for the year 2018 and 2017.

2.5 Consolidation principles and standards

a) Consolidation methods

The consolidated companies are listed in the Appendix I to these consolidated annual accounts. In its consolidation the Group has applied the full consolidation method to the subsidiary companies and the equity accounting method to its associates and joint ventures.

Full consolidation method – Subsidiary Companies

The subsidiary companies have been fully consolidated, and all their assets, liabilities, income, expenses and cash flows have been integrated in the consolidated annual accounts after making the respective adjustments and de-recognitions for intra-group operations. The Appendix I sets the list of companies consolidated by this method.

The consolidation process eliminates the transactions, balances and unrealised gains between Group companies. The unrealised losses are eliminated, unless the transactions provide proof of an impairment loss of the asset transferred.

The acquisition method is used to book the acquisition of subsidiaries. The cost of acquisition is the fair value of the assets handed over, the net equity instruments issued and the liabilities incurred or assumed on the swap date. Any contingent consideration to be transferred by the Group is recognised at its fair value at the acquisition date. Subsequent variations to the fair value of contingent consideration which are considered to be an asset or liability are recognised in accordance with IFRS 9 in net income or as a change in other global net income. Any contingent consideration which is classified as net equity is not revalued and its subsequent payment is booked in net equity. The costs directly attributable to the acquisition are booked directly in the income statement.

The results of subsidiary companies acquired or sold during the year are integrated into consolidated profit or loss, respectively, from and to the effective date of the transaction.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. For each business combination, the Group may opt to recognise any non-controlling interest in the acquired company at its fair value or at the proportional part of the recognised amounts of the subsidiary's identifiable net assets corresponding to the non-controlling interest.

The participation of third parties in net equity and the net income of the group companies is presented under "Non-controlling interest" on the consolidated balance sheet and under "Net income attributable to non-controlling interest" in the consolidated income statement. In the case of acquisition of minority interests, the overprice paid in relation to the net book value is recognised directly in net equity.

Transactions with non-controlling interests which do not result in a loss of control are recognised as net equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between the fair value of the amount paid and the corresponding acquired proportion of the book value of the subsidiary's net assets is recorded in net equity. Gains or losses from disposals of non-controlling interests are also recorded in net equity.

Equity accounting method – Associated companies

The equity accounting method has been used to consolidate the associates. These are companies in which the Company usually has a direct or indirect stake of between 20% and 50% of share capital, or where, if these percentages are not held, the Company has a significant influence on their management. The Appendix I also sets a list of the companies consolidated by equity accounting.
A significant influence is understood to exist when the Group has a stake in the associate and can intervene in the decisions regarding the associate's financial and operating policies but does not control the associate.

Investments in associates are recorded using equity accounting. The share in the gains or losses after the acquisition of an associate is recognised in the consolidated income statement and the share in the net equity movements after acquisition is recognised in reserves.

If the stake in an associate is reduced but the Company continues to have a significant influence on its management, only the stake in proportion to the amounts previously recognised in other global net income are reclassified to net income when this is appropriate.

Dilution gains and losses generated in investments in associates are recognised in the consolidated income statement.

An investor will stop applying the equity accounting method from the date on which it stops having a significant influence on an associate's management. If a significant influence on the associate's management is lost, the investor will value the investment which it holds in the former associate at fair value.

b) Changes in the consolidation scope and business combinations

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which have been included in the consolidation scope as at 31 December 2018.

Below there is a specification of the main transactions carried out which involved significant changes in the consolidation scope:

Year 2018:

As has been mentioned in Note 1, during the year 2018 the mergers by absorption between Audax Energía, S.A.U. as the acquiring entity and Orus Energía, S.L. and A-DOS Energía S.L. as the acquired entities wer carried aout as well as the non-cash contributions of ADS Energía 8.0, S.L.U. and Eryx Investments, S.L.

These transactions qualify as transactions between companies under joint control (all the involved companies before and after the transactions were part of the Excelsior Group) and are not subject to IFRS 3 Business Combinations. It is necessary therefore to analyse the applicable treatment from among the reasonably possible ones and make a policy choice. In this regard, there would be two options: to apply the acquisition method of IFRS 3 or to apply the pooling of interests method.

The management of Audax Renovables, S.A., due to the fact that the merger with Audax Energía, S.A. (Note 1) is actually a business combination to which the pooling of interests method was applied retroactively, decided to apply that criterion to said transactions under joint control, incorporating the net assets at their predecessor value.

Thus the accounting effects of these transactions were recorded from the date on which the companies involved in the transactions became subject to the joint control of the Excelsior Group, with the limit at the beginning of the year for which the comparative information is presented, which in this case is 6 April 2018 for Unieléctrica, and 1 January 2017 for the rest.

The breakdown of the assets and liabilities incorporated at the date of their incorporation to the Audax Energía group and subsidiaries is as follows:

	Audax Energía, S.A. and subsidiaries*
Goodwill	2,582
Intangible assets	3,980
Tangible assets	1,850
Other non-current assets	12,974
Current assets	110,122
Total assets	124,946
Non-current debts	64,323
Current liabilities	71,235
Total liabilities	135,558
Total acquired net assets	(10,612)

*does not include the net value of the Audax Renovables Group's assets

Merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L.

On 28 June 2018 the General Meeting of Shareholders of the Audax Energía, S.A. company approved the merger by absorption of the companies Orus Energía, S.L. and A-Dos Energía S.L. on the terms established in the **joint** project of merger of 28 June 2018. The merger implied a transfer en bloc of the equity of the acquired companies (Orus Energía, S.L. and A-Dos Energía, S.L.) to the acquiring company (Audax Energía, S.A.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were directly participated by the same sole shareholder.

According to what has been stated before in this note, it is considered that both companies were incorporated into the group on 1 January 2017. The breakdown of the assets and liabilities incorporated on that date is as follows:

	Orus Energía, S.L.	A-DOS Energía S.L.
Intangible assets	19	302
Tangible assets	240	-
Other non-current assets	4,284	52
Current assets	3,344	3,904
Total assets	7,887	4,258
Non-current debts	49	775
Current liabilities	5,353	3,262
Total liabilities	5,402	4,037
Total acquired net assets	**2,485**	**221**

Non-cash contribution of ADS Energy 8.0 S.L.U. and Eryx Investments,S.L.

On 19 October 2018 Audax Energía, S.A.U. carried out a non-cash increase of capital of Audax Energía, S.A. for the amount of UER 352 thousand, with a share premium account of EUR 68,574 thousand. The increase was wholly subscribed and paid by the sole shareholder of Audax Energía, S.A.U. through the contribution of 258,240 shares in the company ADS Energy 8.0, S.LU. representing 100% of share capital of that company and of 3,000 shares in the company Eryx Investments 2017, S.L. representing 80% of share capital of that company. Eryx Investments 2017, S.L., which from April 2018 holds in turn 100% of shares of the company Unielectrica Energía S.A, which is the parent company of a group of companies (Unielectrica Group). Both companies are engaged in energy retailing in Spain.

Eryx Investments S.L., was established in 2017 and corresponds exclusively to a special purpose vehicle for a future purchase of Unielectrica Energía S.A.

The breakdown of assets and liabilities incorporated at the date of their incorporation into the group of ADS Energy 8.0, S.LU and Eryx Investments 2017, S.L, is as follows:

	ADS Energia 8.0 SLU*	Eryx Investments 2017, S.L**
Goodwill	-	40,002
Intangible assets	-	42,319
Tangible assets	6	973
Other non-current assets	356	846
Current assets	2,407	37,108
Total assets	2,769	121,248
Non-controlling interest		19,350
Non-current debt	1,160	29,756
Current liabilities	1,551	25,431
Total liabilities	2,711	74,537
Total acquired net assets	58	46,711

* incorporated at 1 January 2017

** includes Unielectrica, incorporated at the moment of acquisition (April 2018)

Both businesses have generated income and expenses for the group during the period comprised between the date of acquisition to the end of the financial year.

In 2018 the contribution of ADS Energy 8.0, S.LU generated for the Group an increase in ordinary income and the result attributed to the Parent Company of EUR 9,701 thousand and EUR 193 thousand of loss, respectively.

In 2018 the contribution of Eryx Investments 2017, S.L and Unielectrica Energía S.A. generated for the Group an increase in ordinary income and the result attributed to the Parent Company during the period comprised between the date of acquisition (6 April 2018) and the end of the financial year amounting to EUR 232,809 thousand and EUR 1,946 thousand, respectively. If the incorporation of those companies had been carried out on 1 January 2018, the generation of ordinary income and the result attributed to the Parent Company would have amounted to EUR 296,761 thousand and EUR 2,659 thousand, respectively.

Cash and cash equivalents at the date of the acquisition of the companies in 2018 amounted to EUR 9,973 thousand.

If the acquisition of the companies had been carried out on 1 January 2018, the income statement of the Group would have been as follows:

	31/12/2018
Ordinary income	1,048,317
Procurements	(944,171)
Other operating income	2,593
Wages and salaries	(19,820)
Other operating expenses	(41,035)
Amortisation and depreciation	(25,079)
Impairment and profit (loss) on disposal of fixed assets	8,575
Operating profit (loss)	**29,380**
Financial income	4,124
Financial expenses	(20,313)
Impairment and profit (loss) on disposal of financial instruments	(291)
Exchange differences	(94)
Financial income (expenses)	**(16,574)**
Profit (loss) of companies consolidated by equity accounting	(48)
Profit (loss) before tax from continuing activities	**12,758**
Income tax expense	(1,969)
Profit (loss) after tax from continuing activities	**10,789**
Consolidated profit (loss) for the year	**10,789**
Profit (loss) attributable to the parent company	9,726
Profit (loss) attributable to non-controlling interests	1,063

Year 2017:

Acquisition of Main Energie B.V (the Netherlands)

On 27 March 2017 the Parent Company, Audax Energía, S.A., established a company in the Netherlands, named Audax Netherlands BV (the Netherlands) with a group of local shareholders, the Group's stake in the company is of 71.97%. The amount paid out for the establishment of the company by Audax Energía was of EUR 38,500 thousand. Later, on 29 March 2017, this investee company acquired 100% of the company Main Energie B.V (the Netherlands) and other Dutch companies for the total amount of EUR 85,853 thousand. All the Dutch companies have their registered address at Stammerkamp 1. 1112 Ve Diemen (the Netherlands), and their main objects involve energy retailing.

The breakdown of the cost of business combination for the purpose of Audax Netherlands, of the fair value of the acquired net assets and the goodwill is as follows:

	EUR thousand
Cost of business combination	85,853
Fair value of acquired net assets	(8,537)
Goodwill	**94,391**

The acquired business generated for the Group ordinary income and consolidated loss during the period comprised between the date of acquisition and the end of the financial year amounting to EUR 80,000 thousand and EUR 7,029 thousand, respectively.

Cash and cash equivalents at the date of the acquisition of the companies in 2017 amounted to EUR 6,900 thousand.

c) Homogenisation of the accounts of the companies in the consolidation scope.

The criteria applied in the homogenisation have been as follows:

- Temporary homogenisation: the accounts of the companies in the consolidation scope are referred to 31 December 31 December 2018 and 2017.

- Measurement homogenisation: the measurement criteria applied by the subsidiary companies to the assets, liabilities, income and expenses coincide basically with the criteria applied by the Parent Company.

- Homogenisation for internal transactions.

- Aggregation homogenisation: for consolidation purposes, the necessary reclassifications have been made to adapt the structures of the subsidiary companies accounts to that of the Parent Company and to IFRS-EU.

2.6 Transactions in foreign currency

The items included in the consolidated annual accounts of each entity in the Audax Renovables Group are stated using the currency of the main economic environment in which the entity operates (functional currency). The consolidated annual accounts are presented in thousand euros, which is the presentation currency of the Audax Renovables Group.

The transactions in foreign currency are translated into the functional currency using the exchange rates in force on the transaction dates. The gains and losses in foreign currency from the settlement of these

transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the consolidated income statement.

The net income and financial position of all the companies in the Audax Renovables Group (none of which are trading in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The assets and liabilities of each balance sheet presented are translated at the exchange rate in force at the balance sheet date.

- The income and expenses of each income statement are translated at monthly average exchange rates, unless this measure does not reasonably reflect the accumulated impact of the exchange rates on the transaction dates, in which case the income and expenses are translated at the date of the transactions.

- All the exchange differences are recognised as separate components in net equity (translation differences).

The adjustments to goodwill and fair value arising from the acquisition of a foreign entity are treated as the assets and liabilities of the foreign entity and translated at the year-end exchange rate.

The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2018 and 2017 were as follows:

	31 December 2018		**31 December 2017**	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
US dollar	1.1450	1.1809	1.1993	1.1307
Polish zloty	4.3014	4.2614	4.1770	4.2556

2.7 Segment reporting

Operating segments are reported in a manner consistent with the internal information reported to Group Management in compliance with the IFRS 8 (see Note 4). The operating segments are the components of the Group that involve business activities from which revenue is obtained and expenses are incurred, including ordinary income and expenses from transactions with other components of the same Group. With regards to these segments, the financial information is separated and operating results are reviewed regularly by Management in order to decide what resources must be assigned to the segment and to evaluate its performance.

2.8 Intangible assets

a) Goodwill

Goodwill represents the surplus, on the acquisition date, of the costs of the business combination over the fair value of the net identifiable assets of the subsidiary, joint venture or associate acquired in the operation. The goodwill related to the acquisitions of subsidiaries or joint ventures are included under intangible assets and that related to acquisitions of associated is included under investments consolidated by equity accounting.

Prior to the entry into force of the International Financial Reporting Standards, and as per IFRS 1, goodwill arising from the acquisitions before 1 January 2004 was recorded in the amount recognised as such in the consolidated annual accounts at 31 December 2003 prepared under Spanish accounting principles.

The cost of the combination is determined by the aggregation of:

- The fair value of the transferred assets on the acquisition date, the liabilities incurred or assumed and the equity instruments emitted.

- The fair value of any of the contingent considerations depends on the future events or the compliance with the predetermined conditions.

Costs related with the emission of equity instruments or financial liabilities exchanged for the acquired assets are not part of the combination costs.

Additionally, fees paid to legal advisors or other professionals that have intervened in the combination, and of course those costs generated internally with the same nature, are not considered part of the combination costs. Instead, these costs are directly attributed to the income statement.

If the business combination is done in different stages, in such a way that before the acquisition date (obtaining the effective control) it already existed an investment, goodwill or the negative difference will be obtained by computing the difference between:

- The cost of the business combination, plus the fair value on the acquisition date of any previous share of the acquiring company in the acquired company, and

- The value of the identifiable acquired assets minus the liabilities assumed, determined according to what was indicated previously.

Any profit or loss incurred as a consequence of the valuation at fair value on the date in which effective control is obtained over the shares of the acquired company, will be recognized in the consolidated income statement. If the investment has been valued previously according to its fair value, the valuation adjustments pending to be included in the year's result will be transferred into the income statement. On the other hand, it is presumed that the cost of the business combination is the best reference point to estimate the fair value on the acquisition date of any previously issued share.

Any goodwill coming from the acquisition of a company whose functional currency is not the Euro, will be valued in that distinct currency. The Euro conversion will take place on the balance sheet date.

Goodwill is not amortized and needs to be revised annually so as to check if any impairment needs to be done. The ending value of goodwill will be its cost value minus the accumulated impairment value. Any impairment loss is considered an immediate expense and cannot be reversed in the future.

If the combination difference happened to be negative, it would be registered in the income statement as an income.

If at the closing date of the year in which the combination takes place the valuation processes needed to apply the acquisition method described above had not been concluded, this accounting entry would be considered provisional, thus future adjustments on the provisional values would be allowed during the period it took to acquire the required information, which under no circumstances can be more than a year. The effects of the adjustments done during this period will be accounted for retroactively, modifying the comparative information if needed.

The subsequent changes in the fair value of the contingent consideration will be adjusted against results, unless such consideration has been classified as net equity in which case its further changes on fair value will not be recognized.

If after taking the efficient control sales transactions take place or subsidiary shares are bought without losing it, the impact of these transactions without changes in control will be accounted as net equity and will not modify the value of the consolidated goodwill.

b) Computer software

Computer software purchased and developed by the company itself, including the cost of the development of websites, is recognised correspondingly to the fulfilment of the conditions established for the development expenses. The maintenance cost of computer software is expensed as incurred. These costs are amortised by straight-line amortisation during its estimated useful life (between 3 and 4 years).

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

c) Trademarks and Client portfolio

Client portfolio corresponds primarily to the ones acquired through business combination in the year 2017 of the company Audax Netherlands B.V. and the company Eryx Investments 2017, S.L. (Unieléctrica Group) during the year 2018. The client portfolios are amortised by the straight-line amortisation method during their useful life which is estimated to be between 2 and 8 years and is determined according to the drop ratio based on historical data.

Trademarks are the ones acquired through business combinations referred to in the previous paragraph. Usually, trademarks' useful life is of indefinite duration.

d) Other intangible assets and Licences

Intangible assets are recorded at acquisition cost, or at fair value when they are acquired through business combinations, less accumulated amortisation initiated when the asset is available to be used and less any impairment when it occurs.

These assets arise mainly from measuring at fair value, in business combinations, certain milestones in the development and implementation of, for example, a wind farm, such as the finding of ideal sites for the farm, wind measurements, obtaining licenses and authorisation from official bodies for the construction of a wind farm, etc. They include own work capitalised (basically staff costs) under intangible assets when the requirements of IAS 38 are met. These intangible assets are amortised on a straight-line basis over the farm's useful life, which begins when the assets are put into operation.

The net book value of the intangible assets is tested for possible impairment before their amortisation begins and if changes or events indicate that their net book value cannot be recovered.

2.9 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition price or cost of production minus their accumulated depreciation and accumulated recognised impairment losses. This account also includes own work capitalised (basically staff costs) for property, plant and equipment when the requirements of IAS 16 are met. The provisions for dismantling, under contract, which are recorded upon start up at their current value as property, plant and equipment (with a counter-entry under provisions), form part of the cost and are depreciated over the useful life of the wind farm.

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

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

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

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

	Depreciation method	**Years of estimated useful life**
Structures	Straight-line	33-50
Plant and machinery	Straight-line	8 – 25
Other plants, facilities and equipment	Straight-line	5 – 20
Other property, plant and equipment	Straight-line	4 – 14

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

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

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

2.10 Impairment of non-financial assets

The Group applies the method of assessing the existence of indications which might imply possible impairment of non-financial assets subject to amortisation or depreciation, in order to verify if the carrying amount of said assets exceeds the recoverable amount.

Moreover, regardless of whether there are any indications of impairment, the Group examines at least once a year the possible impairment that could affect the goodwill and the intangible assets of indefinite useful life, as well as intangible assets that are not yet available for use.

The recoverable amount of an asset is whichever is higher between its fair value less costs of disposal or its value in use. The value in use of an asset is determined according to the future cash flows expected to be derived from the use of the asset, the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows related to the asset.

Negative differences resulting from the comparison between the carrying amount and the recoverable amount of the assets are recognised in profit and loss.

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit to which it belongs.

Impairment loss of a CGU initially reduces the goodwill allocated to that CGU and, later on, to the other assets of the CGU pro rata the carrying amount of each one of the assets, with the limit for each one of them of whichever is the higher between its fair value less cost of sale or other disposal, its value in use, and zero.

The Group assesses at each balance sheet date whether there is an indication that an impairment loss recognised in previous years does not exist anymore or may have decreased. Reversal of impairment loss for goodwill is not possible. Impairment loss for the rest of assets may be only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

Reversal of the impairment loss is recognised in the profit or loss. However, the increased carrying amount due to reversal should not be more than what its depreciated historical cost would have been if the impairment had not been recognised.

2.11 Financial instruments

1) Recognition and classification of financial instruments

Financial instruments are classified at the moment of their initial recognition as a financial asset, a financial liability or an equity instrument, according to the substance of the contract and to the definitions of financial asset, financial liability or equity instrument developed in IAS 32 “Financial Instruments: Presentation”.

The Group classifies a financial asset or financial liability as held for trading if:

- It is acquired or incurred mainly for the purpose of selling or buying in the short term;

- In the initial recognition it is part of a portfolio of identified financial instruments that are managed as a set and for which there is an evidence of a recent pattern of short-term profit taking;

- It is a derivative, except for a derivative designated as hedging instrument and meets the requirements to be efficient and a derivative which is a financial guarantee contract

- It is a commitment to provide financial assets obtained by borrowing and that are not owned.

The Group classifies a financial asset at amortised cost if it is held within the framework of business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

The Group classifies a financial asset at fair value through other comprehensive income if it is held within the framework of business model whose objective is reached by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The business model is determined by the key personnel of the Group and on a level which reflects the way in which the groups of financial assets are collectively managed in order to attain specific business objective. The Group’s business model represents the way in which the Group manages its financial assets for the purpose of generating cash flows.

The financial assets within the business model whose objective is to hold assets in order to collect contractual cash flows are managed for the purpose of generating cash flows in the form of contractual amounts collected over the life of the instrument. The Group manages the assets held in the portfolio for collection of those specific contractual cash flows. In order to determine whether the cash flows are collected through the reception of contractual cash flows from financial assets, the Group evaluates the frequency, the value and schedule of sales in previous years, the reasons for those sales and the expectations concerning future sale activities. However, the sales as such do not determine the business model and, therefore, should not be considered separately. It is the data on previous sales and on the expectations concernign future sales that provides the information indicative of the method

of attaining the Group's declared objective regarding the management of financial assets and, more specifically, the method of collecting cash flows. The Group evaluates the data on previous sales in the context of the reasons for those sales and of the conditions existing at that moment and compared to the current ones. For this purpose the Group considers that trade receivables and accounts receivable which will be the subject of transfer to third parties and which will not involve their derecognition, are held within this business model.

Although the objective of the Group's business model is to hold financial assets in order to collect contractual cash flows, the Group holds all the instruments until maturity. Therefore, the Group's business model is to hold financial assets in order to collect contractual cash flows even in the event of a sale or an expected future sale of these assets. The Group considers this requirement as fulfilled, provided that the sale occurred due to an increased credit risk of the financial assets. In other circumstances, on an individual and collective level, the sales must be of little significance, even if they are frequent or infrequent, even if they are significant.

The financial assets which are belong to the business model whose objective is to hold assets in order to collect contractual cash flows and sell them are managed for the purpose of generating cash flows in the form of contractual amounts collected and selling them according to various needs of the Group. In this kind of business model the Group's key management personnel has decided that in order to fulfil this objective the collection of contractual cash flows is as essential as the sale of the financial assets. In order to attain this objective the Group collects contractual cash flows as well as sells financial assets. In comparison to the previous business model, in this one the Group usually carries out the sale of the assets that are more frequent and of a higher value.

The contractual cash flows that are SPPI, are consistent with the basic lending arrangement. In a basic lending arrangement the most significant element of the interest is generally the compensation for the time value of money as well as the credit risk. However, in an arrangement of this kind the interest also includes the compensation for other risks, such as liquidity, and costs, such as the administrative costs of a basic loan linked to holding the financial asset during a specific period. Furthermore, the interest may include a profit margin consistent with a basic lending arrangement.

As indicated in note 9, the Group has designed certain equity instruments as measured at fair value through other comprehensive income.

The Group designates a financial asset initially at fair value through profit and loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The rest of financial assets are classified at fair value through profit and loss.

The Group designates a financial liability at the moment of its initial recognition as at fair value through profit and loss if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value bases, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies the rest of financial liabilities, except for the financial guarantee contracts, loan commitments at an interest rate below the market rate and the financial liabilities resulting from a transfer of financial assets that do not meet the requirements for their derecognition or are accounted for using the continued involvement approach as financial liabilities at amortised cost.

i) Principles of compensation

A financial asset and a financial liability are subject to compensation only when the Group has the legal right actually enforceable to compensate the recognised amounts and has the intention to settle for

differences or realise the asset and cancel the liability simultaneously. In order for the Group to have the legal right actually enforceable, it should not be contingent to a future event and should be legally enforceable in the ordinary course of business, in case of insolvency or legally declared liquidation and in case of default.

ii) Financial assets and liabilities at fair value through profit and loss

Financial assets and financial liabilities at fair value through profit and loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issuance are recognised as expenses in the amount they are incurred.

The fair value of a financial instrument at the initial recognition moment is usually the price of the transaction, except for when that price contains elements that are different from the instrument, in which case the Group determines its fair value. If the Group establishes that the fair value of an instrument differs from the price of the transaction, it records the difference in profit or loss, in proportion to the value obtained by reference to a price quoted on an active market or of an identical asset or liability or obtained by a measurement method using only observable data. In other cases the Group recognises the difference in profit or loss when there is a change in a factor that the market participants would consider in determining the price of the asset or liability. (IFRS 7.28 a)

Subsequently to the initial recognition, they are recognised at fair value recording the differences in profit or loss. The changes of the fair value include the component of interest and dividends. The fair value is not reduced by the transaction costs which may be incurred by the sale or other disposal.

The Group determines the change in the fair value attributable to the credit risk calculating initially the internal return rate at the beginning of the period using the fair value and the contractual cash flows and discounts from said rate the reference interest rate in order to determine the specific kind of component of the credit risk, provided that the change in the reference interest rate is not significant and there are no other factors which might involve important changes in the fair value. On every balance sheet date the Group discounts the contractual cash flows at a rate established as the sum of the reference rate of the date plus a specific rate of the credit risk component. The difference between the fair value at the balance sheet date and the previous amount represents the change linked to the credit risk.

iii) Financial assets and liabilities at amortised cost

The financial assets and financial liabilities at amortised cost are initially recognised at their fair value, plus or minus incurred transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

iv) Financial assets at fair value with changes in other comprehensive income

The financial assets at fair value with changes in other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to the purchase.

Subsequently to the initial recognition the financial assets classified into this category are measured at fair value with recognition of loss or gain in other comprehensive income, except for the loss or gain due to exchange rate, as explained in section 2.6 (foreign currency transactions) and expected credit loss. The amounts recognised in other comprehensive income are recognised in profit or loss at the moment of derecognition of the financial assets. However, the interests calculated using the effective interest rate method are recognised in profit or loss.

As indicated above, the Group has designed certain equity instruments as measured at fair value with changes in other comprehensive income. Subsequently to the initial recognition, the equity instruments are measured at fair value with recognition of loss or profit in other comprehensive income. The amounts recognised in other comprehensive income are not subject to reclassification to profit or loss, without prejudice of being reclassified to reserves at the moment of derecognition of the instruments.

v) Financial assets measured at cost

The investments in equity instruments for which there is no sufficient information to measure their fair value or when there is a wide range of measurements and derivative instruments that are linked to them which should be settled for providing those investments, are measured at cost. However, if the Group may obtain at any moment a credible measurement of the asset or of the contract, it will recognise them at that moment at fair value recording the gain or loss in profit or loss or in other comprehensive income if the instrument is designated at fair value with changes in other comprehensive income.

vi) Reclassifications of financial instruments

The Group reclassifies financial assets when it modifies the business model for the management of that assets. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with changes in profit or loss, it recognised the difference between the fair value and the carrying amount in the profit or loss. From that moment on, the Group does not record financial asset interests separately.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at amortised cost, the fair value at the date of the reclassification is considered to be the new gross carrying amount for the purpose of applying the effective interest rate approach and of recording credit losses.

If the Group reclassifies a financial asset from the category of at amortised cost to at fair value with changes in other comprehensive income, it recognises the difference between the fair value and the carrying amount in other comprehensive income. The effective interest rate and the expected credit loss record are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is registered against other comprehensive income and is itemised in the notes.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at amortised cost, it is reclassified at its fair value. The amount of the difference in equity is adjusted to the carrying amount of the asset. The effective interest rate and the expected credit loss record are not adjusted by the reclassification.

If the Group reclassifies a financial asset from the category of at fair value with changes in profit or loss to at fair value with changes in other comprehensive income, the effective interest rate and expected credit loss are determined at the date of the reclassification at the fair value of that moment.

If the Group reclassifies a financial asset from the category of at fair value with changes in other comprehensive income to at fair value with changes in profit or loss, the amount of the difference in equity is reclassified to profit or loss. From that moment on, the Group does not record financial asset interests separately.

vii) Financial guarantee contracts

The Group recognises financial guarantee contracts initially at the premium received. If the Group collects the premium in instalments in arm’s length terms, the financial guarantee is recognised at zero net amount. Subsequently to the initial recognition, the financial guarantee contracts are measured at the amount of the expected credit loss or the amount initially recognised, depending on which of them is higher, less the accumulated amount of recognised income according to the indicated in the income from contracts with clients section.

If the financial guarantee is issued without compensation, its counterparty is recognised as cost in the profit and loss account.

However, if the financial guarantee arises from a transfer of financial assets which does not fulfil the requirements for derecognition from the balance sheet, it is recognised pursuant to section 2.11 (derecognition of financial assets).

viii) Impairment

The Group recognises in profit or loss a loss allowance due to expected credit loss of the financial assets measured at amortised cost, fair value with changes in other comprehensive income, finance lease accounts receivable, contract assets, lending commitments and financial guarantees.

For financial assets measured at fair value with changes in other comprehensive income the expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

The Group measures on every balance sheet date the loss allowance by an amount equal to the expected credit loss in the following twelve months, for the financial assets for which the credit risk has not increased significantly since the date of the initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

The Group determines on every balance sheet date whether the credit risk of an instrument considered individually or of a group of instruments considered collectively has increased significantly since the initial recognition. For the purpose of collective evaluation the Group has grouped the instruments according to shared risk features.

In order to determine whether for an instrument or a group of instruments the credit risk has increased significantly the Group uses the change in the risk of a default during the expected lifetime of the instrument instead of changes in the amount of the expected credit losses. Therefore the Group evaluates the change in the risk of a default at every balance sheet date comparing it to the initial recognition. For this purpose the Group considers that a default occurs when there are justified doubts concerning recovery.

For the purpose of determining whether there is a significant increase in the credit risk the Group evaluates all the reasonable and justifiable prospective information, in particular:

- Internal and external credit risk ratings;

- Current or expected adverse changes in the business, financial or economic situation which may give rise to a significant change in the borrower's ability to fulfil their obligations;

- Current or expected significant changes in the borrower's operating income;

- Significant increase in the credit risk of other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

- Macroeconomic information such as interest rates, growth, unemployment rates, GDP of the region, real property market prices or rents.

- The Group considers that the credit risk has increased significantly since the initial recognition when its maturity period is extended.

If there has been a significant increase in the credit risk of an instrument or a group of instruments since the initial recognition, the expected credit loss covers the entire expected life of the instrument. For the financial assets acquired or originated with incurred losses the Group recognises at every balance sheet date only the positive or negative changes in the expectations of loss since the initial recognition as a loss or profit from impairment, regardless of whether the profit exceeds the initially estimated amount of the incurred credit loss.

For the financial assets renegotiated or modified and which have not implied derecognition of the original financial asset the Group evaluates the significant increase in credit risk comparing the risk of a default at the date of the balance sheet according to the new conditions with the risk of a default at

the date of the initial recognition according to the original conditions. The Group considers that the credit loss of modified financial assets should not be estimated during the lifetime for the instrument only when there is evidence of the borrower's fulfilment of the modified obligations.

If the modified financial asset has implied derecognition of the previous financial asset and the recognition of a new one, the Group determines the expected credit loss at that moment. For this purpose the Group determines the expected credit loss in the subsequent twelve months, except for when the financial asset originated with incurred loss.

Notwithstanding the above, the Group recognises the expected credit loss during the life of the instruments for trade receivables or contract assets and finance lease receivables.

The Group determines the expected credit loss considering the unbiased and probability-weighted amount, effective interest rate or effective interest rate adjusted by the original credit risk and reasonable and justifiable information about past events, current conditions and forecasts of future economic conditions.

The maximum term considered by the Group to measure the expected credit loss is the contractual period, including novation options, during which the Group is exposed to credit risk. However, the Group determines credit losses during the period in which the Group is exposed to credit risk and the credit losses would not be mitigated by credit risk management actions, even if this period exceeds the maximum contractual period for the instruments that include a loan and an undrawn commitment and the ability to demand repayment and cancel the commitment would not limit the Group's credit risk to the contractual notice period.

Separate expected credit losses represent the difference between the contractual and the expected cash flows, in the amount as well as in the term.

Regarding financial guarantees, the Group considers the changes in the risk that the debtor will default on the contract. The Group determines credit losses as expected payments to be made to reimburse the holder for the loss it incurs less any amount that the Group expects to receive from the holder, the debtor or any third party. For this purpose the Group does not consider the amount of the premiums to collect when they are collected in instalments. If the asset is entirely guaranteed, the estimate of the credit loss would be consistent with the estimates of credit losses of the asset subject to the guarantee.

To the financial guarantees and loan commitments for which it is not possible to determine the interest rate in a reliable manner, the Group applies a market interest rate, adjusted by the risks not considered in discounted cash flows.

For loan commitments and financial guarantees the expected credit loss is recognised as a provision. If a financial instrument includes a loan and an undrawn commitment and the Group cannot identify separately the credit loss attributable to each component, the credit loss of the commitment is recognised together with the credit loss of the financial asset. If the credit loss exceeds the carrying amount of the financial asset, the surplus is recognised as a provision.

For finance lease receivables the Group determines the credit loss in a way that is consistent with the cash flows used to measure accounts receivable. For this purpose it uses the implicit interest rate of the contract.

The Group has determined the impairment of cash and cash equivalents due to expected credit losses during the next twelve months. The Group considers that cash and cash equivalents have a low credit risk according to the credit ratings of the financial entities where the deposits or cash are deposited.

For trade receivables the Group determines the expected credit loss during the life of the financial assets collectively, grouped by different collectives according to their maturity dates, allocating a percentage of default to each of them.

The percentage of default is calculated according to the probability of an account receivable to be moving through the subsequent stages of default until its definitive derecognition. The percentages are calculated separately for each collective. The percentages are based on the current experience of default in recent years and are adjusted by the differences between current and historical econocmi conditions and considering the forecast information that is reasonably available.

ix) Extinguishment of financial assets

The Group applies the financial assets derecognition criteria to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or to a group of similar financial assets.

Derecognition of financial assets is carried out when the rights to collect cash flows connected with those assets have expired or have been transferred and the Group has transferred substantially the risks and profits derived from their ownership.

Derecognition of a financial asset in it entirety implies a recognition of profit or loss for the difference between its carrying amount and the sum of the received compensation, less transaction costs, including the assets obtained or the liabilities assumed and any loss or gain recognised in other comprehensive income, except for the equity instruments designated at fair value with changes in other comprehensive income.

The Group reduces directly the accounting amount of a financial asset when it reasonably expects to recover it entirely or partly.

x) Interests and dividends

The Group recognises interests applying the effective interest rate method, which is an update rate that equalises the carrying amount of a financial asset with the expected cash flows during the expected life of the instrument on the basis of its contractual terms and without considering the expected credit loss, except for the financial assets acquired or originated with incurred losses.

The interests are recognised at gross carrying amount of the financial assets, except for the financial assets acquired or originated with incurred credit losses and financial assets with credit impairment. For the former, the Group recognises the interests according to the effective interest rate adjusted by the initial credit risk and for the latter, the Group recognises the interests at amortised cost.

The changes of estimates in cash flows are discounted at the effective interest rate or an interest rate adjusted by the original credit risk and are recognised in profit or loss.

The income on dividends from investments in equity instruments is recognised in profit or loss when right for the Group arise to collect the dividends, the collection of economic profit is probable and the amount can be reliably calculated.

The dividends from equity instruments classified at fair value with changes in other comprehensive income are recognised in profit or loss, except when they represent a return on investment, in which case they are recognised in other comprehensive income.

The Group recognises as financial income and expenses the late-payment interest in commercial transactions according to the legal and contractual conditions. If eventually the interest is compensated or cancelled, the Group recognises the transaction according to its substance. The Group recognises the legal right to the compensation of incurred collection management costs when its collection is probable. The Group recognises the management collection costs claim according to the rules of the provision accounting policy.

xi) Derecognition and modification of financial liabilities

The Group derecognises a financial liability or a part of it when the obligation specified in the contract is fulfilled or when the Group is legally exempted from the principal responsibility contained in the liability whether through a court proceeding or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of the liabilities initially recognised are accounted for as an extinguishment of the original financial liability and recognition of a new financial liability, provided that the terms of the instruments are substantially different.

The Group considers that the terms are substantially different if the current value of the discounted cash flows under the new terms, including any commission paid less any commission received, and using for the discount the original effective interest rate, differs by at least 10 per cent from the discounted current value of the cash flows which still remain from the original financial liability.

If the exchange is recorded as an extinguishment of the original financial liability, the costs or commissions are recognised in profit or loss as a part of its result. Otherwise, the modified cash flows are discounted at the original effective interest rate and any difference from the previous carrying amount of the liability is recognised in profit or loss. Likewise, the costs or commissions adjust the carrying amount of the financial assets and they are amortised by the amortised cost method during the remaining life of the modified liability.

The Group recognises in profit or loss the difference between the carrying amount of a financial liability or a part of it that is extinguished or transferred to a third party and the compensation that was paid, including any transferred asset other than cash or assumed liability.

Contracts for purchase and sale of non-financial assets

The Group signs forward contracts for the purchase/sale of energy according to its production requirements. The Group assesses at the moment of signing and also periodically if the contracts should be recognised as derivative financial instruments. For this purpose the Group carries out control and a separate register of those contracts which meet the conditions for not being classified as derivative financial instruments and those which must be considered as trading.

The Group recognises as obligations the contracts for purchase or sale of a non-financial account in line with the terms of the contract and if it is held for delivery or reception according to the usage, purchase or sale requirements.

The transaction costs of the contracts classified as obligations are recognised according to the general criteria applicable to the costs related to purchase and sale transactions.

However, the Group recognises as derivative financial instruments those contracts or groups of similar contracts for which the Group keeps applying a past practice of net cash settlement or those that are held by the Group for the purpose of obtaining profit from trading margin.

In the case of contracts for the purchase or sale of non-financial assets classified as trading and which are going to be settled with physical delivery at a fixed price, the Group applies the cash flow hedge policy.

The Group evaluates the existence of implicit derivatives in the contracts for purchase or sale of non-financial assets in foreign currency. Although the contract is not accounted for as a financial instrument, the implicit derivative is recognised according to the criteria indicated above.

The Group considers that the implicit derivative is closely connected with the main contract when it is not leveraged, does not include options and the payments are made in the functional currency of one

of the main parties to the contract or the usual currency of commercial transactions for the underlying non-financial asset or the usual currency of contracts for the purchase or sale of the non-financial asset concluded in the economic environment in which the transaction takes place.

2.12 Derivatives and other financial instruments

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

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

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

Types of hedges:

a) Cash flow hedges:

For these derivatives, the effective part of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised in net equity. The gain or loss relating to the non-effective part is recognised immediately in the consolidated income statement. The amounts accumulated in net equity are released to the consolidated income statement in the year in which the hedged items affects profit or loss.

b) Fair value hedge:

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges are posted in the consolidated income statement, together with any change in the fair value of the asset or liability hedged that is attributable to the risk hedged.

2.13 Share capital

Share capital is represented by ordinary shares.

The cost of the issue of new shares or options, net of tax, is subtracted from net equity.

The dividends from ordinary shares are recognised as less net equity when approved by the Parent Company's shareholders.

2.14 Provisions and contingent liabilities

The Directors of the Parent Company have established a difference in the consolidated annual accounts between:

a) Provisions: credit balances that cover current obligations related with past events. Its settlement is likely to originate an outflow of cash, however the moment and the amount of the settlement cannot be determined.

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

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

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

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

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

2.15 Corporate income tax

The corporate income tax expenses include the expense for the deferred tax and the current tax understood as the amount payable (or refundable) relating to the tax profit for the year.

The current tax is the amount that the Group pays as a consequence of the fiscal liquidations arising from Corporate Income Taxes for the year. Deductions and other fiscal advantages affecting the amount of taxes payable, excluding any account retention or payment, as well as fiscal losses that can be compensated from past years and that are effectively applicable during the current year, give rise to a lower amount of current taxes payable.

The deferred tax is recorded by comparing the temporary differences that arise between the taxable income from the assets and liabilities and the accounting profit on the consolidated annual accounts using the tax rates that are expected to be in force when the assets and liabilities are realised.

Liabilities arising from deferred taxes are recognized for all the temporary differences on tax bases, except for those derived from the initial recognition of goodwill or other assets and liabilities in an operation that does not affect neither the fiscal result nor the accounting result and that is not included in a business combination.

The deferred tax arising from charges or credits made directly in the net equity accounts are also recorded as charges or credits to net equity.

Additionally, any difference that might exist between the consolidated value of an acquired company and its fiscal base will also be considered at a consolidated level. In general these differences arise from the accumulated results generated after the acquisition date, from fiscal deductions associated with the investment and from the exchange difference, in the case where the acquired company uses a currency that is not the Euro. Deferred tax assets and liabilities originated from these differences can be recognized except for, and in the case of taxable differences, those in which the investor has control over the moment of reverting the difference and in the case of the deductible differences, if it can be expected that such difference has consequences on the foreseeable future and if it is likely that the company has a tax profit of a sufficient amount.

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

In every closure of the accounting cycle the assets registered as deferred taxes receivable are reconsidered and the needed corrections are done in the cases where doubts exist about their future payment.

Moreover, in every closure, the assets that have not been registered as deferred taxes in the balance sheet are evaluated and recognized if their future recoverability in the form of future tax profits is likely.

2.16 Recognition of income from energy retailing

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Audax Renovables Group's normal course of business, minus returns, price reductions, discounts and value added tax.
Electricity sales are recognised as income at the moment of delivery to the customer according to the quantities supplied during the period, before being invoiced. Therefore, sales figures include the estimated volume of supplied electricity, that has not yet been read on the customer's meter
The sales of goods are recognised when the products have been delivered to the customer, when the customer has accepted them, even if they have not been invoiced, or as the case may be, the services have been provided and the collection of the respective accounts receivable is reasonably assured. The sales for the year include the estimate of the energy supply that has not yet been invoiced.

Note 3 describes the basic features of the regulations in the electricity sector that are applicable.

The interest income is recognised using the effective interest rate method.

2.17 Leases

Leases in which the lessee substantially holds all the risks and reward of ownership are classified as finance leases.

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

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

2.18 Cash flow statement

The consolidated cash flows statement has been prepared using the indirect method, and, using the following expressions with the meeting set out below:

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

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

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

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

will be classified the same as the transaction to which it refers.

The cash flow statement does not list existing cash flows between restricted and non-restricted funds.

2.19 Profit or loss per share

Basic profit or loss per share is calculated using consolidated profit or loss for the year attributable to the parent Company between the average number of ordinary shares in circulation during this period, excluding the average number of treasury shares held by the Group.

Diluted profit or loss per share is calculated using the consolidated profit or loss for the year attributable to the ordinary shareholders adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average number of ordinary shares in circulation during this period, adjusted by the average weighted number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the Parent Company.

2.20 Significant accounting estimates and assumptions.

The preparation of consolidated financial statements in compliance with the IFRS-EU requires the application of important accounting estimates and the formulation of judgements, estimates and assumptions in the process of application of the accounting policies of the Group. Therefore, we set out below the aspects that imply a higher degree of judgement, complexity or where the assumptions and estimates are significant for the preparation of the consolidated annual accounts:

a) *Non-financial asset impairment*

The Group verifies whether goodwill, the remaining intangible assets and property, plant and equipment have suffered a loss for impairment of assets in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of CGUs have been calculated on the basis of the calculations of fair value from discounted cash flows based on the Group's assumptions. These calculations require the use of judgements, which, amongst others, mainly include the discount rate, the production hours and sales prices of electricity (Note 5). In addition, the Group's activities are subject to existing regulation whose amendments may affect the valuation of the assets. Consequently, if the real data differs from the estimates and judgements used, the recoverable amounts resulting from the various CGUs may vary and, consequently, require a higher or lower impairment of assets. To be able to report how sensitive this calculation of impairment is, Note 5 sets out a sensitivity analysis for reasonable variations of key judgements which has been established by Group Management.

b) *Provisions*

In general, liabilities are recorded when it is probable that a liability or obligation will give rise to an indemnity or payment. The Audax Renovables Group makes an estimate of the amounts to be settled in the future, including additional amounts relating to corporate income tax, contractual obligations, the settlement of outstanding litigation, and other liabilities. These estimations are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects. Among the most significant provisions there are the toll costs and the costs of energy purchase that have not yet been invoiced.

c) *Corporate income tax expenses and deferred income tax assets*

The calculation of the corporate income tax expense requires interpretations of tax legislation in the jurisdictions in which the Audax Renovables Group operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgments.

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

d) *Revenue recognition*

Revenue from energy sales is recognized when the electricity is delivered to the customer on the basis of estimated energy production.

Historically, no material adjustments have been made to the amounts recorded as revenue for the estimate of the energy produced pending invoicing and no adjustments are expected in the future.

Energy supplied to the customers that has not yet been measured on the meters. As the usual date of meter readings does not coincide with the balance sheet date of the financial year, the Management of the Company makes an estimate for the sales that have not yet been invoiced (Note 3 and 10).

e) *Fair value of derivatives*

The fair value of the financial instruments that are traded on official markets is based on market prices at the balance sheet date. The market quotation price that is used for financial assets is the current buyer price.

The fair value of the financial instruments that are not listed on an official market is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the future estimated cash flows.

f) *Useful life of property, plant and equipment and intangible assets*

The accounting treatment of investments in property, plant and equipment and intangible assets includes estimates for determining their useful lives for depreciation and amortisation purposes, and for determining the fair value at the acquisition date, for assets acquired in business combinations.

The determination of useful life requires estimates of their degree of use, maintenance as well as expected technological evolution. The assumptions regarding the degree of use, technological framework and future development involve a significant degree of judgement, insofar as the timing and nature of future events are difficult to foresee.

The Audax Renovables Group estimates a useful life of its wind farms of 25 years (amortisation period).

g) *Financial instruments*

The fair value of the financial instruments that are traded on active markets is based on market price at the balance sheet date. The quoted market price used for the financial assets is the current bid price.

The fair value of the financial instruments that are not traded on active markets is determined using valuation methods. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows.

2.21 Actions causing an impact on the environment

They are registered annually as an expense or as an investment, depending on the nature, the carried out payments that are needed to comply with the legal requirements related with environmental issues. Imports registered as an investment are amortized as a function of their useful life.

No provision for risks and costs related with environment issues has been considered given that there exist no significant contingencies related with the environment protection.

2.22 Related party transactions

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

2.23 Customer acquisition costs

The incremental costs incurred directly in acquiring new customer contracts, which correspond primarily to the commission paid for the acquisition of contracts for power supply signed with those customers, are recorded as Prepaid Expenses and are transferred to the profit and loss account under the heading of external services, linearly during the expected average life of the contract which ranges between 1 and 2 years.

The customer acquisition costs recognised as assets are amortised systematically in the Consolidated Profit and Loss Account under the heading of external services during the expected average life of contracts with customers which ranges between 1 and 2 years.

NOTE 3 – REGULATORY FRAMEWORK

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

a) Energy retailing segment

Spain

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

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

Electricity tariff for 2018:

Order ETU/1282/2017, of 27 December, establishes access tolls from 1 January 2018 onwards.

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

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

- Regulatory changes in the regulated costs.

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

On 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, on urgent measures for energy transition and consumer protection was published in the BOE.

The RDL introduces measures for consumer protection, grouped in two chapters: the first chapter is dedicated to vulnerable consumers and energy poverty prevention; and the second chapter which features measures tending to increase information, protection and rationalisation of contracting mechanisms with the aim of guaranteeing the protection of all electricity consumers.

Italy

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

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

- The distribution, measurement and sale of gas and electricity are subjecto 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.

b) Renewable energy production

Spain

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

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remunerative system for the renewable energy-generating plants and is submitted to the Government for the new remunerative system to be approved by a Royal Decree. Under this new regulatory framework, the income from the special system plants will comprise:

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

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

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

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

- The standard income for the sale of the generated energy, valued at the production market price (estimated),

- The standard operative costs and
- The standard value of the initial investment

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

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

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

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

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

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

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

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

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

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 2018, he tariff applied to the company in the Audax Renovables Group in France was of 9.247 cents euro per KWh until 1 November, and from that date, of 9.421 cents euro per KWh.

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

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

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

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

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

B: refers to income before tax

Poland

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

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

- market price for sale of energy on regulated market (average price for the last quarter)

- price for traded certificates of origin (Green Certificates) during 15 years following the date of the first verification of energy production

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

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

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

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

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

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

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

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

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

NOTE 4 – SEGMENT REPORTING

The main format of segment reporting presentation comprises business segments and geographical segments.

The principal business segments of the Audax Renovables Group involve electricity and gas retailing and renewable energy generation.

The main geographical segments of the Audax Renovables Group are as follows:

- Spain and Portugal
- Rest of Europe: in regard to retailing, the Group operates also in Italy, Poland, Germany and the Netherlands; the generation segment corresponds to France and Poland.
- Latam: corresponds to Panama, where a wind farm of 66 MW is under construction.

Profit and loss by segment as defined above for the annual periods ended on 31 December 2018 and 2017 is as follows:

	RETAILING			GENERATION				TOTAL
31 December 2018	**Spain and Portugal**	**Rest of Europe (1)**	**Total**	**Spain**	**Rest of Europe (2)**	**Latam (3)**	**Total**	**Total**
Turnover by segment	723,365	225,354	**948,719**	28,203	7,432	-	**35,635**	**984,354**
EBITDA	22,244	(2,512)	**19,732**	21,635	12,028	-	**33,663**	**53,395**
Depreciation charge	(5,385)	(8,113)	**(13,498)**	(9,457)	(2,124)	-	**(11,581)**	**(25,079)**
Operating profit (loss)	16,859	(10,625)	**6,234**	12,178	9,904	-	**22,082**	**28,316**
Net financial income (expenses)	(5,311)	(4,481)	**(9,792)**	(5,014)	(1,701)	-	**(6,715)**	**(16,507)**
Participation in profit (loss) for the year of associates	-	-	**-**	-	-	(48)	**(48)**	**(48)**
Profit (loss) before tax	11,548	(15,106)	**(3,558)**	7,164	8,203	(48)	**15,319**	**11,761**
Corporate income tax	(2,263)	1,455	**(808)**	(392)	(572)	-	**(964)**	**(1,772)**
Consolidated profit (loss) for the year	9,285	(13,651)	**(4,366)**	6,772	7,631	(48)	**14,355**	**9,989**
a) Profit (loss) attributed to the parent company								**8,997**
b) Profit (loss) attributed to minority interests								**992**

Rest of Europe (1) in Retailing includes Italy, Poland, Germany and the Netherlands
Rest of Europe (2) in Generation includes France and Poland
Latam (3) in Generation includes Panama

	RETAILING			GENERATION				TOTAL
31 December 2017	**Spain and Portugal**	**Rest of Europe (1)**	**Total**	**Spain**	**Rest of Europe (2)**	**Latam (3)**	**Total**	**Total**
Turnover by segment	481,903	151,339	**633,242**	30,573	6,830	-	**37,403**	**670,645**
EBITDA	12,702	(1,180)	**11,522**	21,309	4,245	-	**25,554**	**37,076**
Depreciation charge	(613)	(6,323)	**(6,936)**	(11,591)	-	-	**(11,591)**	**(18,527)**
Operating profit (loss)	12,089	(7,503)	**4,586**	9,718	4,245	-	**13,963**	**18,549**
Net financial income (expenses)	(2,049)	(6,700)	**(8,749)**	(2,077)	(1,804)	-	**(3,881)**	**(12,630)**
Participation in profit (loss) for the year of associates	-	-	**-**	-	-	(133)	**(133)**	**(133)**
Profit (loss) before tax	10,040	(14,203)	**(4,163)**	7,641	2,441	(133)	**9,949**	**5,786**
Corporate income tax	(3,041)	2,729	**(312)**	1,681	(875)	-	**806**	**494**
Consolidated profit (loss) for the year	6,999	(11,474)	**(4,475)**	9,322	1,566	(133)	**10,755**	**6,280**
a) Profit (loss) attributed to the parent company								**8,250**
b) Profit (loss) attributed to minority interests								**(1,970)**

Rest of Europe (1) in Retailing includes Italy, Poland, Germany and the Netherlands
Rest of Europe (2) in Generation includes France and Poland
Latam (3) in Generation includes Panama

Currently the Group owns operating wind farms in Spain, France and Poland, as well as energy retailing activity in Spain, Portugal, Italy, the Netherlands, Germany and Poland.

NOTE 5 – INTANGIBLE ASSETS

The movements for the years ended on 31 December 2018 and 2017 in the accounts under intangible assets have been as follows:

	Goodwill	Other intangible assets	Total intangible assets
Net book value 31/12/16	**4,077**	**36,980**	**41,057**
Investment	-	2,445	2,445
Additions to scope (Note 2)	94,391	51,421	145,812
Amortisation	-	(8,214)	(8,214)
Derecognition	-	(38)	(38)
Other movements	-	(810)	(810)
Translation differences	-	-	-
Net book value 31/12/17	**98,468**	**81,784**	**180,252**
Cost	98,468	92,389	190,857
Accumulated amortisation	-	(10,605)	(10,605)
Net book value 31/12/17	**98,468**	**81,784**	**180,252**
Investment	94	2,428	2,522
Additions to scope (Note 2)	40,002	42,319	82,321
Amortisation	-	(14,730)	(14,730)
Derecognition	-	(297)	(297)
Other movements	-	8	8
Translation differences	-	(2)	(2)
Net book value 31/12/18	**138,564**	**111,510**	**250,074**
Cost	138,564	136,845	275,409
Accumulated amortisation	-	(25,335)	(25,335)
Net book value 31/12/18	**138,564**	**111,510**	**250,074**

The recognitions resulting from changes in the scope correspond to incorporation of assets as a consequence of the non-cash contribution of ADS Energy 8.0 SLU and Eryx Investments,S.L. Moreover, intangible assets were incorporated due to the merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L. as well as the merger between Audax Energía, S.A. and Audax Renovables, S.A. (Note 2).

The main movements in the year 2017 correspond to the assets acquired through business combination of Audax Netherlands B.V, mentioned in the note 2.

As at 31 December 2018 the intangible assets, still in use and completely amortised amount to EUR 25 thousand (EUR 1 thousand at 31 December 2017).

Goodwill

The breakdown of goodwill by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	634	634
France	860	860
Energy retailing		
Spain	40,072	70
the Netherlands	94,391	94,391
Poland	2,599	2,513
Others	8	-
TOTAL	**138,564**	**98,468**

Other intangible assets.

The breakdown of intangible assets by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	26,002	27,726
France	2,778	2,982
Energy retailing		
Spain	40,427	1,864
Italy	3,144	3,209
Germany	182	22
Poland	138	72
the Netherlands	38,827	45,909
Portugal	12	0
TOTAL	**111,510**	**81,784**

The breakdown of intangible assets by type is as follows:

	31/12/2018	31/12/2017
Rights, licences and similar	33,753	33,682
Industrial property, patents, trademarks and similar	23,510	2,694
Computer software	12,712	10,534
Client portfolio	66,132	45,004
Advance and other intangible assets	738	475
Accumulated amortisation	(25,335)	(10,605)
TOTAL	**111,510**	**81,784**

Impairment test:

The Audax Renovables Group has conducted impairment tests using cash flow projections in order to determine recoverable amount. The impairment tests were made on 31 December 2018 and 2017. As a result of these tests, a reversal of the net impairment provision was recorded in the amount of EUR 8,575 thousand in the year 2018 (negative amount of EUR 58 thousand in the year 2017) corresponding mainly to property, plant and equipment.

The breakdown of the net release / (charge) to the impairment provision by segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	1,963	(58)
Poland	6,564	-
Energy retailing		
Spain	(6)	-
Poland	(1)	-
the Netherlands	55	-
TOTAL	**8,575**	**(58)**

There was no tax effect of the impairment (reduction of related deferred tax liabilities) 2018 nor in 2017, and there was no effect on minority interest.

In order to carry out the impairment tests, the goodwill has been allocated to the cash-generating unit (CGU) of the Group according to the kind of business or country of the transaction, that represents the lowest level to which the goodwill is allocated and is subject to internal control by the management of the Group.

The CGUs Audax Renovables are created by the companies within the group headed by the company, mainly wind farms.

The CGU Poland is comprised of the company Audax Energia Sp. z o.o. (formerly Deltis Sp. z o.o.),

Likewise the CGU Netherlands is comprised of the company Audax Netherlands and its subsidiaries.

The recoverable amount of a CGU is determined on the basis of calculation of the value in use. The calculation uses cash flow projections based on financial estimates approved by the management for a period of five years. Cash flows beyond the period of five years are extrapolated using estimate growth rate indicated below.

The key assumptions used to calculate fair value, applied to the impairment test, are as follows:

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

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

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

The breakdown of the weighted average cost of capital after tax between generation and retailing

(WACC) resulting from the main geographical segments is as follows:

Year 2018

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

Year 2017

The weighted average cost of capital after tax of the principal CGEs with significant assets in the year 2017 is as follows:

	Spain	France	Poland	Italy	Netherlands	Germany
After-tax weighted average cost of capital 2017**	6.63%	5.62%	7.86%	5.71%	4.60%	4.80%

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

** Because the sources of information consulted to obtain the parameters used for the calculation of the discount rate do not offer data before taxes, the Group uses discount rates after taxes. Consequently, and to maintain the coherency of the discount rate with the methodology of calculation of the planned flows, the payment of taxes was taken into account.

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

c) Production hours of generation plants: the production hours employed in the calculation of the impairment test have been based, for the operating generation plants, on the average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels) and for the generation plants under development, on the estimated wind hours predicted by the wind studies carried out both internally and externally.

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

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

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

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

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

Likewise, as a consequence of the reactivation of a solar project in Spain, called La Pedrera, a set of investments, which had been impaired in previous years, were subject to revaluation by the amount of EUR 1,982 thousand.

There was no significant impact on the impairment of the year 2017.

As it has been mentioned above, and as a result of the registered impairment, there are certain CGUs in the generation segment, whose carrying amount is equal to the recoverable amount, therefore any increase in discount rate or decrease in selling price for energy would cause another impairment or reversal. Similarly, an increase in selling prices for energy or a decrease in discount rate would have a positive effect on the income statement of the Audax Renovables Group as a consequence of the reversal of the registered provisions.

The differences between the recoverable amount and the carrying amount (i.e. the existing "gap") for all of the energy generation CGUs, obtained through the analysis of impairment in the year 2018 are as follows:

Energy generation sector	**31/12/2018**
Spain and France	22,784
Poland	-
TOTAL	**22,784**

The difference between the recoverable amount and the carrying amount (i.e. the existing “gap”) for the retailing CGUs of significant book value, obtained through the analysis of impairment in the year 2018 amounted to EUR 75,019 thousand, corresponding mainly to the CGU of the Netherlands.

***Sensitivity analysis*:**

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

	Effect on net income (EUR thousands)	
	2018	**2017**
Increase of the discount rate of 10%		
Spain	-	-
Poland	(1,694)	(1,699)
Latin America	-	-
Total	**(1,694)**	**(1,699)**
Decrease of the discount rate of 10%		
Spain	-	-
Poland	1,675	1,944
Asia	-	-
Latin America	-	-
Total	**1,675**	**1,944**

	Effect on net income (EUR thousands)	
	2018	**2017**
Increase of the sale price of electricity of 10%		
Spain	-	-
Poland	3,277	3,433
Latin America	-	-
Total	**3,277**	**3,433**
Decrease of the sale price of electricity of 10%		
Spain	(192)	(1,936)
Poland	(3,277)	(3,383)
Latin America	-	-
Total	**(3,469)**	**(5,319)**

The impacts described above refer only to the generation segment, the recovery amount of the retailing segment CGU is greater than the net carrying value of its net assets.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The movement in the years 2018 and 2017 in the accounts under Property, plant and equipment has been as follows:

	Property, plant and equipment energy generation	Property, plant and equipment energy retailing	total
Net book value 31/12/16	**172,478**	**2,095**	**174,573**
Investment	270	12	282
Additions to scope (Note 2)	-	1,646	1,646
Divestment	(1)	(25)	(26)
Depreciation charge	(9,657)	(599)	(10,256)
Impairment charge (Note 5)	(63)	-	(63)
Translation differences	1,752	(1)	1,751
Net book value 31/12/17	**164,779**	**3,128**	**167,907**
Cost	178,737	3,721	182,458
Accumulated depreciation	(13,958)	(593)	(14,551)
Net book value 31/12/17	**164,779**	**3,128**	**167,907**
Additions to scope (Note 2)	-	1,153	1,153
Investment	174	236	410
Divestment	-	(119)	(119)
Depreciation charge	(9,659)	(690)	(10,349)
Impairment charge (Note 5)	8,525	-	8,525
Translation differences	(929)	(1)	(930)
Net book value 31/12/18	**162,890**	**3,707**	**166,597**
Cost	177,777	4,301	173,553
Accumulated depreciation	(14,887)	(594)	(6,956)
Net book value 31/12/18	**162,890**	**3,707**	**166,597**

No significant financial expenses were capitalised in the year 2017 nor in 2018.

As at 31 December 2018, the Group has commitments for the purchase of fixed assets for the amount of EUR 496 thousand (there were no such commitments as at 31 December 2017).

As at 31 December 2018 there are no payments nor advance payments to suppliers for the construction of fixed assets registered as an increase of value of assets under construction, nor there were such payments as at 31 December 2017.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The negative impact for the year 2018 is due mainly to the depreciation of the Polish zloty against the euro.

As at 31 December 2018 the tangible assets still in use and totally depreciated amount to EUR 383 thousand (EUR 166 thousand as at 31 December 2017).

The assets associated to the farms holding loans from credit entities under the modality of Project Finance are presented as a collateral of the mentioned credits (Note 14).
It is the strategy of the Audax Renovables Group to take out all the insurance policies deemed necessary to cover the exposure of its property, plant and equipment.

The breakdown of intangible assets by country and by sectoral segment is as follows:

	31/12/2018	31/12/2017
Wind energy generation		
Spain	117,575	123,096
France	7,449	7,999
Poland	37,765	33,584
Other	101	100
Energy retailing		
Spain	2,791	1,885
Italy	30	28
Germany	9	7
Poland	17	18
the Netherlands	860	1,190
TOTAL	**166,597**	**167,907**

NOTE 7 – INVESTMENTS AS PER EQUITY ACCOUNTING

The movement in the year 2018 in investments accounted for by the equity method is as follows:

	Balance 31.12.17	Participation in results	Translation differences	Balance 31.12.18
Company				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,931	(48)	109	6,992
Total	**6,931**	**(48)**	**109**	**6,992**

The movement in the year 2017 in investments accounted for by the equity method is as follows:

	Balance 31.12.16	Participation in results	Translation differences	Balance 31.12.17
Company				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	7,442	(133)	(378)	6,931
Total	**7,442**	**(133)**	**(378)**	**6,931**

The most significant information relating to the associated companies and joint ventures consolidated by the equity accounting method is as follows:

	Country	Assets	Liabilities	Income	Results	% Shareholding
At 31-12-18						
Berta Energies Renovables, S.L.	Spain	5,845	2,658	-	(383)	25.79%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panama	38,220	35,730	-	(160)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	215	11	20	(25)	30.30%
Total		**44,280**	**38,399**	**20**	**(568)**	

	Country	Assets	Liabilities	Income	Results	% Shareholding
At 31-12-17						
Berta Energies Renovables, S.L.	Spain	6.157.	2,587	-	(275)	25.79%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panamá	6,068	3,771	-	(444)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	236	6	37	(10)	30.30%
Total		**6,304**	**6,364**	**37**	**(729)**	

The information on these associated companies and joint ventures has been obtained from their not audited financial statements as at 31 December 2018 and 2017.

As at 31 December 2018 and 2017 none of the associated companies is listed on the stock exchange.

NOTE 8 – FINANCIAL ASSETS

The breakdown of the financial assets by Class and Category is as follows:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Assets designated at fair value through profit and loss						
Equity instruments						
Not traded	-	313	**313**	-	311	**311**
Total	**-**	**313**	**313**	**-**	**311**	**311**
Financial assets at amortised cost						
Unsecured credits						
Floating rate	-	1,238	**1,238**	-	309	**309**
Total	-	1,238	**1,238**	-	309	**309**
Trade and other receivables						
Receivables from sales and services	148,015	-	**148,015**	130,429	-	**130,429**
Other receivables	4,553	-	**4,553**	6,850	-	**6,850**
Less impairment	(16,492)	-	**(16,492)**	(10,066)	-	**(10,066)**
Total (Note 10)	136,076	-	**136,076**	127,213	-	**127,213**
Claims to group entities (Note 22)	2,715	90,720	**93,435**	3,411	27,066	**30,477**
Total	2,715	90,720	**93,435**	3,411	27,066	**30,477**
Deposits and sureties granted	455	4,509	**4,964**	1,179	2,586	**3,765**
Fixed-term deposits	12,640	2,200	**14,840**	6,115	-	**6,115**
Other financial assets	10,161	-	**10,161**	43,592	-	**43,592**
Total	23,256	6,709	**29,965**	50,886	2,586	**53,472**
Total	**162,047**	**98,667**	**260,714**	**181,510**	**29,961**	**211,471**
Equity instruments at fair value through other comprehensive income						
Listed	6,166	-	**6,166**	4,933	-	**4,933**
Hedge derivatives						
Contracted on organised markets (Note 9)	12,323	375	**12,698**	5,688	2,750	**8,438**
Total	**18,489**	**375**	**18,864**	**10,621**	**2,750**	**13,371**
Total financial assets	**180,536**	**99,355**	**279,891**	**192,131**	**33,022**	**225,153**

Transferred deposits and guarantees refer to:

- Amounts transferred to lessors as a guarantee for the existing lease contracts. The amounts are represented at paid out value which does not differ significantly from their fair value.

- Amounts paid out as a guarantee for the purpose of operating on the electricity market.

Fixed-term deposits consist mainly of deposits made to different financial institutions, which during the years 2018 and 2017 yielded an accrued interest at market interest rate.

Other current financial assets refer primarily to the Debt Service Reserve Account (DSRA) amounting to EUR 8,866 thousand (EUR 8,777 thousand as at 31 December 2017) which constitute an additional guarantee for the bank syndicate and are subject to restrictions in application, as is described in Note 14.
The amount of equity instruments at fair value with changes in other comprehensive income at 31 December 2018 and 31 December 2017 corresponds, mainly, to listed investment funds.

As at 31 December 2018, the adjustment of the of financial assets, without taking into account the impairment of trade payables, amounts to EUR 2,368 thousand, of which EUR 851 thousand correspond to the initial application of the IFRS 9 (Note 2.1).

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to fluctuations in interest rates since its bank borrowings are made at floating interest rates. Therefore, related to its loans, the Group has hedging contracts on variations in Euribor / Wibor interest rates in order to ensure a maximum rate.

Furthermore, the Group entered into hedging contracts as a form of security measure against fluctuations in electricity selling prices.

As at 31 December 2018 and 31 December 2017 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	31 December 2018		31 December 2017	
	Non-current	**Current**	**Non-current**	**Current**
Assets arising from derivatives				
Energy price hedges	375	12,323	2,750	5,688
Total assets	**375**	**12,323**	**2,750**	**5,688**
Liabilities arising from derivatives				
Energy price hedges	1,739	462	-	-
Interest rate swaps	9,634	-	10,633	-
Total liabilities	**11,373**	**462**	**10,633**	**-**

The fair value of the different financial instruments is calculated using the cash flow discount valuation method. The assumptions used in these valuation techniques are based on prices of observable, current market transactions of the same instrument, such as, for example, the interest rate.

Therefore, the variables on which the valuation of the hedging derivatives is based in this section can be observed in an official market (Level 2).

Interest rate derivatives

The breakdown of derivative financial instruments as at 31 December 2018 and 31 December 2017, their fair value and the breakdown by maturities of notional values, in thousand euros, are as follows:

	Fair value	At 31.12.18 Notional Value (EUR thousands)						
		2019	**2020**	**2021**	**2022**	**2023**	**Subsequent**	**Total**
INTEREST RATE DERIVATIVES:								
Financial swaps	(9,634)	8,695	9,072	9,836	10,029	9,015	57,810	95,442

	Fair value	At 31.12.17 Notional Value (EUR thousands)						
		2018	**2019**	**2020**	**2021**	**2022**	**Subsequent**	**Total**
INTEREST RATE DERIVATIVES:								
Financial swaps	(10,633)	9,611	9,752	10,390	10,267	8,834	53,985	102,839

All the Group's interest rate derivatives have been classified as held for trading, because not all of them meet the criteria for the application of hedge accounting established in the IFRS-EU standards, and therefore the fluctuations in the fair value are registered in the profit and loss account.

During the current year the company Parque Eólico Hinojal S.L., as a result of the refinancing process of its "Project Finance" (see Note 14) proceeded to pay off their respective hedging contracts on Euribor interest rates fluctuation associated to these loans by forming new contracts for derivatives on Euribor interest rates fluctuation in order to secure a maximum interest.

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2018 varies between 2.45% and 4.55%.

Energy price hedge derivatives.

As at 31 December 2018, the Group holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Group hedges against the risk of energy price changes for the maximum net volume of 101 MW for the year 2019, 48 MW for the year 2020, 34 MW for the year 2021 and 18 MW for the year 2022 and following. As at 31 December 2018 the net fair value of these derivative financial instruments amounts to EUR 10,497 thousand (total negative amount of EUR 7,774 thousand at 31 December 2017).

The energy price hedge derivatives comply with the IFRS-EU standards for the application of hedge accounting, therefore the changes in the value of these financial instruments are recorded (at the after tax amount) under net equity.

NOTE 10 – TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The breakdown of Trade and other receivables is as follows:

	At 31.12.18	At 31.12.17
Trade receivables	147,579	129,810
Trade receivables from group companies	436	619
Other receivables	4,553	6,850
Public Administration		
Valuation adjustments for bad debt	(16,492)	(10,066)
Total trade and other receivables	**136,076**	**127,213**

Under the heading of "Trade receivables" the Group puts mainly the invoicing amounts corresponding to the months of November and December 2018 that have not yet been collected.

As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the volume of sales to customers which has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured in under the heading "Trade and other receivables". As at 31 December 2018, the estimates of the retailing companies amount to EUR 53,305 thousand (EUR 52,525 thousand as at 31 December 2017).

The movement of valuation adjustments for bad debt is as follows:

Balance at 31 December 2017	**(10,066)**
First application IFRS 9	(1,607)
Change of scope (Note 2b)	(532)
Allocations	(4,817)
Reversals	530
Balance at 31 December 2018	**(16,492)**

As a consequence of application of the IFRS 9, at 1 January 2018 the Group recorded impairment based on the estimated loss model in the amount of EUR 1,607 thousand, this impairment being recorded against reserves (Note 2.20).

The breakdown of "Other current assets" is as follows:

	31/12/2018	31/12/2017
Prepaid expenses for insurance	115	12
Prepaid expenses for commissions	17,896	10,114
Prepaid expenses for renting	157	56
Other prepaid expenses	680	893
Claims to Public Administrations	778	1,825
Total	**19,626**	**12,899**

"Prepaid expenses for commissions" correspond to payments of commissions made in advance to commission agents for new clients acquisition, depending on the duration of the contract which usually is a period of one year (Notes 2.1.a and 2.24).

NOTE 11 - CASH AND OTHER CASH EQUIVALENTS

The heading "Cash and other cash equivalents" includes:

	31/12/2018	31/12/2017
Cash and banks	96,633	49,643
Short-term investments of high liquidity	1,680	615
Total	**98,313**	**50,258**

Effective interest accrues on short-term financial investments as at 31 December 2018 at a rate of 0.06% (0.03% in 2017).

NOTE 12 – NET EQUITY

a) Share capital

The Extraordinary General Meeting of Shareholders of the Parent Company on 2 May 2007 agreed to increase share capital by EUR 37,755,975 through the issue of 37,755,975 ordinary shares with a par value of EUR 1 each, and a share premium of EUR 3 per share.

On 9 July 2007 this capital increase was accounted after it was inscribed in the Registry of the Spanish National Securities Market Commission (CNMV), recorded in a public deed and inscribed in the Mercantile Registry.

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

On 30 June 2015 the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. agreed to reduce the share capital by decreasing the nominal value of the shares by EUR 0.3 per share. Consequently, the share capital of the Company as at 31 December 2015 and 2016 amounts to EUR 98,003 thousand and is represented by 140,003,778 shares, with a value of EUR 0.7 each. As a result of this operation a special fund was created amounting to EUR 42,001 thousand.

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

As at 31 December 2018, the share capital of the Parent Company is divided in 440,291,054 shares of EUR 0.70 of nominal value each of them. As at 31 December 2017, the share capital of the Parent Company was divided in 140,003,778 shares of EUR 0.7 of nominal value each of them.

Reverse merger with Audax Energía

On 23 November 2018 the Extraordinary General Meeting of Shareholders of Audax Renovables approved unanimously the project of merger between Audax Renovables, S.A. (the acquiring company) and Audax Energía, S.A. (the acquired company) which had been formulated on 29 June 2018 by the Boards of Directors of both companies. The merger involved the integration of the acquired company into the acquiring company by way of an en bloc transfer of assets of the former to the benefit of the latter, the dissolution without liquidation of the acquired company, an increase of the share capital of the acquiring company by the amount of EUR 210,201 thousand, with a share premium amounting to EUR 141,368 thousand, by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, of EUR 0.70 of nominal value each share, which were attributed entirely to Eléctrica Nuriel, S.L.U. (formerly called Banana Phone, S.L.U.), the sole shareholder of the acquired company. The exchange was established on the basis of the real value of the merged equity at that date. The transaction was entered into the Commercial Register in Barcelona on 25 January 2019.

Previously, on 28 June 2018, the General Meeting of Shareholders of the company Audax Energía, S.A.U. had approved the merger by absorption of the companies Orus Energía, S.L.U. and A-Dos Energía, S.L.U. on the terms established in the joint project of merger of 28 June 2018. The merger implied an en bloc transfer of assets of the acquired companies (Orus Energía, S.L.U. and A-Dos Energía, S.L.U.) to the acquiring company (Audax Energía, S.A.U.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were owned directly by the same sole shareholder. As at 31 December 2018, the share capital of the Parent Company amounts to EUR 308,204 thousand represented by 440,291,054 shares of EUR 0.70 of

nominal value each share. The impact of this transaction involved an adjustment (diminishment) of the reserves of EUR 330,586 thousand, in order to compensate the increase in equity at fair value derived from the share capital increase, given that, as indicated in Note 2, these transactions were recognised with the application of the "Pooling of interest" method, and net assets at predecessor value were incorporated.

In accordance with the regulation of article 31.10 LME, the merger balances of the Acquired and Acquiring Companies in both transactions, which were taken into consideration for the purpose of establishing the terms of the merger, are those balances which are featured in the financial statements of both companies as at 31 December 2017.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share quotation as at 31 December 2018 of the Parent Company's shares was of EUR 1.285 per share (EUR 0.44 as at 31 December 2017). At the balance sheet date of these annual accounts the new shares issued as a consequence of the capital increase due to the merger transaction (Note 1) have not yet been admitted to trading.

The breakdown of the shareholders with more than 10% of stake of the Parent Company as at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Shareholders	**%**	**%**
Eléctrica Nuriel, S.L.	90.73%	-
Audax Energía, S.A.	-	70.86%
Rest of shareholders (*)	9.27%	29.14%
Total	**100.00%**	**100.00%**

(*) None of them holds more than 10%

As at 31 December 2017, the shareholders of Audax Energía, S.A. were Electrica Nuriel, S.L.U. with 33% and Banana Phone, S.L.U with 67%. Both companies were merged this year, as indicated in Note 1.

b) Share premium account

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

c) Legal Reserve

Companies that report profits will be obligated to appropriate 10% of profit for the year to this reserve until it reaches at least 20% of share capital. This reserve, as long as it does not exceed the limit indicated, can only be used to offset losses if there are no other reserves sufficiently available to do so. On the other hand, it can also be used to increase share capital in the part that exceeds 10% of the capital already increased.

As at 31 December 2018 the Parent Company has a Legal Reserve valued at EUR 17,029 thousand (EUR 16,266 thousand as at 31 December 2017).

d) Treasury shares

As at 31 December 2018 and 2017 the Parent Company does not own treasury shares.

e) Translation differences

This account in the consolidated balance sheet includes the net exchange differences arising from the

translation into euros of the balances of functional currencies of the consolidated companies whose functional currency is not the euro. At 31 December 2018 as well as at 31 December 2017 the balances reflect mainly the impact of the historical price fluctuations of the Polish zloty against the euro.

f) Distribution of earnings:

The proposed distribution of earnings of the Parent Company for 2018 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	**EUR**
Profit and loss (loss)	19,975,375
Total	**19,975,375**

Base of distribution	**EUR**
To the Legal Reserve	1,997,537
To compensate losses from previous years	17,977,837
Total	**19,975,375**

As indicated in Note 2.2, the Directors of the Parent Company plan to include in the agenda of the Ordinary General Meeting of Shareholders of Audax Renovables, S.A. a reduction of the nominal value of the shares in order to restore the equilibrium to the financial situation of the Parent Company and ensure the equity's optimal condition in order to enable, should the circumstances allow, the dividend payout in the future .

The General Meeting of Shareholders of 27 June 2018 agreed to distribute the profit for the year 2017 of the Parent Company amounting to EUR 7,634 thousand in the following way:

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

Base of distribution	**EUR**
To the Legal Reserve	763,500
To compensate losses from previous years	6,871,495
Total	**7,634,995**

Profit / (loss) per share

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

	31.12.18	**31.12.17**
Number of shares	440,291,054	140,003,778
Average number of shares	171,438,810	140,003,778
Profit (loss) of the company (EUR thousands)	19,975	7,635
Profit / (loss) per share (euros per share)		
- Basic	**0.1165**	**0.0545**
- Diluted	**0.1165**	**0.0545**

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

Non-controlling interests

The movement during the years 2018 and 2017 of non-controlling shares has been as follows:

Balance at 1 January 2017	**6**
Changes to the scope (Note 2)	15,096
Profit (loss) for the year	(1,970)
Balance at 31 December 2017	**13,132**
Changes to the scope (Note 2)	19,350
Profit (loss) for the year	992
Dividend distribution	(167)
Other movements	(49)
Balance at 31 December 2018	**33,258**

The breakdown of the non-controlling interests by entity as at 31 December 2018 is as follows:

Balance at 31 December 2017	**31/12/2018**
Audax Netherlands, B.V	11,861
Eryx Investments 2017, S.L. *	20,264
Eoliennes de Beausemblant, SAS	754
Gestora Fotovoltaica de Castellon, S.L.	356
Others	23
	33,258

*includes Unieléctrica Energia S.A. and its subsidiaries.

NOTE 13 – NON-CURRENT PROVISIONS

The breakdown of provisions as at 31 December 2018 and as at 31 December 2017 is as follows:

	Balance 31.12.18	**Balance 31.12.17**
Provision for liabilities	827	-
Provision for dismantling	1,843	1,762
Total	**2,670**	**1,762**

Provision for liabilities

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities with a maturity of over one year. As at 31 December 2018, the Directors of the Parent Company consider that there are no contingencies requiring to be provisioned for.

Dismantling provision

As at 31 December 2018, the Group has recorded a provision of EUR 1,843 thousand (EUR 1,762 thousand as at 31 December 2017) to cover the costs of dismantling the wind farms that are now in operation.

NOTE 14 - FINANCIAL LIABILITIES

The breakdown of the financial liabilities, without including trade and other payables (Note 16), during the years 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
Bonds and other negotiable securities	96,938	85,128
Bank loans	129,873	162,009
Financial derivative liabilities (Note 9)	11,373	10,633
Other non-current financial liabilities	46,283	22,333
Total non-current financial liabilities	**284,467**	**280,103**
Bonds and other negotiable securities	67,985	28,941
Bank loans	103,713	69,126
Financial derivative liabilities (Note 9)	462	-
Other current financial liabilities	16,495	38,333
Total current financial liabilities	**188,655**	**136,400**

Except for the liabilities arising from financial derivatives, the financial liabilities are measured at amortised cost. Deferred tax liabilities are measured at fair value. The fair value of liabilities bearing fixed interest rate is estimated on the basis of discounted cash flows over the remaining term of that liability. Discount rates were determined according to the market rates available at 31 December 2018 and 2017 on the financial liabilities with similar maturity and credit features.

The movement of financial liabilities during the year 2018 has been as follows:

	31.12.2017	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2018
Bonds and other negotiable securities	85,128	32,810	(8,700)	(12,300)	-	96,938
Bank loans	162,009	44,396	(41,896)	(34,635)	-	129,873
Financial derivative liabilities (Note 9)	10,633	-	-	-	740	11,373
Other financial liabilities	22,333	9,950	-	14,000	-	46,283
Total non-current financial liabilities	**280,103**	**87,156**	**(50,596)**	**(32,935)**	**740**	**284,467**
Bonds and other negotiable securities	28,941	56,172	(29,427)	12,300	-	67,985
Bank loans	69,126	56,693	(56,741)	34,635	-	103,713
Financial derivative liabilities (Note 9)	-	-	-	-	462	462
Other financial liabilities	38,333	28,091	(35,929)	(14,000)	-	16,495
Total current financial liabilities	**136,400**	**140,956**	**(122,097)**	**32,935**	**462**	**188,655**

The breakdown of financial liabilities cash flows in 2018 is as follows:

	31.12.2017	Cash flows movement	Movements which do not involve cash flows	31.12.2018
Bonds and other negotiable securities	114,069	50,854	-	164,923
Bank loans	231,135	2,451	-	233,586
Financial derivative liabilities (Note 9)	10,633	-	1,202	11,835
Other financial liabilities	60,666	2,112	-	62,778
Total financial liabilities	**416,503**	**55,417**	**1,202**	**473,122**

The entire movement of financial liability cash flows corresponds to the cash flows generated during 2018, including cash flows derived from Unieléctrica, indicated in their net position in the business unit line in the cash flow statement of the consolidated report.

Bonds and other negotiable securities

The Board of Directors of the Parent Company, Audax Energía, S.A., on its meeting of 16 June 2014, and pursuant to the second resolution of the General Meeting of Shareholders of the same date, agreed to carry out an issuance of plain bonds of nominal amount of EUR 21,000 thousand of single nominal value fully paid on 29 July 2014, admitted to be incorporated into the Alternative Fixed-Income Market (MARF) at a nominal annual fixed interest rate of 5.75% till maturity on 29 July 2019, when the entirety of the capital will be returned. During the year 2018 an early settlement was carried out of the amount of EUR 8,700 thousand, therefore as at 31 December 2018 the remaining amount to pay for this bond is of EUR 12,300 thousand.

In January 2017 Audax Energía, S.A. registered a programme of corporate promissory notes on the Alternative Fixed-Income Market (MARF) for the maximum amount of EUR 50,000 thousand, the outstanding amount of which as at 31 December 2018 is of EUR 49,898 thousand and its maturity falls in 2019. On 13 February 2019 this promissory note programme was expanded by a maximum amount of EUR 75,000 thousand with maturities of up to 2 years (See Note 28).

In May 2017 Audax Energía S.A. approved a programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 100 million, the subscription of which amounted to EUR 65,000 thousand of unit nominal value that as at 31 December 2018 have not yet been returned; the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 4.20% until their maturity in June 2022.

In September 2018 Audax Energía S.A. approved a new programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 35,000 thousand, which were entirely subscribed for. the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 5.5% until their maturity in October 2023. As at 31 December 2018 the Group's debt arising from this bond amounts to EUR 33,780 thousand.

On 11 July 2018 Audax Renovables, S.A. signed a private contract on promissory notes issue for the maximum amount of EUR 5,000 thousand with Toro Finance, S.L.U. (Bravo Capital), with maturity date in October 2018; in 2019 the contract was partially cancelled for EUR 1,660 thousand and the rest was extended until the end of March 2019.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2018 all the established ratios are met.

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2018 includes the debt to be repaid as a consequence of the issuance of said bonds and promissory notes in current and non-current liabilities.

Current liabilities include financial expenses that had been accrued but not paid at the balance sheet date of 2018 and 2017.

Bank loans

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

Type	**31.12.2018**	**31.12.2017**
Project finance	102,711	106,810
Loans	27,162	55,030
Lines of credit	-	169
Reverse factoring and similar	-	-
Total non-current	129,873	162,009
Project finance	13,541	14,437
Loans	26,402	28,064
Lines of credit	21,684	5,305
Reverse factoring and similar	42,086	21,320
Total current	103,713	69,126

As at 31 December 2018 the average effective interest rate of the bank loans is of 4.01% (4.18% at 31 December 2017).

Project Finance

Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk.

The companies included in the consolidation scope Eólica del Pino S.L., Eólica el Pedregoso S.L., SAS Eoliennes de Beausemblant, Parque Eólico Hinojal S.L., Parc Eòlic Mudéfer S.L., Gestora Fotovoltaica de Castellón S.L. and Eólica Postolin Sp. z o.o. have entered into loan agreements with lending institutions in the Project Finance scheme under which the entirety of their shares are pledged. These loan agreements include conditions which impose limitations on dividend distribution and require the fulfilment of certain minimum ratios, such as the Debt Service Coverage Ration or the Leverage Index.

On 10 April 2018 the bank loan of the company Parque Eólico Hinojal with Banco Santander S.A. in the Project Finance scheme was subject to optimisation. The new financing agreement includes conditions that are usual in this kind of agreements which impose limitations on the distribution of dividends and require the fulfilment of certain ratios. The new agreement extends the maturity of the loan until 30 June 2026.

Regarding the loan agreements for financing of the facilities which include the obligation to meet certain ratios, as at 31 December 2018 there are no indications of non-compliance with the requirements defined in those contracts or, otherwise, exemptions from compliance have been obtained from financial entities (Waivers). There are no breaches of financial obligations foreseen at the balance sheet date of the next period by any of the companies of the Group.

Furthermore, these loans require companies to record a Debt Service Fund Reserve (DSFR) through their bank accounts as an additional guarantee for the bank syndicate. At the balance sheet date of the year 2018 and 2017 the following amounts are held as guarantee:

Company	**31.12.2018**	**31.12.2017**
Eólica el Pedregoso, S.L.	768	768
Eólica del Pino, S.L.	385	385
SAS Eoliennes de Beausemblant	632	632
Parque Eólico Hinojal, S.L.	1,784	1,899
Parc Eólic Mudefer, S.L.	3,819	3,573
Eólica Postolin Sp. z o.o.	1,478	1,520
Total	**8,866**	**8,777**

Loans and lines of credit

The main loans and lines of credit of the Group are as follows:

In 2016, in order to finance the purchase of Audax Renovables, S.A., Audax Energía S.A took out a loan with CaixaBank S.A. and Banc de Sabadell, with maturity date on 8 June 2019, for the amount of EUR 29,850 thousand, bearing interest at market rate linked to Euribor plus an annual margin. In 2018 early repayment of the total amount of the loan was carried out.

On 1 February 2012, Audax Renovables S.A. signed a financing agreement with the financial entities Banco Santander, S.A., Banco Popular Español S.A., Banco Español de Crédito, S.A., Bankinter, S.A. and CaixaBank, S.A., by which it was agreed to restructure the corporate loan these entities had granted to Audax Renovables. Under this restructuring agreement the corporate loan held by Audax Renovables was replaced with a Syndicated Loan contract structured in two tranches for the total amount of EUR 27,561 thousand. As at 31 December 2017, and after several novations, the outstanding amount was

of EUR 4,600 thousand. On 31 January 2018 the syndicated corporate loan was settled and two bilateral loan agreements were signed with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand, with maturity date on 31 July 2020. Later in 2018 this loan was settled, therefore as at 31 December 2018 there is no outstanding amount related to it.

The main loans of the Parent Company with lending entities correspond to two loans with Bankia and Toro Finance, whose outstanding amount as at 31 December 2018 is of EUR 7,000 thousand and EUR 6,667 thousand, respectively. Both loans have their maturity date in 2019.

As a consequence of the incorporation of Audax Netherlands B.V. and its subsidiaries into the Group in 2017 the consolidated financial debt increased. As at 31 December 2018 the debts with lending entities related to this sub-consolidated company amount to EUR 20,650 thousand, of which the sum of EUR 3,250 thousand is classified as current (total amount of EUR 34,500 thousand as at 31 December 2017) and correspond mainly to two loans taken out with ING Bank and Rabobank.

Other financial liabilities

The breakdown of other financial liabilities is as follows:

Type	31.12.2018	31.12.2017
Debts to Group entities (Note 22)	15,038	480
Other debts	31,045	21,853
Total non-current	**46,083**	**22,333**

Type	31.12.2018	31.12.2017
Debts to Group entities (Note 22)	11,307	37,766
Other debts	5,188	567
Total current	**16,495**	**38,333**

Other debts include a set of deferred payments for the purchase of the Unieléctrica Energía S.A. company for the amount of EUR 15,196 thousand, of which the amount of EUR 3,971 thousand is classified as current liability. Additionally, other non-current liabilities include also a debt of the Dutch company called Audax Netherlands amounting to EUR 19,371 of a subordinated loan with the entity Kartesia.

The following tables describe consolidated gross financial liabilities as at 31 December 2018 and 2017 and their maturity dates, taking into account the impact of the derivatives and other financial liabilities:

	31/12/2018	31/12/2017
Up to one year	188,655	136,400
one to two years	57,368	58,135
three to five years	178,575	162,514
more than five years	48,524	59,454
Total financial liabilities	**473,122**	**416,503**

The flow of contractual interests by maturity and not accrued is as follows:

	31/12/2018
Up to one year	15,190
one to two years	10,257
three to five years	11,052
more than five years (annual)	1,946
Total financial debt interest	**38,445**

NOTE 15 – SUBSIDIES

The company Eólica Postolin Sp. z o.o. has received non-repayable grants from the European Union through the Polish Ministry of Economy for the construction of its wind farm amounting to PLN 38,354 thousand (EUR 9,019 thousand). The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm.

NOTE 16 - TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

Trade and other payables

The breakdown as at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Suppliers	75,365	48,828
Suppliers, group companies	803	2,815
Other payables	16,396	16,485
Personnel	749	757
Trade and other payables	**93,313**	**68,885**

Most of the accounts payable fall due between 30 and 90 days and no interest is accrued on them.

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

	31/12/2018	31/12/2017
	Days	
Average period of payment to suppliers	41	30
Paid transactions ratio	36	28
Transactions with outstanding payment ratio	41	30
	Amount in EUR thousands	
Total payments carried out	484,587	334,405
Total outstanding payments	53,912	27,738

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

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

Other current liabilities

The breakdown as at 31 December 2018 and 2017 is as follows:

	31.12.2018	31.12.2017
Public administrations and similar	57,062	32,470
Time adjustments of current liabilities	901	256
Advance payments from clients and other current payables	13,080	14,745
Total other current assets	57,963	47,471

The main accounts payable to public administration entities and similar included under this heading correspond to liabilities arising from current transactions of the Dutch company of the Group, Main Energie.

NOTE 17 – RISK MANAGEMENT

The Audax Renovables Group, in general terms, considers to be a risk any eventuality or contingency which might impede the Company's ability to successfully fulfil its business objectives.

Thusly, the Group is subject to various risks inherent to the countries and markets where it operates and which could impede its ability to successfully attain its objectives and execute its strategies. Therefore the Board of Directors, being aware of their importance, encourages the implementation of necessary mechanisms in order to appropriately identify, manage and control the significant risks.

Due to the above, any and all actions aimed at risk control and mitigation must comply with the following basic rules:

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

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

c) Ensuring the appropriate use of hedging instruments.

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

e) Adjusting the Group's risk policy to all the specific policies which need to be developed in regards to risks.

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

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

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

Interest rate risk

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

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

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

On the entirety of the issued bonds an interest at a fixed rate is accrued (Note 14). Furthermore, the Audax Renovables Group uses financial swaps to manage its exposure to interest rate fluctuations.

The structure of its financial debt at 31 December 2018, taking into account the hedges through derivative contracts, is as follows:

	At 31.12.18	**At 31.12.17**
Fixed interest rate	332,473	301,770
Floating interest rate	66,036	43,434
Total	**398,509**	**345,204**

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

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2018	10%	(547)
	(10%)	498
2017	10%	(217)
	(10%)	197

This effect does not include the impact that would result from interest rate fluctuations on asset impairments, considered in Note 5.

Exchange rate risk

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

The main non-euro currencies with which the Audax Renovables Group operates in 2018 and 2017 are the dollar and the zloty.

Commodity price of electricity risk

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

In certain countries where the Group operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk that the regulated component might fail to compensate entirely the fluctuations of market prices and, therefore, there is the risk of volatility of the total remuneration.

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

In order to mitigate the electricity price volatility risk the Group holds long-term power purchase agreements (Note 19), as well as derivative hedging contracts (Note 9).

The sensitivity of net income to the variation in commodity prices, taking as a reference the sale price of electricity in the daily electricity market and the received remunerations to the investments, is as follows:

	Average energy price increase /(decrease)	Effect on profit and loss before tax
2018	10%	(827)
	(10%)	827
2017	10%	(821)
	(10%)	821

This effect does not include the impact that would result from fluctuations in the electricity sale price on asset impairments, considered in Note 5.

Credit risk

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

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

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

As at 31 December 2018 the provision for bad debts amounts to EUR 16,492 thousand (EUR 10,066 thousand as at 31 December 2017).

In order to mitigate the credit risk arising from commercial positions, the Group holds bad debt insurance policies. Moreover, in order to mitigate the credit risk arising from financial positions, the Group holds derivative contracts and cash surpluses are invested in high solvency banks and financial institutions limiting the time horizon of the open positions as well as the credit quality of the counterparties in financial transactions.

On 31 December 2018 and 2017 the Group did not have significant credit risk concentrations.

Liquidity risk

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

Management follows up the liquidity reserve forecasts of the Group (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note14, to which the payments corresponding to Trade and other payables maturing in 2018 should also be added (Note 16).

As at 31 December 2018 available liquidity amounts to EUR 98,313 thousand, which entirely belong to cash and other cash equivalents (EUR 50,258 thousand as at 31 December 2017).

Capital management

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

The leverage ratio is as follows:

	A 31.12.18	A 31.12.17
Non-current financial liabilities		
Bonds and other negotiable securities issuance liabilities	96,938	85,128
Financial liabilities to credit institutions	129,873	162,009
Other financial liabilities	46,283	22,333
Current financial liabilities		
Bonds and other negotiable securities issuance liabilities	67,985	28,941
Financial liabilities to credit institutions	103,713	69,126
Other financial liabilities	16,495	38,333
Derivatives	(863)	2,195
Cash and other cash equivalents		
Other current financial assets	(16,327)	(48,526)
Cash and other cash equivalents	(98,313)	(50,258)
Net financial debt:	**345,784**	**309,281**
Of the Parent Company (Note 12)	120,926	47,988
Of the minority interests (Note 12)	33,258	37,075
Net equity:	**154,184**	**85,063**
Leverage (Net financial debt / (Net financial debt + Net equity))	**69.2%**	**78.4%**

Guarantee terms risk

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

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

As at 31 December 2018 and 2017, the Group does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

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

Financing the renewable energy projects with loans may imply, as a guarantee for the financial institutions, the necessity to pledge all or some of the shares of the Audax Renovables Group's investee companies.

NOTE 18 – TAX SITUATION

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

Excelsior Times, S.L.U	Parc Eolic Mudefer, S.L.U	Audax Solar SPV X S.L.U	Audax Solar SPV XVI S.L.U
A-Dos Energía, S.L.U	Explotación La pedrera, S.L.U	Audax Solar SPV XI S.L.U	Audax Solar SPV XVII S.L.U
Eléctrica Nuriel, S.L.U	Fercom Eólica, S.L.U	Audax Solar SPV XII S.L.U	Audax Solar SPV XVIII S.L.U
Orus Energía, S.L.	Parc Eòlic Coll de Som, S.L.U	Audax Solar SPV XIII S.L.U	Audax Solar SPV XIX S.L.U
Banana Phone, S.L.U	Parc Eòlic l´Arram, S.L.U	Audax Solar SPV XIV S.L.U	Audax Solar SPV XX S.L.U
Audax Green, S.L.U	ADS Energy 8.0, S.L.U.	Audax Solar SPV XV S.L.U	Audax Solar SPV XXI S.L.U
Orus Properties, S.L.U	The Energy House Group, S.L.U.	Audax Solar SPV XVI S.L.U	Audax Solar SPV XXII S.L.U
Orus Renovables, S.L.U	Eryx Investments, S.L.	Audax Solar SPV XVII S.L.U	Audax Solar SPV XXIII S.L.U
Generación Iberia, S.L.U	Audax Fotovoltaica, S.L.U.	Audax Solar SPV XVIII S.L.U	Audax Solar SPV XXIV S.L.U
Svendborg PV VII, S.L.U	Audax Solar SPV I, S.L.U	Audax Solar SPV XIX S.L.U	Audax Solar SPV XXV S.L.U
Aspy Global servicies, S.L.U	Audax Solar SPV II S.L.U	Audax Solar SPV XX S.L.U	
Aspy Prevención, S.L.U	Audax Solar SPV III S.L.U	Audax Solar SPV XXI S.L.U	
Spay Seguridad y Salud, S.L.U	Audax Solar SPV IV S.L.U	Audax Solar SPV XXII S.L.U	
Aspy Salud Global, S.L.U	Audax Solar SPV V S.L.U	Audax Solar SPV XXIII S.L.U	
Aspy Formación, S.L.U	Audax Solar SPV VI S.L.U	Audax Solar SPV XXIV S.L.U	
Audax Renovables, S.A.	Audax Solar SPV VII S.L.U	Audax Solar SPV XXV S.L.U	
Fersa Asesoramiento y Gestión, S.L.U	Audax Solar SPV VIII S.L.U	Audax Solar SPV XIV S.L.U	
Parque Eólico Hinojal, S.L.U	Audax Solar SPV IX S.L.U	Audax Solar SPV XV S.L.U	

Apart from Spain, the Group operates and pays taxes in Italy, the Netherlands, Poland, France, Germany and Portugal.

Deferred taxes

The following table reflects the movement during 2018 in deferred taxes:

	Balance 31.12.17	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.18
Deferred tax assets	1,103	2,065	(514)	250	2,565	(8)	5,461
Deferred tax liabilities	(18,391)	(1,398)	2,791	(10,195)	(2,565)	3	(29,755)
Total	**(3,638)**	**228**	**(955)**	**(955)**	-	**34**	**(4,331)**

Recognised deferred tax assets and liabilities have mostly an estimated term of reversal or realisation over 12 months.

Deferred tax assets include mainly the tax effect of the recognition of derivative liabilities (Note 9), as well as temporary differences from recognised expenses that have not yet become tax-deductible.

Deferred tax liabilities include mainly the tax effect of the purchase price allocation to certain intangible assets in business combination transactions, the most important of them being the tax deferred liability connected with the business combinations of Audax Netherlands B.V. , which as at 31 December 2018 amounts to EUR 9,598 and of Unielectrica Energía S.A., which implied an increase for the year of EUR 10,195 thousand (Note 2).

There are no significant deferred tax liabilities connected with temporary differences in shareholding in subsidiaries, investees, associate companies and joint ventures.

Corporate Income Tax expenses

The reconciliation between the applicable tax rate and the effective tax rate for the year 2018 and 2017 is as follows:

	2018	%	2017	%
Income before tax	**11,761**		**5,786**	
Theoretical tax	**2,940**	**25%**	**1,447**	**25%**
Tax difference foreign subsidiaries	(114)		153	
Non-deductible cost	199		1,743	
Divestment and other tax recoveries	(317)		(8,363)	
Reversal of non-deductible impairment	(2,123)		-	
Recovery of tax losses carried forward, deductions and similar	(704)		-	
Incorporation of former tax groups to profit and loss	-		1,878	
Unrecognised tax credits	2,525		3,313	
Other deferred tax adjustments	(177)		(737)	
Other adjustments	(457)		72	
	1,772		**(494)**	

Tax loss carry-forward and other tax credits

As at 31 December 2018 the Group has tax loss carry-forwards available for offset and not recognised, amounting to EUR 158,942 thousand, as well as an unrecognised deferred tax asset balance of EUR 8,461 thousand (EUR 9,539 thousand at 31 December 2017). The breakdown of these unrecognised credits is as follows:

	At 31.12.18	At 31.12.17
Tax loss carry-forward	39,439	36,455
Deferred tax assets	8,461	9,539
Total	**47,900**	**45,994**

In both cases the Audax Renovables Group has decided not to recognise these amounts in its annual accounts, as it considers that there are uncertainties regarding the ability to recover them.

The tax recovery of these credits will be determined primarily by the nature of each credit, its geographical origin and specific limitations of each tax environment.

Under current tax legislation, a tax return cannot be considered definitive until it is verified by the tax authorities or the four-year limitation time has elapsed.

The consolidated companies that comprise the Group are opened to tax inspection for all applicable taxes for the last four years.

NOTE 19 – INCOME AND EXPENSES

Ordinary Income

The breakdown of ordinary income is as follows:

	31/12/2018			31/12/2017		
	Spain and Portugal	**Rest of Europe**	**Total**	**Spain and Portugal**	**Rest of Europe**	**Total**
Operating income						
Energy retailing	723,365	225,354	**948,719**	481,903	151,339	**633,242**
Energy generation	28,203	7,432	**35,635**	30,573	6,830	**37,403**
Total	**751,568**	**232,786**	**984,354**	**512,476**	**158,169**	**670,645**

The sales amount is recorded as income at the moment of delivery to the client according to the supplied quantities and including estimated supplied energy that has not yet been read on the customer's meters (see Note 10).

Procurement

The breakdown of procurement is as follows:

	31/12/2018			31/12/2017		
	Spain and Portugal	**Rest of Europe**	**Total**	**Spain and Portugal**	**Rest of Europe**	**Total**
Procurement and others						
Energy retailing	676,555	206,691	**883,246**	459,895	134,290	**594,185**
Total	**676,555**	**206,691**	**883,246**	**459,895**	**134,290**	**594,185**

The Group company, Audax Renovables S.A., signed in 2018 long-term power purchase agreements, the most significant of which being the one signed with COX Energy Solar S.A. Under this contract the Company will purchase energy directly from the generator of expected aggregate power of 495 MWp at defined terms. Given the nature of these agreements, the company does not consider them to be financial derivatives.

Staff costs

The breakdown of staff costs for the year 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Wages and salaries	15,301	11,240
Employer contributions	3,470	2,745
Other social expenses	589	355
Total	**19,360**	**14,340**

The total amount of employer contributions relates to Social Security.

The average number of employees for the years 2018 and 2017 is as follows:

	Average number	
	31/12/2018	31/12/2017
Management*	3	3
Managers, professionals, technicians and similar	114	93
Back office staff	284	190
Other salaried staff	67	80
Total	**468**	**366**

* including internal auditor.

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the Official State Gazette of 23 March 2007, the average number of employees of the Audax Renovables Group at the end of 2018 and 2017 broken down by category and gender is as follows:

	31/12/2018		31/12/2017	
	Women	Men	Women	Men
Management *	1	2	1	2
Managers, professionals, technicians and similar	26	79	26	67
Back office staff	227	128	141	80
Other salaried staff	33	37	38	38
Total	**287**	**246**	**206**	**187**

* including internal auditor.

The average number of employees with a disability equal to or greater than 33% (or equivalent local qualification) during the years 2018 and 2017, by category, is as follows:

	Average number	
	31/12/2018	31/12/2017
Back office staff	4	3
Other salaried staff	1	1
Total	**5**	**4**

Other operating expenses

The breakdown of Other operating expenses in the years 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Leases (note 25)	2,044	1,968
Repairs and maintenance	5,448	4,741
Assessment services	5,570	6,454
Insurance premiums and commissions	1,571	1,598
Supplies and other services	1,732	1,015
Other operating expenses	7,956	6,892
Taxes	9,426	4,698
Loss, impairment and change in provisions	5,774	2,577
Total	**39,521**	**29,943**

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated profit and loss statement for the years 2018 and 2017 is as follows:

	31/12/2018	31/12/2017
Financial income from shareholding in third parties	133	341
Financial income from group companies receivables	2,270	(261)
Financial income from third party receivables	1,721	2,636
Financial expenses arising from bond issuing	(5,463)	-
Financial expenses from debt and other financial cost	(14,783)	(19,154)
Impairment and profit (loss) on disposal of financial instruments	(291)	268
Change in fair value of financial instruments	-	3,254
Exchange differences	(94)	286
Financial profit (loss)	**(16,507)**	**(12,630)**

NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2018 and 2017 is as follows:

	2018	*2017*
Cash flows from operating activities		
Profit (loss) for the year before tax	**11,761**	**5,786**
Adjustments to results	**37,935**	**33,091**
Amortisation and depreciation	25,079	18,527
Valuation adjustments due to impairment	6,426	(125)
Changes in provisions	(6,993)	1,876
Profit (loss) on derecognition and disposal of fixed assets	-	50
Profit (loss) on derecognition and disposal of financial instruments	(61)	133
Financial income	(4,124)	(2,716)
Financial expenses	20,246	19,154
Exchange differences	932	(286)
Changes in fair value of financial instruments	(3,058)	(3,522)
Other income and expenses	(512)	-
Changes in working capital	**23,371**	**(108,867)**
Inventory	(4,457)	(51)
Accounts receivable	11,946	(25,712)
Other current assets	(6,687)	(39,995)
Accounts receivable	24,428	(43,109)
Other non-current assets and liabilities	(1,859)	-
Other cash flows from operating activities	**(17,176)**	**(14,853)**
Payments of interest	(20,246)	(17,569)
Collections of interest	4,124	2,716
Income tax payments	(1,054)	-
Cash flows from operating activities	**55,891**	**(84,843)**

NOTE 22 – INFORMATION ON RELATED PARTY TRANSACTIONS

Related parties are:

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

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

b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, “Directors” meaning members of the Board of Directors, and “Senior Management” meaning people who report directly to the Company’s Board of Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 23.

c) All the companies belonging to the Excelsior Group.

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

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

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

The balances and transactions carried out in the years 2018 and 2017 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

a) Balances with related parties:

Accounts payable and receivable with related parties as at 31 December 2018 and 31 December 2017 are as follows:

2018	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	87,810	2,910	90,720
Total non-current assets	87,810	2,910	90,720
Trade and other receivables			
Short-term receivables from group companies and associates	436	-	436
Loans and receivables			
Claims (Note 10)	2,616	99	2,715
Total current assets	3,052	99	3,151
Total assets	**90,862**	**3,009**	**93,871**
Long-term payables to group companies and associates	14,402	636	15,038
Total non-current liabilities	14,402	636	15,038
Short-term payables to group companies and associates	11,307	-	11,307
Trade and other payables			
Short-term suppliers, group companies and associates	803	-	803
Total current liabilities	12,110	-	12,110
Total liabilities	**26,512**	**636**	**27,148**

2017	Group companies	Other related parties	Total
Loans and receivables			
Claims (Note 8)	23,087	3,979	27,066
Total non-current assets	23,087	3,979	27,066
Trade and other receivables			
Short-term receivables from group companies and associates	619	-	619
Loans and receivables			
Claims (Note 10)	3,330	81	3,411
Total current assets	3,949	81	4,030
Total assets	**27,036**	**4,060**	**31,096**
Long-term payables to group companies and associates	1,106	(626)	480
Total non-current liabilities	1,106	(626)	480
Short-term payables to group companies and associates	37,766	-	37,766
Trade and other payables			
Short-term suppliers, group companies and associates	2,815	-	2,815
Total current liabilities	40,581	-	40,581
Total liabilities	**41,687**	**(626)**	**41,061**

The receivables and payables balances with the group companies for 2018 correspond mainly to loans granted and received by Audax Renovables, S.A. and its subsidiaries with Excelsior Times, S.L.U.. As at 31 December 2018 the amount of non-current loans granted to Excelsior Times S.L.U. amount to EUR 80,009 thousand, including the principal and interest. Additionally, the non-current payables balances with Excelsior S.L.U. amount to EUR 14,000 thousand.

Loans and non-current receivables with other related parties include loans granted to the companies incorporated as per equity accounting and to other investee companies which do not comprise the Group, in the amount of EUR 2,910 thousand (EUR 3,888 thousand as at 31 December 2017).

b) Related party transactions:

The amounts of the related party transactions are as follows:

2018	Group companies	Other related parties	Total
Income			
Net turnover	709	-	709
Services rendered	2,855	90	2,945
Financial instruments			
Financial income	2,213	108	2,321
Total income	**5,777**	**198**	**5,975**
Expenses			
Purchases	8,363	42	8,405
Other received services	692	-	692
Total Expenses	**9,055**	**42**	**9,097**

2017	Group companies	Other related parties	Total
Income			
Net turnover	1,004	2	1,006
Services rendered	3,763	227	3,990
Financial instruments			
Financial income	646	39	685
Total income	**5,413**	**268**	**5,681**
Expenses			
Purchases	13,997	35	14,032
Other received services	1,207	8	1,215
Total Expenses	**15,204**	**43**	**15,247**

In the year 2018 there were no transactions entered into with Directors and senior management, nor there were such transactions in the year 2017.

NOTE 23 - INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the Board of Directors

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

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

The Company's remuneration policy is designed to reward dedication, qualification and responsibility required by the office of Director, without compromising their independence. The remuneration comprises the performance of duties either individually or jointly and the oversight and responsibility required by the office.
The remuneration corresponds with the membership of the Board of Directors and consists of a variable remuneration for the members of the Board of Directors depending on the attendance at the in-person meetings.

The composition of the Board of Directors of Audax Renovables, S.A. did not change as a consequence of the merger by absorption of Audax Energía, S.A.U. by Audax Renovables, S.A.

In the year 2018 the amount charged by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 104 thousand (EUR 67 thousand in 2017) for their membership of the Board and its various Delegated Committees, as well as remuneration for their employment relationship or direct responsibilities at different executive levels, where appropriate.

In the year 2018 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 29 thousand (EUR 29 thousand in 2017).

As at 31 December 2018 the Board of Directors of the Parent Company is composed of 6 men (7 men at 31 December 2017).

Other information on Directors

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

In this regard it should be noted that in the years 2018 and 2017 no situations of direct or indirect conflict of interest occurred between the members of the Board of Directors and the Company.

In the years 2018 and 2017 no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

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

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2018 by the Senior Management amounted to EUR 394 thousand (EUR 217 thousand for the year 2017). Furthermore, there is one

contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2018 the Senior Management of the Group is made up of one woman and two men, including the internal auditor (one woman and one man in 2017, including the internal auditor).

NOTE 24 - AUDITORS' FEES

The professional fees for the services rendered by the audit company KPMG Auditores, S.L. in auditing the annual financial statements of the Group in the years ended on 31 December 2018 and 2017, regardless of the moment of invoicing, are as follows:

	EUR thousands	
	2018	**2017**
Audit services	313	180
Other accounting verification services	-	-
Other services	30	27
	343	207

Furthermore, in the years ended on 31 December 2018 and 2017 the Group was invoiced for net professional fees of other entities associated to KPMG International, according to the following breakdown:

	EUR thousands	
	2018	**2017**
Audit services	148	111
Other accounting verification services	-	-
Tax assessment services	-	-
Other services	4	-
	152	111

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

As at 31 December 2018 the Group has been given bank guarantees amounting to EUR 75,041 thousand (EUR 39,001 thousand at 31 December 2017) to cover the relevant obligations with third parties. The guarantees have been granted mainly to cover the transactions of electricity purchase on the market.

The Group does not expect that significant liabilities arise from the guarantees and sureties that have been granted.

Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2018 and 2017:

Period	**31.12.18**
Up to one year	1,761
One to five years	5,109
More than five years	7,851
Total	**14,721**

The Group's operating lease expenses in the year 2018 amounted to EUR 1,940 thousand (EUR 1,934 thousand in 2017).

Contingencies

The Audax Renovables Group considers that the provisions and value adjustments recorded in theses consolidated annual accounts adequately cover the risks related to any possible contingencies and therefore, it does not expect that they will generate any liabilities or value adjustments other than those which have been recorded (Note 13).

NOTE 26 - ENVIRONMENT

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

In the year 2018 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 129 thousand, mainly for wildlife conservation purposes (EUR 120 thousand in 2017).

NOTE 27 – GREENHOUSE GAS EMISSIONS RIGHTS

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

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

The wind farm of the Polish company Eólica Postolin Sp. z o.o. was endorsed to obtain Green Certificates. The volume of Green Certificates generated during the year 2018 by the company amounts to EUR 2,143 thousand (EUR 813 thousand in the previous year).

NOTE 28 - SUBSEQUENT EVENTS

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November between Audax Renovables, S.A. and Audax Energía, S.A. (Note 1 and Note 12).

On 4 February 2019 the Parent Company informed about the conclusion of a power purchase agreement (PPA) with Morningchapter S.A., controlled by Allianz Insurance Companies. The Parent Company will act as a representative on the Portuguese market for retailing electricity from the photovoltaic plant Ourika developed by WElink Group with a capacity of 46 MWp.

On 7 February 2019 the Parent Company signed a representation contract for electricity retailing (PPA) with WELink Investment Holdings Ltd. Under this framework agreement (PPA), which establishes a fixed price for 20 years, the Parent Company will purchase electricity generated by Solara4 as well as by other new projects of solar photovoltaic plants developed by WElink Group in Spain as well as in Portugal, with a possibility to rach a total of 708 MW. The photovoltaic plant Solara4 will have an installed capacity of 218.8 MWp and is expected to be connected to the grid in mid-2019. The plant will employ an average of 300 people during its construction and will generate enough energy to supply electricity to more than 100,000 households.

On 13 February 2019 the Parent Company prolonged its current promissory note programme of EUR 50,000 thousand (Note 14) with maturity in 2019, extending it with a new programme amounting to a maximum of EUR 75,000 thousand with maturity of up to 24 months.

APPENDIX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 DECEMBER 2018

a) Shareholdings in subsidiary companies

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

				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, Escritorio C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.L.	Avda. Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	54%
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	-	50%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	50%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%

b) Shareholdings in associated companies and joint ventures

				Shareholding		
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**	**Controlling relation**
Berta Energies Renovables, S.L.	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Wind energy	4.74%	21.05%	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Wind energy	-	30.30%	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Spain	Wind energy	30.00%	-	Significant influence

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 DECEMBER 2017

a) Shareholdings in subsidiary 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%	-
Orus Energia, S.L.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing		100%
A-DOS Energia, S.L.U.	Camí de la Pelleria, 44. 08915 Badalona (Barcelona)	Spain	Retailing		100%
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Escritorio C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Parstream B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Steamline Holding B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%

b) Shareholdings in associated companies and joint ventures

				Shareholding		
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**	**Controlling relation**
Berta Energies Renovables, S.L.	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Wind energy	4.74%	21.05%	Significant influence
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Wind energy	-	30.30%	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind energy	30.00%	-	Significant influence

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2018

The following Consolidated Directors' Report for the Year 2018 has been drawn up in accordance with the "Guide for Setting up Listed Companies' Management Reports" issued by the CNMV.

1. Entity's situation

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

Audax and its Subsidiaries (hereinafter: the Group) operates on the markets in Spain, Portugal, Poland, Germany, Italy, France, the Netherlands and Panama.

Its principal objects include:

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

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

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

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

On 29 June 2018 the Boards of Directors of Audax Renovables and Audax Energía, S.A. formulated a joint project of merger by absorption between Audax Renovables, as the acquiring company, and Audax Energía, S.A., as the acquired company. The union between the companies was approved unanimously by the shareholders attending the General Meeting of Shareholders held on 23 November 2018.

On 27 December 2018 a significant event was announced in the form of notarisation and execution of the company's resolutions approving the merger by absorption of the acquired company by the acquiring company. Finally, on 25 January 2019, the transaction of the inverse merger was entered into the Commercial Register in Barcelona.

The share capital of Audax, upon completion of the transaction of inverse merger, is distributed in the following manner:

Shareholder	**Shareholding**
Eléctrica Nuriel, S.L.	90.73%
Free float	9.27%
Total	**100.00%**

1.1. Organisational structure

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

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

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 90.73% of the shares. In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2018 is presented in Appendix I to this report.

1.3. Profile and strategy

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

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

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

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

- **RETAILING:**

Spain and Portugal:

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

In regard to the retailing activity, as at 31 December 2018 Audax Renovables ranks 9th among the retailers on the Spanish electricity market, with a market share of 1.33%. In Portugal the company is ranked 6th by market share of supplied energy on the Portuguese market.

The Company retails at three rates:

I. Indexed rate: The client pays for the consumed electricity at a variable price depending on the sale price on the wholesale market. It allows access to the free market and paying for the energy at a cost price plus a management commission. Audax establishes a mark-up applied to the cost of energy.

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

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

Italy:

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

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

Poland:

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

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

Germany:

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

The Netherlands:

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

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

- **REPRESENTATION:**

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

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

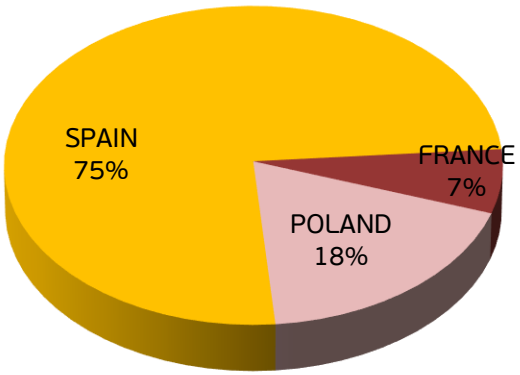
- **GENERATION:**

Currently Audax manages a total portfolio of operating plants of 185 MW in Spain, France and Poland, 1 MW of which corresponds to photovoltaic technology and the rest is wind technology; there is a project under construction in Panama, of 66MW (a 30% shareholding in the company Toabré, S.A.)

Audax has a portfolio of operating assets of high technological quality and of an average age of 9 years.

As at 31 December 2018 the distribution of the Audax's operating plants is as follows:

Installed capacity - 185 MW



Spain:

Currently Audax has in Spain 139 MW in operation: 138 MW in wind farms and 1 MW in photovoltaic plants. The operating plants are located in the provinces of Tarragona, Castellón and Cádiz, thus diversifying the portfolio nationwide.

France:

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

Poland:

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

Panama:

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

2. Evolution and results of the business

2.1. Significant events of the period

Audax Renovables ends the year 2018 with a Net Profit Attributable to the Parent Company amounting to EUR 8,997 thousand, which is an increase of 9.1% (EUR 8,250 thousand) and the EBITDA amounting to EUR 53,395 thousand, having increased by 44%, both in comparison to the same period of the previous year.

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

- Audax Renovables, S.A. informed about restructuring its syndicated corporate loan signed in January 2012, concluding a new corporate loan agreement with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand. Subsequently, on 10 April 2018, the loan was settled entirely through a new transaction of debt optimisation, in the project finance scheme, of Parque Eólico Hinojal.

- Audax Energía, S.A. signed on 16 March 2018 a framework agreement on long term energy purchase between Cox Energy Solar, S.A., as the developer (the "Developer"), and Audax, as the buyer (the "Framework Agreement"), under which the Developer will acquire and/or develop facilities for solar photovoltaic energy generation with an expected aggregated capacity of 495MWp, located in Spain and 165MWp in Portugal, with the aim of transmitting to Audax the energy generated by those facilities on the terms stipulated in the Framework Agreement.

  The Framework Agreement will enable Audax to purchase energy directly from the producer at stable prices and in a long term, thus gaining a competitive edge in the sector.

- In April 2018 the integration between Audax Energía, S.A. and UniEléctrica, S.A. was concluded according to the strategy of increasing the share in the Spanish market. UniEléctrica renders electricity retailing services throughout Spain, including the Balearic Islands and the Canary Islands, has a strong position in the SME segment and a nationwide distribution network, and has been the most successful retailer in terms of client acquisition in that segment in the last year.

- In May of this year Audax Renovables, S.A. informed about the beginning of the construction works of the first stage of the wind farm Toabré of 66 MW of installed capacity in Panama, with a total investment amounting to over USD 150 million. A loan agreement for 12 years was signed for the purpose of financing this first stage, of a total amount of USD 104 million, with Banco Prival, S.A. acting as the agent bank

- On 14 September 2018 Audax Energía, S.A. announced its invitation to the bond repurchase and swap, aimed at all the holders of unsecured senior bonds of a total amount of TWENTY ONE MILLION EUROS (EUR 21,000.000), at an interest rate of 5.75% and with the maturity date on 29 July 2019, all of them fungible and with the ISIN Code ES0305039002.

- On 5 October 2018, through a significant event report submitted to the MARF, Audax Energía, S.A. notified the market about the amount corresponding to the Repurchase and Swap of Existing Bonds and announced the issue of 350 Bonds for the amount of EUR 35.000.000 at an interest rate of 5.50% and with the maturity date on 10 October 2023, all of them fungible and with the ISIN Code ES0305039028. The bonds were paid up on 10 October 2018.

- The most important event of the year is the transaction of reverse merger carried out by Audax Renovables, S.A. (as the acquiring company) and Audax Energía, S.A. (as the acquired company). The process was initiated by the joint project of merger formulated by the Boards of Directors of both companies on 29 June 2018, approved unanimously by the Extraordinary General Meeting of Shareholders of Audax Renovables, S.A. on 23 November 2018, and afterwards the shareholders' resolutions adopted on 27 December 2018 were notarised, registered and implemented.

- In connection with the reverse merger process, other preparatory transactions were carried out:

  On 28 June 2018 the merger by absorption of Banana Phone, S.L. as the acquiring company and Eléctrica Nuriel, S.L. as the acquired company. As a result of this merger, Banana Phone S.L. became the holder of 100% of shares of Audax Energía, S.A. On the same day, the merger by absorption of Audax Energía S.A. as the acquiring company and A-DOS Energía S.L. and Orus Energía S.L. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L. And finally, on 19 October 2018, a non-cash increase of

share capital of Audax Energía, S.A. was carried out, in which the sole shareholder of this company contributed 100% of shares of the ADS Energy 8.0, S.LU. company and 80% of shares of the Eryx Investments 2017, S.L. company.

See note number 2.5. b) Changes in the consolidation scope and business combinations, for more detail on the impact of these preparatory transactions on accounting.

2.2. Profit and loss for the year

The results of Audax disclosed in these notes to the financial statements for the year 2018 are presented in the context of the merger by absorption described above.

From the accounting perspective, as a consequence of that reverse merger of Audax Energía, S.A. (acquired company, legally subsidiary, but acquirer in accounting) by Audax Renovables, S.A. (acquiring company, legally parent, but acquired for accounting purposes), it is considered, according to IFRS 3 – section B22, that the consolidated financial statements for the year 2018 are a continuation of the consolidated financial statements of Audax Energía, S.A., insofar as it is a transaction between entities under joint control. Therefore, for the purpose of the analysis, the changes in the results for the present year 2018 will be compared with the information regarding the annual period ended on 31 December 2017 with regard to Audax Energía, S.A. and subsidiaries.

2.3. Analysis of the results

The most significant results figures for the year 2018 in comparison to the year 2017 are as follows:

Consolidated Income Statement	2018	2017	Var. (%)
Operating income	986,947	675,594	46.1
Gross Margin	103,701	81,409	27.4
EBITDA *	53,395	37,076	44.0
EBIT	28,316	18,549	52.7
Profit/loss attributable to the Parent Company	**8,997**	**8,250**	**9.1**

EUR thousands

*As a consequence of the merger transaction and the change of dimension and scope of the company, the EBITDA is considered to be the result of operating income +amortization and depreciation +/- impairment, reversal and profit/loss on disposal of fixed assets.

Operating income has increased by EUR 311,353 thousand, mainly due to the incorporation of UniEléctrica in the year 2018. Furthermore, the good performance of the Netherlands (Main Energy) and other European countries, showing a steady upward trend, have increased their sales figures for this year, reinforcing the income growth by 46.1% compared to the previous year.

The consolidated EBITDA amounts to EUR 53,395 thousand, up by 44% from the same period of the previous year.

The net profit (net result attributable to the parent company) amounted to EUR 8,997 thousand, compared to EUR 8,250 thousand of the year before, which signifies an increase of 9.1%.

2.4. Profit and loss by segments

The overview of the results up to EBITDA of the main business segments by geographical region in the year 2018 is as follows:

Business segments details

2018, December 31st	Retail			Generation			
	Spain and Portugal	Rest of Europe (1)	Subtotal Retail	Spain	Rest of Europe (2)	Subtotal Gener.	TOTAL
Net turnover	723,365	225,354	948,719	28,203	7,432	35,635	984,354
Supplies	-676,555	-206,691	-883,246	0	0	0	-883,246
Gross Margin	**46,810**	**18,663**	**65,473**	**28,203**	**7,432**	**35,635**	**101,108**
Operating expenses	-24,560	-21,229	-45,789	-8,551	-1,948	-10,499	-56,288
Impairment (reversion) and profit/loss from disposal of fixed assets	-6	54	48	1,983	6,544	8,527	8,575
EBITDA	**22,244**	**-2,512**	**19,732**	**21,635**	**12,028**	**33,663**	**53,395**

EUR thousands

2017, December 31st	Retail			Generation			
	Spain and Portugal	Rest of Europe (1)	Subtotal Retail	Spain	Rest of Europe (2)	Subtotal Gener.	TOTAL
Net turnover	481,903	151,339	633,242	30,573	6,830	37,403	670,645
Supplies	-459,895	-134,290	-594,185	0	0	0	-594,185
Gross Margin	**22,008**	**17,049**	**39,057**	**30,573**	**6,830**	**37,403**	**76,460**
Operating expenses	-9,314	-18,234	-27,548	-9,264	-2,522	-11,786	-39,334
Impairment (reversion) and profit/loss from disposal of fixed assets	8	5	13	0	-63	-63	-50
EBITDA	**12,702**	**-1,180**	**11,522**	**21,309**	**4,245**	**25,554**	**37,076**

EUR thousands

Rest of Europe (1) of Retail includes Italy, Poland, Germany and Netherlands

Rest of Europe (2) of Generation includes France and Polond

In the retail segment, the incorporation of UniEléctrica in the year 2018 is reflected in the evolution of the Gross Margin as well as the EBITDA in the region of Spain and Portugal, the latter amounting to EUR 22,244 thousand, compared to EUR 12,702 thousand of the previous year.

The good performance of the Rest of Europe segment contributes to increasing the operating income by 48.9%, up to the amount of EUR 225,354 thousand in the year 2018, compared to EUR 151,339 thousand in the year before.

In the generation segment the Gross Margin has not experienced any significant change, as the weaker wind resource in Spain this year has been compensated by good results of Poland, owing to the increased price of the Green Certificates and a decrease of its operating expenses due to a change in legislation.

As a consequence of the aforementioned change in legislation in Poland, the Group made a reversal of the provision for tangible assets of EUR 6,564 thousand concerning the Postolin wind farm.

The Group's EBITDA has reached EUR 53,395 thousand, compared to EUR 37,076 thousand of the previous year, up by 44%.

2.5. Principal operating figures

The principal figures arranged by segments are as follows:

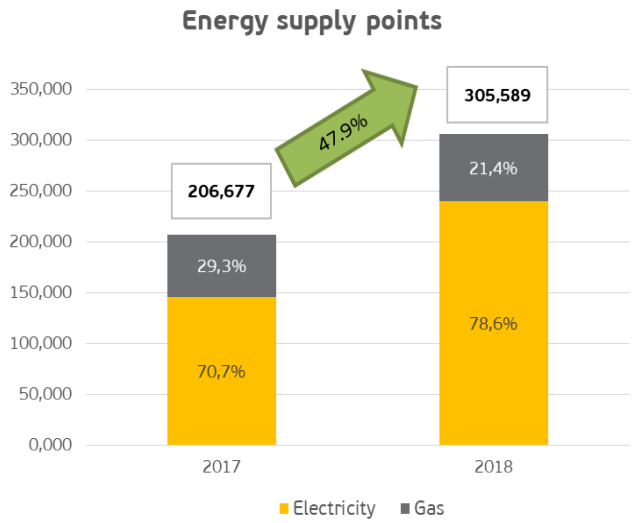
- **Retailing:**

Supply points:

At the balance sheet date of the year 2018 Audax has 306 thousand active energy supply points, approximately 47.9% more than at the end of 2017.

The electricity supply points, whose number increased the most throughout this year, represent 78.6% of the total quantity of supply points. When UniEléctrica joined the Group in April 2018, it contributed 72 thousand new supply points, which meant an increase of 64.5% of electricity supply points.

Without any new company incorporations, the number of gas supply points increased by 7.8% in comparison to the same period of the previous year.

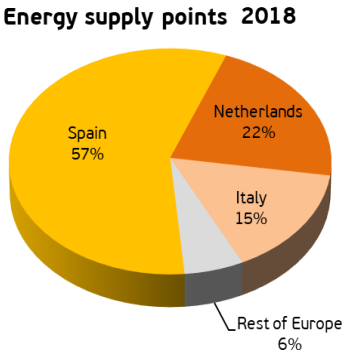


The following table shows the evolution of the supply points in the two years by geographical region:

Energy supply points	2018	2017	% Var.
Spain	**174,844**	**71,424**	**n.a.**
Electricity *	156,019	60,060	n.a.
Gas	18,825	11,364	65.7
Netherlands	**66,220**	**62,692**	**5.6**
Electricity	40,758	37,292	9.3
Gas	25,462	25,400	0.2
Italy	**46,873**	**54,970**	**-14.7**
Electricity	26,721	31,955	-16.4
Gas	20,152	23,015	-12.4
Rest of Europe (RoE)	**17,652**	**17,591**	**0.3**
Electricity	16,743	16,768	-0.1
Gas	909	823	10.5
TOTAL ENERGY SUPPLY POINTS	**305,589**	**206,677**	**47.9**
Total Electricity	**240,241**	**146,075**	**64.5**
Total Gas	**65,348**	**60,602**	**7.8**

* In 2018 its included UniEléctrica incorporation with 72.399 energy supply points since 06/04/2018.

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

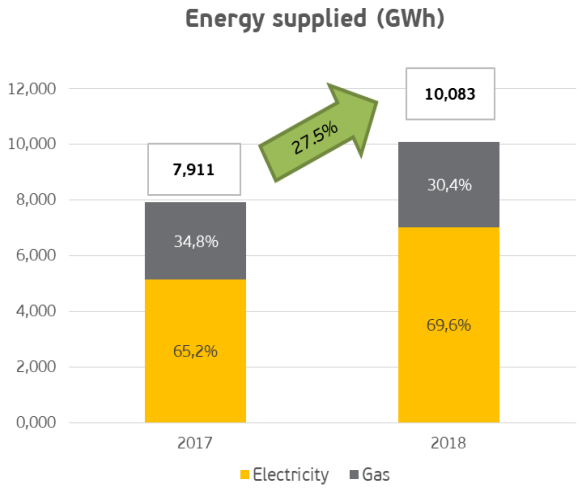


Supplied energy:

The total amount of energy supplied by Audax in the year 2018 is of 10.1 TWh, compared to 7.9 TWh of the previous year, which signifies an increase of 27.5%.

The supplied electricity, where the biggest growth was recorded this year, constitutes 69.6% of the total amount of supplied energy. When UniEléctrica joined the Group in April 2018, it added 2.1 TWh to this amount at the end of December 2018.

Without any new company incorporations, the amount of gas supply was up by 11.2% in comparison to the same period of the previous year.

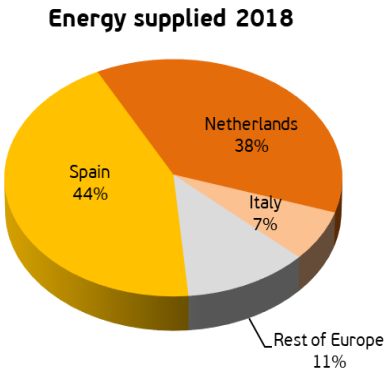


The following table shows the evolution of the supplied energy in the two years by geographical region:

Energy supplied (GWh)	2018	2017	% Var.
Spain	**4,415**	**3,020**	**46.2**
Electricity *	4,006	2,579	55.3
Gas	409	441	-7.2
Netherlands	**3,807**	**3,394**	**12.2**
Electricity	1,638	1,495	9.5
Gas	2,169	1,899	14.3
Italy	**688**	**620**	**10.9**
Electricity	305	262	16.2
Gas	383	358	7.1
Rest of Europe (RoE)	**1,173**	**876**	**33.8**
Electricity	1,074	822	30.6
Gas	99	54	82.1
TOTAL ENERGY SUPPLIED	**10,083**	**7,911**	**27.5**
Total Electricity	**7,022**	**5,159**	**36.1**
Total Gas	**3,061**	**2,752**	**11.2**

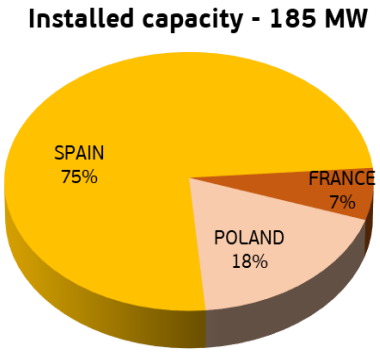
* In 2018 its included Unilectrica incorporation

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



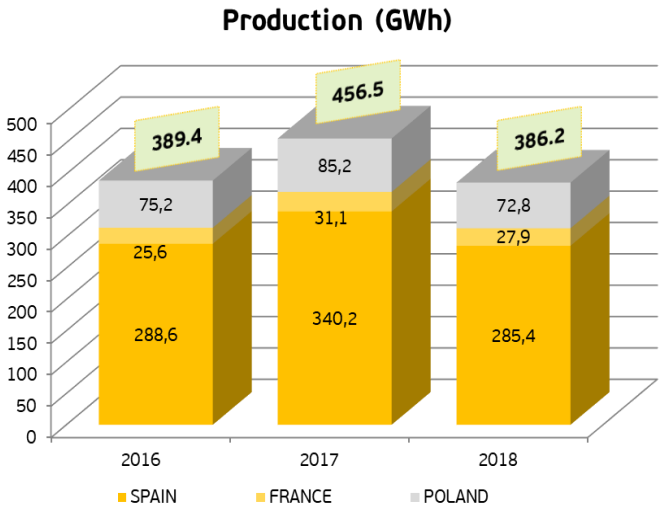
- **Generation:**

The Group's renewable energy generation division has not changed its installed capacity during the year 2018 in comparison to the year 2017. Of the total amount of installed capacity, 1 MW corresponds to photovoltaic technology, and the rest is wind technology. The distribution of installed capacity by country is as follows:



The beginning in May 2018 of the construction works of the first stage of the wind farm Parque Eólico Toabré of 66MW should be pointed out. A loan agreement for 12 years was signed for the purpose of financing this first stage, of a total amount of USD 104 million, with Banco Prival, S.A. acting as the agent bank.

The production in the year 2018 reached 386.1 GWh, approximately 15% less than in the previous year, mainly due to weaker wind resource, but in line with the year 2016. The distribution of the production by country is as follows:



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec-18	Dec-17	Var.	Var. (%)
Debt of bonds and other marketable securities	164,923	114,069	50,854	44.6
Bank loans	233,586	231,135	2,451	1.1
Other financial liabilities	62,778	60,666	2,112	3.5
Derivatives	-863	2,195	-3,058	-139.3
Cash and other current financial assets	-114,640	-98,784	-15,856	16.1
Net Financial Debt	**345,784**	**309,281**	**36,503**	**11.8**
Net Equity *	**154,184**	**85,063**	**69,121**	**1.34**
Leverage **	**69.2%**	**78.4%**	**-9.3%**	

EUR thousands

* Net Equity = Parent Company Net Equity + minority interests

** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net financial debt as at 31 December 2018 increased by EUR 36,503 thousand, up to EUR 345,784 thousand, in comparison to EUR 309,281 thousand as at 31 December 2017, mainly as a consequence of new issuance of bonds and promissory notes on the MARF. See note 14 to the financial statements for more detailed information on these financial liabilities.

Financial leverage decreased by 9.3% owing, among others, to the variation in the Net Equity of the Company after the incorporation of other companies into the Group.

3.2. Rating management

As at 31 December 2018 the Group has a BBB- with stable outlook rating issued by AXESOR RISK MANAGEMENT S.L.U.

3.3. Debt structure

Regarding financial liabilities, without including trade payables and other accounts payable, the following table shows the main groups of current and non-current financial liabilities:

Financial Liabilities *	Dec-18	dic-17	Var.	%
Debt of bonds and other marketable securities	164,923	114,069	50,854	44.6
Bank loans	233,586	231,135	2,451	1.1
Financial Derivatives	11,835	10,633	1,202	11.3
Other non-current financial liabilities	58,534	58,262	272	0.5
Total Financial Liabilities	**468.878**	**414.099**	**54.779**	**13.2**

* Financial liabilities, non including trade and other liabilities accounts

In regard to financial liabilities of the year 2018, their structure by type of debt is as follows:

Financial liabilities breakdown	Dec-18	% total
Project Finance	116,252	25%
Bonds	113,397	24%
Loans	53,564	11%
Promissory notes	51,525	11%
Confirmings and similars	42,086	9%
Other liabilities	36,433	8%
Debts with Group companies	21,901	5%
Crédits	21,684	5%
Derivatives	11,835	3%
Total financial libailities	**468,678**	**100%**

Project Finance is a method of financing the construction of wind farms and solar plants of the renewable energy generation segment. Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk. This loans comprise around 25% of the total financial liabilities.

The issues of bonds and promissory notes on the MARF throughout the year 2018 contributed to increase this kind of financing by EUR 50,854 thousand, comprising 24% and 11% respectively of the total of the abovementioned financial liabilities.

See Note 14 to the financial statements about Financial Liabilities for more detailed information.

4. Main risks and uncertainties

The Company's Risk Control and Management System

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

In this regard, the Group is submitted to several risks which are inherent in different countries and markets where it operates and which can prevent it to achieve its objectives and successfully implement its strategies. For that reason the Board of Directors, aware of the importance of this aspect, encourages the implementation of the necessary mechanisms for the significant to be correctly identified, managed and controlled. The joint project of merger, to which the Company has been submitted, has not altered these objectives, but it has made the Policy, through which these risks are properly managed (called "The Group's General Policy of Risk Control and Management"), to be internally reviewed by the Group and adapted to the new reality. The Policy should primarily allow:

a) to achieve the defined strategic objectives;

b) to provide the highest level of guarantees to the shareholders;

c) to protect the results and the reputation of the Group;

d) to defend the interests of shareholders, clients and other groups interested in the performance of the Company;

e) to guarantee business stability and financial strength on a sustained basis throughout time;

f) to separate the areas that assume risks besides those that control them;

g) to apply the transparency and good governance practices; and

h) to act in compliance with the current legal regulations and the commitments established within the Corporate Responsibility framework.

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

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

a) Integrate the risk-opportunity vision in the management and strategy of the Company.

b) Implement an appropriate separation of duties to guarantee an adequate level of independence.

c) Guarantee the proper use of risk hedging instruments.

d) Inform about the risks for the Group and about the implemented systems to mitigate them.

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

f) Ensure the adequate compliance with the corporate governance rules.

g) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

The Group's General Policy of Risk Control and Management which, as indicated above, is undergoing a review, is carried out through the procedures, methodologies and support tools and includes the following guidelines:

a) The identification of the significant risks of corporate governance, market, credit, liquidity, capital management, business, regulation, operational, environmental, reputational and others.

b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments as an essential element in the process of decision making in profitability-risk approach.

c) The settlement of an internal structure of policies, guidelines and limits.

d) The implementation and control of the compliance of policies, guidelines and limits through adequate procedures and systems, including the contingency plans necessary in order to mitigate the impact of risk materialisation.

e) The measurement and control of risks.

f) The information and internal control systems, which allow to carry out a regular and transparent evaluation and information of the results of monitoring risk control and management, including compliance with the policies and the limits.

g) The constant evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations concerning risks from the perspective of their possible incorporation into the model.

h) The review of the entire control system by the Internal Audit Committee of the Group.

The Group's General Policy of Risk Control and Management is developed and complemented by the corporate risk policies that are established in relation to the business lines and/or companies of the Group, which are set out below, and which are also subject to supervision by the Audit Committee and subsequent approval by the Board of Directors. It should be noted that, due to the joint project of merger, several of the policies that were previously implemented are now being adapted and reviewed for the purpose of their adequate implementation next year.

Corporate Policies and Procedures which have been approved and implemented:

- Corporate Code of Ethics and Conduct.
- Disciplinary Rules and Sanctions.
- Handbook and General Principles of Criminal Risk Prevention.
- Internal Regulations for Conduct in the Securities Markets.

Corporate Policies and Procedures which are undergoing a review:

- General Policy of Risk Control and Management.
- Delegation of Authority.
- Policy of Financial Risk Management.
- Investments, Purchases and Suppliers Policy.
- Guidelines for Accounting Policies.
- Guidelines for Information Security Systems.
- Project Finance Process and Projects' Status.
- Policies for Loan Granting and Terms of Loan Agreements.
- Acquisition and Disposal of Own Shares Procedure.
- Guidelines of the Regulated Information to Be Disclosed to the Market.
- System of Internal Control for Financial Information (ICFR).

The Company has developed adequate procedures to identify, analyse, manage and mitigate all the risks to which it is exposed due to the nature of its activity. In the Group's General Policy of Risk Control and Management (currently undergoing a process of internal review due to the joint project of merger, which has brought about a new dimension to the group as well as new risks that need to be added because of the incorporation of new business lines), the risk factors are generally the following:

A) FINANCIAL RISKS:

a) Credit risks: credit risk is the possibility that a counterparty to an agreement may fail to comply its contractual obligations bringing about an economic or financial loss. The counterparties can be end customers or providers, counterparties on financial markets or on commodity markets, partners.

b) Market risks: market risk present in the electricity sector is based on the complex process of price formation which affects the retailing activity as well as the energy generation activity.

c) Commodity price volatility risk: in certain countries where the Group operates in the energy generation activity, the remuneration received by the Group has a regulatory component and a component which is linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile. Furthermore, it is impossible to ensure that the market prices will remain on such levels as to allow the collection of profit margins and desired levels for investments recovery.

d) Liquidity risk: the management of that risk results from the demand for financing the Group's activities because of temporary differences between the needs and cash generation, and is based on maintaining a sufficient level of cash and securities, as well as the availability of financing through adequate amount of committed credit facilities and the appropriate ability to settle market positions.

e) Interest rate risk: any rise in interest rates would increase the Group's financial expenses in relation to the portion of its debt at a floating rate, which would be mitigated by the interest rate hedging policy.

f) Guarantee terms risk: In order for Audax Renovables to be able to carry out its activity as retailer, it has to provide the guarantees linked to the electricity purchase. The guarantees are provided in the form of bank guarantees, some of which are secured by the positive net liquidity position of the Group. Should the financial institutions that grant the guarantees decide to cancel them, the Group's activity would become severely limited, which could affect its own viability.

g) Access to financing: in the division of energy generation the development of the facilities under construction, the financing conditions and the amount of own funds to be contributed by the Group depends on the availability of finance services and on the existence of loan on the loan market for financing the renewable energy projects.

B) RISKS RELATED TO THE ACTIVITY SECTOR:

h) Regulatory risks: those resulting from regulatory changes established by the different regulators, such as the changes in the remuneration for the regulated activities or of the required conditions of supply, environmental regulations, tax regulations, labour regulations, among others.

i) Competition risk: in the retailing activity it is possible to be exposed to a significant risk due to the existing market entry barriers and which could materialise in a decrease of the offered price.

j) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of certain external events, including their economic, social and/or environmental impact, as well as the legal risk.

l) Risk of exposition to the Spanish market: the Group's activity currently depends primarily on the Spanish market.

m) Dependence and concentration of qualified providers risk: the energy generation activity requires the supply and assembly of numerous technical components, such as wind turbines, for the wind energy generation facilities, which can be provided only by a limited number of suppliers.

k) Weather conditions risk: electricity generation from wind energy is subject to weather conditions of the location of the facilities and, particularly, wind conditions.

The Group may as well be affected by other risks of a different character, for instance:

- Reputational risks: potential negative impact of the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest groups: shareholders, clients, media, analysts, public administration, employees and people in general.

- Corporate governance risks: the Company assumes the need to secure the public interest and the strategy to boost in a sustainable manner the Company's economic value and its good performance in the long term, taking into consideration the legitimate interests, whether public or private, especially among the different interest groups.

5. R+D+i activities

In the year 2018 the Group allocated EUR 543 thousand to the R+D+i activities.

6. Personnel

As at 31 December 2018 the number of the Group's employees is 533, the average of the year 2018 being 468 employees.

7. Natural environment

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

In the year 2018 the Group incurred environmental expenditure amounting to EUR 129 thousand, mainly for wildlife conservation.

8. Acquisition and disposal of treasury shares

As at 31 December 2018 the Company does not hold treasury shares.

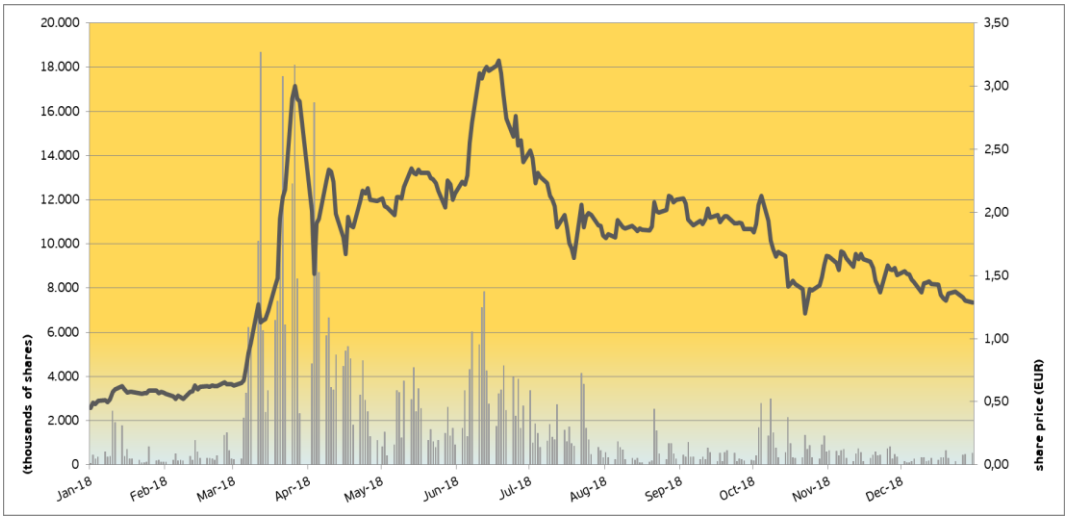
9. Other important information

9.1. Stock market information

The price of the the shares of Audax (ADX.MC) in the present year 2018 reached the highest values since October 2008.

The value traded on the market was also much higher than the average of recent years.

The stock market evolution of Audax during 2018 was as follows:



The following table shows the main trading data:

Audax Renovables - ADX.MC	2018	Units
Number of shares admitted to trading	140,003,778	Num.
Share price at the beginning of the period	0.450	€ / share
Share price at the end of the period	1.285	€ / share
Maximum trading price	3.200	€ / share
Minimum trading price	0.450	€ / share
Trading price fluctuation during the period	185.56	%
Capitalisation at the end of the period	179,904,855	€
Number of traded shares	484,436,526	Num.
Effective volume	966,111,810	€
Daily volume of traded shares (average)	1,899,751	Num.
Effective daily volume (average)	3,788,674	€

9.2. Dividend policy

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

Audax endeavours to ensure the dividend payout, providing that pertinent factors are fulfilled regarding cash generation and distributable reserves availability. Due to these determinants, it is not possible to guarantee the amount of the dividend nor the year in which the distribution is going to take place.

9.3. Other information

Alternative Performance Measures (APM)

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) Audax reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures, in addition to the financial ones, are used for the purpose of establishing budgets and goals and of managing business, assessing its financial and operating performance and comparing it with previous periods and with the performance of the competitors. The presentation of such measures is assumed to be helpful because they can be used for analysis and comparison of profitability between companies and industries, as the impact of the financial structure of the accounting effects other than cash flows are excluded.

Non-financial measures are also presented, because these and other similar measures are generally used by investors, securities analysts and other brokers as complementary performance measures.

In general, these APM are used in the Directors' Report so there is direct traceability to the consolidated income statement and no reconciliation is needed.

The APM that the Group considers most important are set out below:

Consolidated Income Statement	2018	2017	Var. (%)
Operating income	986,947	675,594	46.1
Gross Margin	103,701	81,409	27.4
EBITDA *	53,395	37,076	44.0
EBIT	28,316	18,549	52.7

EUR thousands

* As a consequence of the merger transaction and the change of dimension and scope of the company, the EBITDA is considered to be the result of operating income + amortization and depreciation +/- impairment, reversal and profit/loss on disposal of fixed assets.

The reconciliation between the EBITDA and the Consolidated profit and loss for the year is as follows:

	2018	2017
EBITDA	**53,395**	**37,076**
Amortisation, depreciation and provisions	-25,079	-18,527
EBIT	**28,316**	**18,549**
Financial income	4,124	2,716
Financial expenses	-20,246	-19,154
Exchange differences	-94	286
Profit/loss from disposal of financial instruments	-291	3,522
Financial profit/loss	**-16,507**	**-12,630**
Share in the profit/loss of associated companies	-48	-133
Profit/loss before tax	**11,761**	**5,786**
Corporate Income Tax	-1,772	494
Consolidated profit/loss for the year	**9,989**	**6,280**
Profit/loss attributed to minority interests	-992	1,970
Net profit/loss Attributed to the Parent Company	**8,997**	**8,250**

EUR thousands

The main operating figures are as follows:

Production (GWh)	2018	%	2017	%	Var. (%)
Spain	**285.4**	74%	**340.2**	74%	-16.1
France	**27.9**	7%	**31.1**	7%	-10.3
Poland	**72.8**	19%	**85.2**	19%	-14.6
Total	**386.1**	100%	**456.5**	100%	-15.4

Energy supply points	2018	2017	% Var.
Spain	**174,844**	**71,424**	**n.a.**
Electricity *	156,019	60,060	n.a.
Gas	18,825	11,364	65.7
Netherlands	**66,220**	**62,692**	**5.6**
Electricity	40,758	37,292	9.3
Gas	25,462	25,400	0.2
Italy	**46,873**	**54,970**	**-14.7**
Electricity	26,721	31,955	-16.4
Gas	20,152	23,015	-12.4
Rest of Europe (RoE)	**17,652**	**17,591**	**0.3**
Electricity	16,743	16,768	-0.1
Gas	909	823	10.5
TOTAL ENERGY SUPPLY POINTS	**305,589**	**206,677**	**47.9**
Total Electricity	**240,241**	**146,075**	**64.5**
Total Gas	**65,348**	**60,602**	**7.8**

* In 2018 its included UniEléctrica incorporation with 72.399 energy supply points since 06/04/2018.

Energy supplied (GWh)	2018	2017	% Var.
Spain	**4,415**	**3,020**	**46.2**
Electricity *	4,006	2,579	55.3
Gas	409	441	-7.2
Netherlands	**3,807**	**3,394**	**12.2**
Electricity	1,638	1,495	9.5
Gas	2,169	1,899	14.3
Italy	**688**	**620**	**10.9**
Electricity	305	262	16.2
Gas	383	358	7.1
Rest of Europe (RoE)	**1,173**	**876**	**33.8**
Electricity	1,074	822	30.6
Gas	99	54	82.1
TOTAL ENERGY SUPPLIED	**10,083**	**7,911**	**27.5**
Total Electricity	**7,022**	**5,159**	**36.1**
Total Gas	**3,061**	**2,752**	**11.2**

* In 2018 its included Uniléctrica incorporation

The Net Financial Debt is as follows:

Net Financial Debt	Dec-18	Dec-17	Var.	Var. (%)
Non-current financial liabilities	**273,094**	**269,470**	**3,624**	**1.3**
Debt of bonds and other marketable securities	96,938	85,128	11,810	13.9
Bank loans	129,873	162,009	-32,136	-19.8
Other financial liabilities	46,283	22,333	23,950	107.2
Current financial liabilities	**188,193**	**136,400**	**51,793**	**38.0**
Debt of bonds and other marketable securities	67,985	28,941	39,044	134.9
Bank loans	103,713	69,126	34,587	50.0
Other financial liabilities	16,495	38,333	-21,838	57.0
Derivatives	**-863**	**2,195**	**-3,058**	**-139.3**
Cash and other current financial assets	**-114,640**	**-98,784**	**-15,856**	**16.1**
Current financial assets	-16,327	-48,526	32,199	-66.4
Cash and cash equivalents	-98,313	-50,258	-48,055	95.6
Net Financial Debt *	**345,784**	**309,281**	**36,503**	**11.8**
Of the Parent Company	120,926	71,931	48,995	68.1
Of the Minority interest	33,258	13,132	20,126	153.3
Net Equity	**154,184**	**85,063**	**69,121**	**81.3**
Leverage **	**69.2%**	**78.4%**	**-9.3%**	

EUR thousands

* Net Financial Debt = Non-current financial liabilities + Current financial liabilities + Derivatives + Cash and others

** Net Equity = Net Equity of the Parent Company + of the Minority interest

*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

The following table shows the main stock market data:

Audax Renovables - ADX.MC			
Stock Market Data	**2018**	**2017**	**Units**
Number of shares admitted to trading	140,003,778	140,003,778	Num.
Share price at the beginning of the period	0.450	0.505	€ / share
Share price at the end of the period	1.285	0.440	€ / share
Maximum trading price	3.200	0.670	€ / share
Minimum trading price	0.450	0.395	€ / share
Trading price fluctuation during the period	185.56	-12.87	%
Capitalisation at the end of the period	179,904,855	61,601,662	€
Number of traded shares	484,436,526	83,240,634	Num.
Effective volume	966,111,810	48,297,180	€
Daily volume of traded shares (average)	1,899,751	329,014	Num.
Effective daily volume (average)	3,788,674	190,898	€
Number of shares	140,003,778	140,003,778	Num.
Average number of shares	140,003,778	140,003,778	Num.
Profit/Loss attributable to Parent Company	8,996,567	8,250,058	€
Profit/Loss per share			
- Basic	0.0643	0.0589	€ / share
- Diluted	0.0643	0.0589	€ / share

10. Significant events subsequent to the balance sheet date

- On 29 January 2019, following the significant event number 273350, the Company informs that it has proceeded to register the notarisation and execution of the Company's resolutions by which the merger by absorption was approved.

  Subsequently, Audax Renovables, S.A. will begin the appropriate proceedings scheduled in the reverse merger resolutions in order to, among others, request the new shares issued for the purpose of the merger to be admitted to trading on the pertinent Stock Exchange through the Spanish Stock Exchange Interconnection System.

- On 4 February 2019 the Company informed about the conclusion of a power purchase agreement (PPA) with Morningchapter S.A., a company controlled by Allianz Insurance Companies. Audax will act as a representative for electricity retailing on the Portuguese market for electricity retailing from the photovoltaic plant Ourika developed by WElink Group with a capacity of 46 MWp.

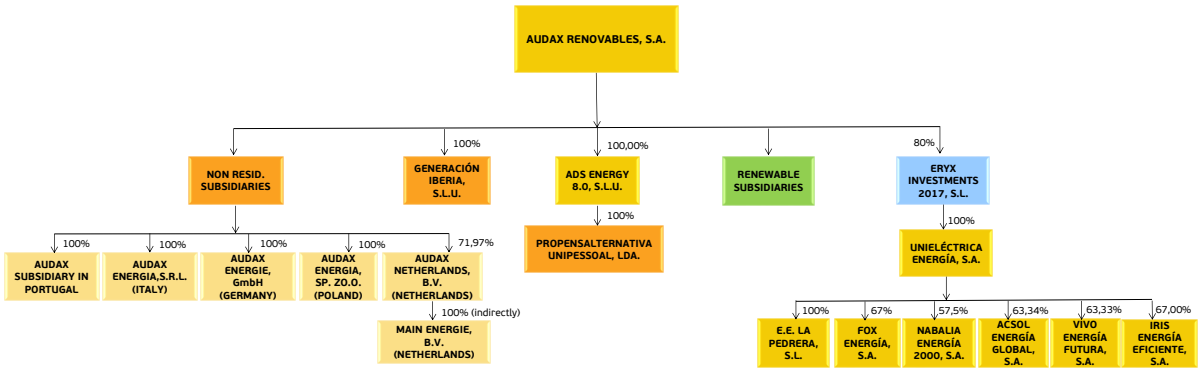
- On 7 February 2019 the Company signed a representation contract for electricity retailing (PPA) with WELink Investment Holdings Ltd. Under this framework agreement (PPA), which establishes a fixed price for 20 years, Audax will purchase electricity generated by Solara4 as well as by other new projects of solar photovoltaic plants developed by WElink Group in Spain as well as in Portugal, with a possibility to reach a total of 708 MW.

  The photovoltaic plant Solara4 will have an installed capacity of 218,8 MWp and is expected to be connected to the grid in mid-2019. The plant will employ an average of 300 people during its construction and will generate enough energy to supply electricity to more than 100,000 households.

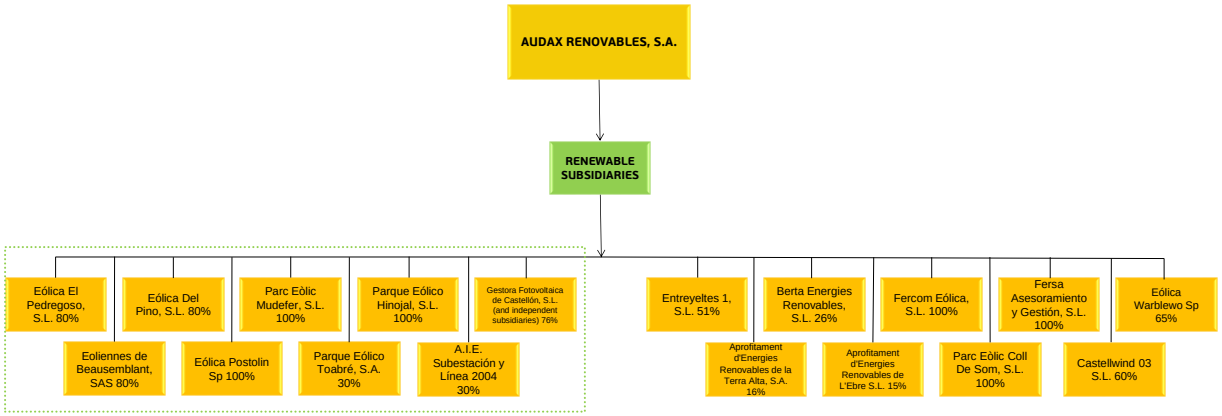
- On 13 February 2019 the Parent Company prolonged its current promissory note programme of EUR 50,000 thousand (see Note 14 to the financial statements) with maturity in 2019, extending it with a new programme amounting to a maximum of EUR 75,000 thousand with maturity of up to 24 months.

Appendix I: Corporate structure

The following is a chart of the corporate structure of Audax Renovables, S.A., whose majority shareholder is Eléctrica Nuriel, S.L.U. which as at 31 December 2018 holds 90,73% of the shares.



Within the “RENEWABLE SUBSIDIARIES” there are the following companies:



Companies that own operating plants (wind and solar), transmission lines or plants under construction.

The corporate chart of Audax as at 31 December 2018 indicating the shareholding in each of the companies is as follows:

Company	Holding direct + indirect	Address	Country	Activity
Eólica El Pedregoso, S.L	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Eólica Del Pino, S.L	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parc Eòlic Mudefer, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parque Eólico Hinojal , S.L	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Gestora Fotovoltaica de Castellón, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding
Fotovoltaica Fer, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Weinsberg Ecotec, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Ecotec, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Joso Fotovoltaica, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Padua, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica Vergos, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica La Mola, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Inversions Trautt, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica de Castelló, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fotovoltaica de les Coves, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Inversions Vinroma, S.L.	76%	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation
Fercom Eólica, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Fersa Asesoramiento y Gestión, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Parc Eòlic Coll De Som, S.L.	100%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Castellwind 03 S.L	60%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Entreyeltes 1, S.L.	51%	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation
Eoliennes de Beausemblant, SAS	80%	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation
Eólica Postolin Sp	100%	ul. Libelta 2/1, 85-080 Bydgoszcz (Polonia)	Poland	Generation
Eólica Warblewo Sp	65%	ul. Libelta 2/1, 85-080 Bydgoszcz (Polonia)	Poland	Generation
Berta Energies Renovables, S.L.	26%	Travessera de Gràcia, 56 entresuelo (Barcelona)	Spain	Generation
Parque Eólico Toabré, S.A.	30%	Cincuenta, edificio 2000, 5a planta (Ciudad de Panamá)	Panama	Generation
A.I.E. Subestación y Línea 2004	30%	Doctor Romagosa 1, planta 3 46002 (Valencia)	Spain	Generation
Generación Iberia, S.L.	100%	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Representation
ADS Energy 8.0., S.L.U.	100%	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retail
Eryx Investments, S.L.U.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retail
Unieléctrica Energía, S.L.	80%	Avda. Brillante 114, Córdoba	Spain	Retail
Explotación Eólica La Pedrera, S.L.U.	80%	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation
Fox Energía, SA	54%	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retail
Nabalia Energía 2.000, S.A.	46%	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retail
Acsol Energía Global, S.A.	50%	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retail
Vivo Energía Futura, S.A.	50%	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retail
Iris Energía Eficiente, S.A.	54%	Avda. Miguel de Cervantes 23, Murcia	Spain	Retail
Propensalternativa Unipessoal, LDA	100%	Avda. das Naçoes Unidas, 23, Escritorio C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retail
Audax Energia, S.R.L.	100%	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retail
Audax Energie, GmbH	100%	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retail
Audax Energía, SP. Z O.O.	100%	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retail
Audax Netherlands B.V.	72%	Stammerkamp 1 . 1112 Ve Diemen (The Netherlands)	Netherlands	Retail
Main Energie, B.V.	72%	Stammerkamp 1 . 1112 Ve Diemen (The Netherlands)	Netherlands	Retail