

## **AUDAX RENOVABLES GROUP**

### **CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2017**

#### **1. SIGNIFICANT EVENTS**

The Audax Renovables Group ended the first half year of 2017 with a profit of EUR 2,024 thousand, in contrast to the loss of EUR 6,800 thousand for the same period of the previous year.

This difference between the two results of the first six months of the year is owed primarily to the following factors:

- Higher sale price of the energy on the Spanish market (pool), which corresponds to the increase of EUR 3,148 thousand during the period.
- Special remuneration received by the Spanish wind farms during the 2017 to 2019 regulatory term are higher than in the previous period by EUR 889 thousand due to the update of the parameters published in the decree ETU/130/2017.
- Reduction in expenses and cost containment which have been implemented bring a substantial decrease in the operating costs.
- At the close of June 2016 a provision was recorded for expenses related to the takeover bid by Audax Energía, S.A. amounting to EUR 1,067 thousand.
- During the previous period an impairment provision related to the wind farm in Poland was registered amounting to EUR 3,409 thousand due to regulatory amendments approved in that country.

Thus, a rise in market price of the energy in the first half year together with an increased production of the wind farms boost the income by 31% which, combined with the decrease in operating expenses, make the EBITDA increase by 82% after the effect of the hedge contracts for prices has been taken into account.

On 30 January 2017, Audax Renovables renewed the corporate financing agreement for the amount of EUR 4.6 million, by extending the maturity date till 31 January 2018.

On 29 June 2017 the General Meeting of Shareholders decided, among others, to change the name of the Company to "Audax Renovables, S.A.". Furthermore, it was decided to appoint KPMG Auditores, S.L. as the auditor of accounts of the Company for the period of three (3) years.

#### **2. OPERATING INFORMATION**

The installed capacity as at 30 June 2017 is of 185 MW.

The production during the first half year has amounted to 218 GWh, which implies 10% increase against the same period of the previous year (198 GWh), due to good performance of the wind farms in each country.

#### **3. MAIN FINANCIAL HEADLINES**

Net turnover has amounted to EUR 17,568 thousand which implies an increase of 32% in comparison to the same period of the year 2016 (EUR 13,345 thousand), primarily

due to higher prices on the energy market (pool) in Spain in the first half year, increased production and higher specific remuneration during the new regulatory term.

Operating expenses, without taking into consideration the effect of the increase of the 7% tax on generation of electricity and other accounts affected by a higher turnover, are lower due to the Group's cost containment policy. Moreover, in the previous year provisions were recorded for the costs related to the performed corporate transaction.

Financial expenditure has decreased by 17% compared to the same period of the previous year, owing, among others, to a reduction in financial burden from the Project Finance.

The Audax Renovables Group ends the first half year of 2017 with a Net Profit Attributable to the Parent Company amounting to EUR 2,024 thousand, against loss of EUR 6,800 thousand for the same period of the previous year.

#### 4. ALTERNATIVE PERFORMANCE MEASURES

AUDAX RENOVABLES reports on 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-EU). These measures, in addition to the financial measures and in compliance with IFRS-EU, 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 and 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:

(EUR thousands)

<b>Consolidated profit and loss</b>	<b>1S2017</b>	<b>1S2016</b>	<b>Var. (%)</b>
Operating income	17,706	13,522	30.9
Operating expenses	(5,906)	(7,029)	(16.0)
<b>EBITDA</b>	<b>11,800</b>	<b>6,493</b>	<b>81.7</b>
<b>EBIT</b>	<b>6,070</b>	<b>(2,529)</b>	<b>n.a.</b>

(EUR thousands)

<b>Net financial debt</b>	<b>Jun-17</b>	<b>Dec-16</b>	<b>Var.</b>	<b>%</b>
<b>Bank loans</b>	<b>131,173</b>	<b>136,424</b>	<b>-5,251</b>	<b>-3.8%</b>
Corporate debt - Tranche B	4,600	4,600	0	n.a
Operating wind farms' debt and others	126,573	131,824	-5,251	-3.8%
<b>Other liabilities (derivatives)</b>	<b>12,583</b>	<b>14,604</b>	<b>-2,021</b>	<b>-13.8%</b>
<b>Cash and other current financial assets</b>	<b>-17,620</b>	<b>-19,304</b>	<b>1,684</b>	<b>-8.7%</b>
Current financial assets	-3,801	-3,636	-165	4.5%
Cash and cash equivalents	-13,819	-15,668	1,849	-11.8%
<b>Net Financial Debt *</b>	<b>126,136</b>	<b>131,724</b>	<b>-5,588</b>	<b>-4.2%</b>
<b>Net Equity</b>	<b>74,586</b>	<b>71,159</b>	<b>3,427</b>	<b>4.8%</b>
<b>Leverage**</b>	<b>62.8%</b>	<b>64.9%</b>	<b>-</b>	<b>-3.2%</b>

\* Net Financial Debt= Bank loans + Other liabilities (derivatives) – Cash and cash equivalents

\*\* Leverage = Net Financial Liability /(Net Financial Liability + Net Equity)

<b>Production (GWh)</b>	<b>1S2017</b>	<b>%</b>	<b>1S2016</b>	<b>%</b>	<b>% Var.</b>
Spain	161.8	74%	146.6	74%	10%
France	16.5	8%	14.6	8%	14%
Poland	39.3	18%	36.7	18%	7%
<b>Total</b>	<b>217.6</b>	<b>100%</b>	<b>197.9</b>	<b>100%</b>	<b>10%</b>

<b>Stock Market Data</b>	<b>1S2017</b>	<b>1S2016</b>	<b>Units</b>
Number of shares admitted to trading	140,003,778	140,003,778	Number
Price at the beginning of the period (2 Jan.)	0.505	0.370	€ / share
Price at the end of the period (30 Jun.)	0.565	0.490	€ / share
Maximum price	0.670	0.495	€ / share
Minimum price	0.500	0.350	€ / share
Price fluctuation during the period	11.88	32.43	%
Capitalisation at the end of the period	79,102,135	68,601,851	€
Number of traded shares (from 2 Jan. to 30 Jun.)	66,187,147	73,401,196	Number
Effective volume (from 2 Jan. to 30 Jun.)	39,662,748	32,313,826	€
Daily volume of traded shares (average)	529,497	577,962	Number
Effective daily volume (average)	317,302	254,440	€
Number of shares	140,003,778	140,003,778	Number
Average number of shares	140,003,778	140,003,778	Number
Profit/Loss attributable to the Parent Company	2,024,185	(6,799,478)	€
<b>Profit/Loss per share</b>			
- Basic	0.014	(0.049)	€ / share
- Diluted	0.014	(0.049)	€ / share

## **5. MAIN RISKS RELATED TO THE BUSINESS OF THE AUDAX RENOVBABLES GROUP**

### **a – Operational risks:**

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

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

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

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

### **b – Financial risk and Financial instruments:**

The Group is exposed to fluctuations in interest rate curves as its entire debt to financial entities is at a floating rate. Accordingly, the Group takes out interest rate hedge contracts, basically insuring against maximum interest rates.

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

## **6. ENVIRONMENT**

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

During the first half year of 2017 and in relation to the facilities that are in operation, the Group has incurred environmental expenditure of EUR 33 thousand, primarily for wildlife conservation.

## **7. STAFF**

As at 30 June 2017, the number of employees of the Group is 12.

## **8. TREASURY SHARES**

As at 30 June 2017, the Parent Company does not have treasury shares.

## **9. RESEARCH AND DEVELOPMENT EXPENSES**

The Group has not incurred any expenses of this type during the current period.

## **10. SUBSEQUENT EVENTS**

There have been no events subsequent to the end of the period.