

AUDAX RENOVABLES, S.A.

Annual Accounts
as at 31 December 2018



Audax Renovables, S.A.

Annual Accounts
31 December 2018

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.
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(Barcelona)

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of Audax Renovables, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

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

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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



Key Audit Matters

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

Downstream merger

See notes 1 and 11 to the annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>At the extraordinary general meeting held on 23 November 2018, the shareholders approved the merger by absorption of Audax Energía, S.A.U. (the absorbed legal entity and former majority shareholder of the Company) by its subsidiary Audax Renovables, S.A. (the legal absorbing entity). The merger was filed in the Barcelona Mercantile Registry on 31 December 2018, and entered on the register on 25 January 2019. For accounting purposes this merger has retroactive effect as of 1 January 2018.</p> <p>To arrange the merger, the shareholders of the legal absorbing entity, Audax Renovables, S.A., agreed to increase its share capital by issuing new shares with a share premium. The new shares have been subject to a share exchange, based on the estimated market value of business combinations, determined using the cash flow discounting method. These valuations were performed by an independent expert.</p> <p>This transaction was carried out between companies of the same group, and therefore the assets and liabilities integrated in the Group have been accounted for at their carrying amount in the absorbed entity, and the difference between the carrying amounts and the values by which the capital increase was carried out, together with the costs related to the transaction, has resulted in a negative impact on reserves.</p> <p>The valuation process has been considered as a relevant aspect of the audit insofar as the valuation</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - review of the legal documentation of the merger transaction carried out, - review of the accounting recognition of the merger by absorption of Audax Energía, S.A. by the Company, - involvement of our valuation specialists in assessing the reasonableness of the main assumptions used in determining the share exchange ratio related to the merger of Audax Energía, S.A.U. and Audax Renovables, S.A., including the review of the report issued by the independent expert. <p>We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.</p>



Downstream merger	
See notes 1 and 11 to the annual accounts	
<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>techniques used have required the exercising of judgement by the Directors and the use of assumptions and estimates, as well as due to the significance of the effect of this transaction on the annual accounts.</p>	

Recoverable amount of investments in and loans to Group companies and associates	
See note 7 to the annual accounts	
<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>The Company has non-current investments of Euros 295,145 thousand in Group companies and associates.</p> <p>The recoverable amount of investments in Group companies is calculated, in the case of companies showing indications of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>Due to the significance of the amount of investments in and loans to Group companies and associates, the aforementioned estimates have been considered a relevant aspect of the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - evaluating the design and implementation of key controls related to the valuation of investments in Group companies and associates. - evaluating the indications of impairment, as well as the methodology and assumptions used to estimate the fair value. - comparing the information contained in the valuation model with the business plans of investees in which indications of impairment exist. - the involvement of our valuation specialists in the assessment of the reasonableness of the main assumptions used. <p>We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.</p>

Recognition of revenue from unbilled energy supplied
 See note 18 to the annual accounts

<i>Key Audit Matter</i>	<i>How the Matter was Addressed in Our Audit</i>
<p>Trade and other receivables at 31 December 2018 include Euros 35,897 thousand in unbilled energy supplied in the period from the last meter reading to year end.</p> <p>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 the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - 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 closes of the previous years and actual consumption, - verification of the reasonableness of the volume of unbilled energy through an analysis of historical consumption, - verification of the tariffs applied by comparing them with the data contained in the contracts, - analysis of the control and monitoring systems established by the Company in relation to future legislation and regulations that could have an impact on recognised revenue. <p>We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.</p>

Other Information: Directors' Report

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

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



- a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.
- b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee _____

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 25 February 2018.

Contract Period _____

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

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

(Signed on the original in Spanish)

Alejandro Núñez Pérez
On the Spanish Official Register of Auditors ("ROAC") with number 15732

15 March 2019

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

<u>Note</u>		<u>Page</u>
	Balance Sheet	1
	Income Statement	2
	Statement of Comprehensive Income	3
	Statement of Changes in Net Equity	4
	Cash Flow Statement	5
	Notes to the financial statements	
1	General information	6
2	Basis of presentation of the annual accounts	7
3	Regulatory framework	9
4	Accounting and valuation standards	15
5	Intangible assets	25
6	Property, plant and equipment	26
7	Shareholdings in Group and multi-group companies and associates	27
8	Financial assets	34
9	Trade and other receivables	36
10	Cash and other cash equivalents	37
11	Net equity	38
12	Provisions	42
13	Financial liabilities	42
14	Other liabilities	45
15	Trade and other payables	45
16	Risk management	46
17	Tax situation	50
18	Income and expenses	54
19	Commitments and contingencies	57
20	Information on related party transactions	58
21	Information on members of the Board of Directors and Senior Management	61
22	Auditors' fees	62
23	Natural environment	62
24	Subsequent events	63
	Appendices	64
	Directors' Report	67

AUDAX RENOVABLES, S.A.

Balance Sheet
(EUR thousands)

BALANCE SHEET - AUDAX RENOVABLES, S.A.

ASSETS	Note	31/12/2018	31/12/2017	LIABILITIES AND NET EQUITY	Note	31/12/2018	31/12/2017
NON-CURRENT ASSETS		304,194	90,848	NET EQUITY	11	159,099	88,368
Intangible assets	5	1,983	6	Shareholders' Equity		151,843	88,368
Property, plant and equipment	6	1,810	3	Capital		308,204	98,003
Long-term investments in Group companies and associates	7, 20	295,145	89,776	Share premium account		420,316	278,948
Equity instruments		173,511	56,842	Reserves		(596,652)	(296,218)
Loans to companies		121,634	32,934	Profit (loss) for the year		19,975	7,635
Non-current financial assets	8	5,086	1,063	Valuation adjustments		7,256	-
Equity instruments		11	-	Hedging transactions		7,256	-
Loans to third parties		(5)	-				
Debt securities		45	-	NON-CURRENT LIABILITIES		112,985	6,134
Derivatives		1,329	-	Non-current provisions	12	-	-
Other financial assets		3,706	1,063	Non-current liabilities	13	106,758	54
Deferred tax assets	17	170	-	Bonds and other negotiable securities		98,158	-
				Bank loans		8,600	-
CURRENT ASSETS		133,205	10,289	Other financial liabilities		-	54
Inventory		4,079	-	Non-current liabilities with Group entities and associates	20	-	1,872
Trade and other receivables	9	60,210	420	Other non-current liabilities	14	438	583
Receivables from sales and services		56,512	-	Deferred tax liabilities	17	5,789	3,625
Receivables from Group companies and associates		3,099	414				
Sundry receivables		189	4	CURRENT LIABILITIES		165,315	6,635
Personnel		(3)	-	Current liabilities	13	103,031	4,608
Current tax assets		263	2	Bond and other negotiable securities		67,985	-
Other receivables from Public Administration		150	-	Bank loans		35,046	4,608
Short-term investments in Group companies and associates	7, 20	6,637	9,620	Current liabilities with Group entities and associates	20	8,026	1,109
Loans to companies		5,731	7,425	Trade and other payables	15	53,633	334
Other financial assets		906	2,195	Suppliers		26,360	-
Current financial assets	8	20,912	-	Group entities suppliers		1,044	-
Equity instruments		2,391	-	Sundry payables		13,133	197
Loans to third parties		511	-	Personnel (outstanding wages and salaries)		212	15
Debt securities		636	-	Current tax liabilities		(35)	-
Derivatives		8,345	-	Other liabilities with Public Administrations		12,919	122
Other financial assets		9,029	-	Other current liabilities	14	625	584
Prepayments		7,060	-				
Cash and other cash equivalents	10	34,307	249				
				TOTAL LIABILITIES AND NET EQUITY		437,399	101,137
TOTAL ASSETS		437,399	101,137				

The Notes to the financial statements are an integral part of the Annual Accounts

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

INCOME STATEMENT - AUDAX RENOVABLES, S.A.			
	Note	2018	2017
Net turnover	18	480,647	5,060
Sales		470,390	-
Service provision		10,257	1,698
Other		-	3,362
Change in inventory of finished goods and work in progress		56	-
Procurement	18	(448,753)	-
Consumption of goods		(438,834)	-
Work performed by other entities		(9,919)	-
Other operating income		4,542	-
Non-core and other current operating income		4,542	-
Staff costs	18	(8,884)	(852)
Wages and salaries and similar		(7,236)	(720)
Employer contributions		(1,621)	(132)
Other employer costs		(27)	-
Other operating expenses	18	(13,360)	(573)
External services		(7,118)	(567)
Taxes		(3,333)	(6)
Loss, impairment and change in provisions for business operations		(2,461)	-
Other current operating income		(448)	-
Amortisation and depreciation	5,6	(939)	(2)
Surplus provisions		13	-
Impairment and profit (loss) on disposal of fixed assets		(6)	28
Impairment and loss		(3)	28
Profit (loss) on disposal and others		(3)	-
OPERATING PROFIT (LOSS)		13,316	3,661
Financial income	18	8,870	-
From shareholding in equity instruments		2,466	-
In Group companies and associates	20	2,466	-
From negotiable securities, loans and other financial instruments		6,404	-
In Group companies and associates	20	4,901	-
In third parties		1,503	-
Financial expenses	18	(8,126)	(313)
Debt to third parties		(6,591)	(313)
Other financial expenses		(1,535)	-
Exchange differences	18	(70)	221
Impairment and profit (loss) on disposal of financial instruments	7	7,561	832
Reversal/(Impairment) and earnings/(loss)		5,605	390
Profit (loss) on disposal and others		1,956	442
FINANCIAL INCOME (EXPENSES)	18	8,235	740
PROFIT (LOSS) BEFORE TAX		21,551	4,401
Corporate Income Tax	17	(1,576)	3,234
PROFIT (LOSS) FOR THE YEAR		19,975	7,635

The Notes to the financial statements are an integral part of the Annual Accounts

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

A) STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
Profit (loss) of income statement	19,975	7,635
Releases to income statement		
Cash flow hedges	(253)	-
Tax effect	(337)	-
	84	-
Total valuation adjustments	(253)	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)	19,722	7,635

The Notes to the financial statements are an integral part of the Annual Accounts

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

B) STATEMENT OF CHANGES IN NET EQUITY

	Share capital	Share premium	Reserves	Profit (loss) for the year	Valuation adjustments	TOTAL
CLOSING BALANCE FOR 2016	98,003	278,948	(264,970)	(31,248)	-	80,733
Total comprehensive income and expenses	-	-	-	7,635	-	7,635
Other changes in net equity						
- Other movements	-	-	-	-	-	-
- Distribution of results	-	-	(31,248)	31,248	-	-
CLOSING BALANCE FOR 2017	98,003	278,948	(296,218)	7,635	-	88,368
Reverse merger effect Audax Energía (Note 11.a)	210,201	141,368	(356,103)	-	7,509	2,975
Non-monetary capital contribution	-	-	48,034	-	-	48,034
Total comprehensive income and expenses	-	-	-	19,975	(253)	19,722
Other changes in net equity						
- Distribution of results	-	-	7,635	(7,635)	-	-
CLOSING BALANCE FOR 2018	308,204	420,316	(596,652)	19,975	7,256	159,099

The Notes to the financial statements are an integral part of the Annual Accounts

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

CASH FLOW STATEMENT - AUDAX RENOVABLES, S.A.			
	Notes	2018	2017
Profit (loss) for the year before tax		21,551	4,401
Adjustments to results:		(5,107)	(1,136)
Amortisation and depreciation	5-6	939	2
Valuation adjustments due to impairment	7	(13)	(390)
Changes in provisions		2,461	-
Profit (loss) on derecognition and disposal of fixed assets		(6)	(442)
Profit (loss) on derecognition and disposal of financial instruments	7	(7,561)	-
Financial income	18	(8,870)	-
Financial expenses	18	8,126	313
Exchange differences	18	70	(221)
Dividend income		-	(398)
Changes in fair value of financial instruments		(253)	-
Changes in working capital:		12,567	(1,611)
Inventory		(4,079)	-
Trade and other receivables	9	4,678	461
Other current assets		1,828	318
Trade and other payables	15	15,080	(2,706)
Other current liabilities		9	316
Collections (payments) of income tax		(4,949)	-
Other cash flows from operating activities		744	85
Interest paid		(8,126)	(313)
Dividends collected		-	398
Interest collected		8,870	-
Cash flows from operating activities		29,755	1,739
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payment of investments		(76,127)	(4,460)
Group companies and associates		-	(4,256)
Acquisition of fixed assets	5-6	(1,248)	(7)
Other financial assets	7	(74,879)	(197)
Collection on divestments		62,717	5,054
Group companies and associates		44,556	-
Derecognition of fixed assets		135	-
Other financial assets	7	18,026	5,054
BUSINESS UNIT		40,974	-
Cash flows from investment activities		27,564	594
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for financial liability instruments:		(23,261)	(2,128)
Return and repayment of:			
Bank loans	13	41,314	-
Other debts		(64,574)	(2,128)
Cash flows from financing activities		(23,261)	(2,128)
NET INCREASE/DECREASE IN CASH AND EQUIVALENTS		34,058	205
Cash and equivalents at the beginning of the year		249	44
Cash and equivalents at the end of the year		34,307	249

The Notes to the financial statements are an integral part of the Annual Accounts

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

1. General information

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

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

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

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 approved the merger by absorption of Audax Energía, S.A.U. (legal acquiree and former majority shareholder) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. The company resulting from the merger is Audax Renovables, S.A. The transaction was entered into the Commercial Register in Barcelona on 25 January 2019.

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.

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. (formerly Banana Phone, 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 1,800,000,000 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 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 to 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.U. and Orus Energía S.L.U. as the acquired companies was approved. This transaction was a merger between sister companies wholly owned by the same sole shareholder, Banana Phone, S.L.U. (Note 11).

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

- 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 11).

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

As a consequence of the merger between Audax Renovables and Audax Energía 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 retailing, which comprise the Audax Renovables Group (hereinafter: Audax Renovables Group or the Group).

Furthermore, the Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 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 annual accounts of Audax Renovables, S.A for the year 2018 have been formulated by the Directors on 15 March 2019 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

2. Basis of presentation of the annual accounts

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

- a) The Commercial Code and other commercial legislation.
- b) The Spanish General Accounting Plan approved by the Royal Decree 1514/2007 and the amendments introduced by the Royal Decree 1159/2010 of 17 September 2010.
- c) The mandatory standards approved by the Accounting and Auditing Institute while developing the Spanish General Accounting Plan as well as its complementary standards.
- d) The rest of the Spanish applicable accounting rules.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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

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

The consolidated annual accounts of the Audax Renovables Group for the year 2018 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EC) n° 1606/2002 of the European Parliament and the Council..

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

Total Assets	832,899
Net equity attributed to the Parent Company	120,926
Non-controlling interest	33,258
Net turnover	984,354
Net income after tax attributed to the Parent Company	8,997

Comparison of the information

As requested by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2018 is presented uniquely and exclusively for comparative purposes with the relative information for the year 2017.

As a consequence of the merger transaction of Audax Renovables, S.A. with its majority shareholder, in compliance with the criteria established by the Recognition and Measurement Standard 21. Section 2.2., starting from 1 January 2018 the net assets, income and expenses and cash flows of Audax Energía, S.A.U. are included in the Balance Sheet, the Income Statement and the Cash Flows Statement, respectively.

Until the year 2017 Audax Renovables carried out only the activity of a Holding of a group of companies, therefore its turnover included, among others, the dividends and financial income from loans granted to the subsidiaries, in accordance with the answer of the Accounting and Auditing Institute published in the BOICAC 79. From 2018 on, the activity of Audax Renovables is no more purely of Holding and as a consequence of the above, the aforementioned income is classified as financial income in the income statement for the year 2018.

Relative importance

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

Going concern

As a consequence of the merger process mentioned in Note 1 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 356,103 thousand, have situated the shareholders' equity of the Company below one half of the share capital, which involves equity imbalance according to article 363 of the Spanish Companies Act. The Directors of the Parent Company plan to include in the agenda of the Ordinary 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 Company presents negative working capital of EUR 32,110 thousand. This situation is primarily a consequence of the normal business evolution, as well as of financing the investments made in recent years (Note 7). Despite this working capital, the Company 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 of the Audax Renovables Group has been positive, amounting to EUR 55,891 thousand, and that on 13 February 2019 the Company renewed its current promissory note programme of EUR 50,000 thousand with maturity in 2019 (Note 13), 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.

3. Regulatory framework

We describe below the main features of the regulations 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.

AUDAX RENEWABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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 subject to the current legal provisions 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 40m³ (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:

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

- 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.
- A 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

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

consumer protection, and in this regard, among other regulations, a series of measures connected with tax regulations were adopted with the main purpose to moderate the price evolution on the wholesale electricity market. 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 n° 2000-108/10 February 2000, on the modernisation and development of the electricity utilities.
- Decree n° 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, the 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} %	B ≤ 500.000€: 28%	B ≤ 500.000€: 28%	28%	26,5%	25%
Autres 33 ^{1/3} %	B > 500.000€: 33 ^{1/3} %	B > 500.000€: 31%			

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

B: refers to income before tax

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

4. Recognition and measurement standards

4.1 Intangible assets

Licences and trademarks

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

Computer software

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

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

4.2 Property, plant and equipment

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

The net financial expenses, and other expenses directly attributable to property, plant and equipment, are incorporated at acquisition cost until the assets are brought into use.

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

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

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

	<u>Years of estimated useful life</u>
Structures	33
Plant and machinery	8
Other plants, facilities and equipment	8
Other property, plant and equipment	4

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

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

4.3 Financial instruments

a) Recognition:

The Company recognises a financial instrument when it becomes an obliged party to an agreement or a legal transaction according to the provisions thereof.

Debt instruments are recognised from the date when the actual legal right to receive (or the actual legal obligation to pay) arises. Financial liabilities are recognised on the date of the contract.

b) Classification and separation of financial instruments:

Financial instruments are classified at the moment of their initial recognition as a financial asset, a financial liability or an equity instrument, according to the economic substance of the contract and to the definitions of financial asset, financial liability or equity instrument.

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

c) Claims and receivables:

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

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

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

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

d) Investments held to maturity:

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

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

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

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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

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

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

f) Available-for-sale financial assets:

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

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

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

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

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

g) Losses due to impairment of assets:

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

h) Financial liabilities:

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

Financial liabilities

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

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

Trade and other payables

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

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

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

i) Financial derivatives:

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

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

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

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

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

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

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

j) Deposits:

The deposits received as a consequence of lease agreements on letting the meters to the clients are measured according to the criteria applied to financial liabilities. The difference between the received amount and the fair value is recognised as advance collection allocated to

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

the income statement during the lease period (during the period when the service is provided). The advance payments whose application is going to take place in a long term are subject to financial adjustments at the balance sheet date of every year, depending on the market interest rate at the moment of its initial recognition.

k) Derecognition and modification of financial liabilities

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

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

4.4 Non-current assets held for sale

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

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

Non-current assets held for sale are presented in the balance sheet as follows: the assets in a single account called "Non-current assets held for sale" and the liabilities also in a single account called "Liabilities linked to non-current assets held for sale".

4.5 Inventories

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

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

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

4.6 Net equity

The share capital is represented by ordinary shares.

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

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

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

4.7 Provisions and contingent liabilities

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

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

- a) Provisions: credit balances that cover current obligations related with past events. Its settlement is likely to originate an outflow of cash; however the moment and the amount of the settlement cannot be determined.
- b) Contingent liabilities: possible obligations arising as a consequence of past events whose future materialization is subject to whether or not one or more than one of these events ends up taking place. These events are independent of the Company's will.

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

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

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

4.8 Corporate income tax

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

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

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

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

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

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

4.9 Income from sales and service provision

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

The Company recognises income when it can be reliably measured, and when it is probable that future economic profit will be generated for the Company and the specific conditions for each activity undermentioned are met. Income cannot be reliably valued until all the

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

contingencies related to a sale have been resolved. The Company bases its estimates on historical results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

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

a) Sales income

The electricity sales are recognised as income when they are delivered to the client according to the quantities supplied during a period, even if they have not yet been invoiced. Therefore the sales figures include the estimated volume of energy supplied not yet read on the client's meters.

b) Service provision

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

4.10 Leases

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

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

4.11 Transactions in foreign currency

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

4.12 Related party transactions

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

- Non-monetary contributions of a business to a group entity are measured at book value of the assets that comprise the contributed business.
- In transactions of merger, spin-off and non-monetary contribution of a business corresponding to a direct or indirect subsidiary, the acquired assets are measured at the amount attributed to them in the consolidated annual accounts upon completion of the transaction. If the transaction is carried out with other company from the group, which is not a

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

direct or indirect subsidiary, the acquired assets are measured at accounting values existing before the transaction in the individual annual accounts. The differences that arise are recorded in reserves.

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

4.13 Cash flow statement

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

- a) Operating activities: activities that make up the Company ordinary revenues and other activities that cannot be qualified as investments or financing.
- b) Investing activities: acquisition, sale or disposal activities by other means of long-term assets and other financial assets not included in cash and cash equivalents.
- c) Financing activities: activities that cause changes in the size and composition of net equity and liabilities that do not form part of operating activities.

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

4.14 Critical aspects of the measurement and estimation of uncertainty

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

a) *Valuation of equity instruments*

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

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

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

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

c) *Provisions*

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

d) *Energy income and expenses estimates*

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

5. Intangible assets

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

	Computer software	Licences and trademarks	Total
Net book value at 31-12-2016	-	-	-
Additions	7	-	7
Amortisation charge	(1)	-	(1)
Net book value at 31-12-2017	6	-	6
Cost	364	56	420
Accumulated amortisation	(354)	(56)	(410)
Impairment provision	(4)	-	(4)
Net book value at 31-12-2017	6	-	6
Merger by absorption (Note11)	1,732		1,732
Additions	897	-	897
Amortisation charge	(652)	-	(652)
Net book value at 31-12-2018	1,983	-	1,983
Cost	3,547	56	3,603
Accumulated amortisation	(1,560)	(56)	(1,616)
Impairment provision	(4)	-	(4)
Net book value at 31-12-2018	1,983	-	1,983

On 1 January 2018 the intangible assets held by Audax Energía, S.A.U. at that date, of the net amount of EUR 1,732 thousand, were incorporated because of the retroactive accounting effect of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

The recognitions in the year 2018 correspond mainly to the development and implementation of various platforms and operating software by means of using both external and internal resources.

As at 31 December 2018 the intangible assets still in use and fully amortised or impaired amount to EUR 662 thousand (EUR 412 thousand in 2017).

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

6. Property, plant and equipment

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

	Property and structures	Plant and machinery	Other plants, facilities and equipment	Information processing equipment and other fixed assets	Means of transport	Total
Net book value at 31-12-2016	-	-	-	4	-	4
Depreciation charge	-	-	-	(1)	-	(1)
Net book value at 31-12-2017	-	-	-	3	-	3
Cost	-	-	65	73	-	138
Accumulated depreciation	-	-	(50)	(70)	-	(120)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31-12-2017	-	-	-	3	-	3
Merger by absorption (Note11)	7	1,540	93	54	184	1,878
Additions	-	-	2	349	-	351
Derecognitions	-	-	-	-	(135)	(135)
Depreciation charge	-	(195)	(13)	(38)	(41)	(287)
Impairment provision	-	-	-	-	-	-
Net book value at 31-12-2018	7	1,345	82	368	8	1,810
Cost	8	1,959	195	557	91	2,810
Accumulated depreciation	(1)	(614)	(98)	(189)	(83)	(985)
Impairment provision	-	-	(15)	-	-	(15)
Net book value at 31-12-2018	7	1,345	82	368	8	1,810

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

As at 31 December 2018 the tangible assets still in use and fully depreciated or impaired amount to EUR 201 thousand (EUR 133 thousand as at 31 December 2017).

The recognitions in the year 2018 correspond mainly to the acquisition of certain computer hardware resulting from the purchase of a branch of business from the company Excelsior Times, S.L.

As at 31 December 2017 the Company does not have commitments to purchase fixed assets.

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

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

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

	Equity instruments in Group companies	Claims to Group companies	Equity instruments in associates and multi-group companies	Claims to associates and multi-group companies	Total
Net book value at 31-12-2016	37,357	44,481	7,892	-	89,730
Increases	236	3,098	269	105	3,708
Divestments/derecognitions	(28,637)	(8,918)	(133)	-	(37,688)
Transfers	35,222	(34,674)	-	-	548
Change in provisions	4,748	28,947	(112)	(105)	33,478
Balance at 31-12-2017	48,926	32,934	7,916	-	89,776
Cost	207,478	36,505	8,187	105	252,275
Financial instruments provision	(158,552)	(3,571)	(271)	(105)	(162,499)
Net book value at 31-12-2017	48,926	32,934	7,916	-	89,776
Merger by absorption (Note11)	55,172	37,505	-	-	92,677
Non-monetary contribution (Note 11)	48,034	-	-	-	48,034
Increases	136	64,063	-	8,808	73,007
Divestments/derecognitions	(24,662)	(15,089)	-	-	(39,751)
Transfers	7,673	(7,673)	-	1,058	1,058
Change in provisions	30,316	31	-	(3)	30,344
Balance at 31-12-2018	165,595	111,771	7,916	9,863	295,145
Cost	293,913	115,311	8,187	9,971	427,382
Financial instruments provision	(128,318)	(3,540)	(271)	(108)	(132,237)
Net book value at 31-12-2018	165,595	111,771	7,916	9,863	295,145

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

The Appendix II includes detailed information on equity instruments as at 31 December 2018 and 31 December 2017.

Variations in the year 2018

On 1 January 2018 the shareholdings held by Audax Energía, S.A.U. at that date, amounting to EUR 55,172 thousand, were integrated due to retroactive accounting effects of the merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11). These shareholdings correspond to the following investments of Audax Energía, S.A.U.:

Company	Country	% shareholding	Shareholding's value
Generación Iberia, S.L	Spain	100%	698
Audax Energia, S.R.L.	Italy	100%	11,740
Audax Energie, GmbH	Germany	100%	1,279
Audax Energia, SP Z.O.O.	Poland	100%	2,955
Audax Netherlands B.V.	the Netherlands	100%	38,500
			55,172

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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

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

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

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

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

Variations in the year 2017

Increases in shareholdings in the Group's companies in the year 2017 included raising share capital in the Polish subsidiary Eólica Postolin Sp. z o.o. through monetary contribution. Increases of shareholdings in associated companies included the incorporation of 4.74% of shares in the Spanish company Berta Energías Renovables, S.L.

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

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

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

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

Impairment test:

The Company has conducted impairment tests using cash flow projections in order to determine recoverable value. The impairment tests were carried out at year-end date. As a result of these tests, an allocation to the impairment provision was recorded in the amount of EUR 5,572 thousand in the year 2018 (allocation to the provision of EUR 390 thousand in the year 2017) which breaks down as follows:

	2018	2017
Provision for shareholdings	5,653	(158)
Receivables from group companies	27	488
Trade receivables from group companies	(33)	27
Other assets	(75)	33
Total	5,572	390

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

	2018	2017
Spain	(881)	3,116
Poland	6,453	(2,726)
Total	5,572	390

Provisions for shareholdings

In the year 2018 the Company has recognised provisions for impairment of different shareholdings, the breakdown of the movement in the provision by geographical segment is as follows:

Geographic segment	Accumulated provision 31.12.16	Allocation / (reversal)	Transfers	Derecognition /Divestment	Accumulated provision 31.12.17	Allocation / (reversal)	Recognition from merger by absorption	Transfers	Derecognition /Divestment	Accumulated provision 31.12.18
Spain	104,093	(2,479)	16,715	(7,168)	111,161	876	82	-	(24,663)	87,456
Poland	59,366	2,637	7,260	(21,601)	47,662	(6,529)	-	-	-	41,133
Total	163,459	158	23,975	(28,769)	158,823	(5,653)	82	-	(24,663)	128,589

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

The year's derecognitions correspond to the sale of the shareholding in the company Explotación Eólica la Pedrera, S.L.

The key assumptions used to calculate recoverable value are as follows:

- a) Discount rate: Discount rates have been calculated using the weighted average cost of capital ("WACC"), on the basis of the following variables:
 - The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year government bonds of the corresponding country.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

Year 2018

	2018					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	2.61%	1.63%	2.82%	3.55%	0.91%	0.88%
Risk premium *	6.77%	6.56%	6.92%	6.79%	6.77%	6.65%
Cost of capital	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

	Spain	France	Poland	Italy	the 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 plus an alpha factor.

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

- b) Prices: The purchase-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 the generating plants: the production hours employed in the calculation of the impairment test have been based, for the generating plants in operation, 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 generating 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 on the basis of previous results and the expectations regarding market evolution. The weighted average growth rates are consistent with the forecasts included in the industry reports.

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

- Estimated useful life of the wind projects: 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 financial investments amounting to EUR 6,529 thousand related to the Postolin wind farm in Poland.

Sensitivity Analysis:

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

For the year 2018,

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

For the year 2017,

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

b) Loans to Group companies, multi-group companies and associated companies

Variations in the year 2018

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

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

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

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

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

Furthermore, during the year loans granted by the Company to its subsidiaries have been returned.

The loans that the Company has granted to the Group companies, associated companies and multi-group companies have an interest rate calculated on the basis of a market interest rate.

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

Variations in the year 2017

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

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

At 31.12.17			
Business Segment	Generation		
Geographic segment	Loans to group companies	Provisions	Net Value
Spain	33,063	(1,677)	31,386
Poland	1,999	(1,999)	-
France	1,548	-	1,548
Total	36,610	(3,676)	32,934

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

The balances of the accounts which comprise short-term investments in group companies, multi-group companies and associated companies are as follows:

	At 31.12.18	At 31.12.17
Loans to companies	5,731	7,425
Other financial assets	906	2,195
Investments in group companies and associated companies	6,637	9,620

On 1 January 2018 the balances of Audax Energía, S.A.U. relating to short-term investments in group, multi-group and associated companies at that date, amounting to EUR 3,848 thousand, were integrated as a consequence of the retroactive accounting effects of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The breakdown of the integrated accounts is as follows:

	Merger by absorption (Note11)
Loans to companies	1,450
Other financial assets	2,398
Investments in group companies and associated companies	3,848

The balance of loans to companies of the year 2018 is mostly comprised of a negative balance against Excelsior Times, S.L. in the amount of EUR 2,712 thousand as a consequence of recording the corporate tax under the tax consolidation system (Note 17 and 20) (EUR 3,010 thousand in the year 2017) and of balances for current accounts with group companies.

The amount of Other financial assets for the year 2017 and 2018 relates to dividends receivable from other Group companies.

8. Financial assets

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

	At 31.12.18	At 31.12.17
Equity instruments	11	-
Loans to third parties	(5)	-
Debt securities	45	-
Derivatives	1,329	-
Other financial assets	3,706	1,063
Total non-current financial assets	5,086	1,063
Equity instruments	2,391	-
Loans to third parties	511	-
Debt securities	636	-
Derivatives	8,345	-
Other financial assets	9,029	-
Total current financial assets	20,912	-

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

On 1 January 2018 the balances of Audax Energía, S.A.U. relating to financial assets at that date, amounting to EUR 4,212 thousand in non-current assets and to EUR 49,178 thousand in current assets, were integrated due to the retroactive accounting effect of its merger with Audax Renovables, S.A., and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11). The breakdown of the integrated accounts is as follows:

	Merger by absorption (Note11)
Equity instruments	11
Loans to third parties	-
Debt securities	45
Derivatives	3,414
Other financial assets	742
Total non-current financial assets	4,212
Equity instruments	4,933
Loans to third parties	36
Debt securities	2,725
Derivatives	6,313
Other financial assets	35,171
Total current financial assets	49,178

Equity instruments

As at 31 December 2018 the balance of current and non-current equity instruments includes mainly the amounts held by the Company in different investment funds with short-term and long-term maturity, respectively.

Derivatives

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

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

	At 31.12.18		At 31.12.17	
	Assets	Other financial liabilities	Assets	Other financial liabilities
Derivative financial instruments				
Commodity price cash flows hedge				
Non-current	1,329	-	-	-
Current	8,345	-	-	-
Total	9,674	-	-	-

As at 31 December 2018 the Company holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Company hedges against the risk of energy price changes for a maximum net volume of 59 MW for the year 2019, 20 MW for the year 2020, 6 MW for the year 2021 and 5 MW for the years 2022, 2023 and 2024. As at 31 December 2018 the net fair value of these derivative financial instruments amounts to EUR 9,674 thousand.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

As at 31 December 2018 the Company does not hold any derivative which would not fulfil the criterion of hedge accounting application established by the standards of the General Accounting Plan, therefore the changes in the value of these financial instruments are recorded (net of their tax effect) in the net equity. The impact on the net equity of these hedges amounts to EUR 7,256 thousand.

Other financial assets

As at 31 December 2018 this account is comprised mainly of fixed-term deposits in financial entities, classified as non-current or current assets according to their maturity date, on which an interest is accrued at a market interest rate.

The account of non-current 'Other financial assets' in the year 2017 was related mainly to the non-current receivables with the subsidiary Parque Eólico Toabré S.A. (formerly Fersa Panamá, S.A.).

9. Trade and other receivables

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

	At 31.12.18	At 31.12.17
Trade receivables	66,746	-
Receivables from group companies and associates (Note 20)	4,292	1,652
Sundry receivables	189	4
Personnel	(3)	-
Current tax assets	263	2
Other receivables from Public Administrations	150	-
Valuation adjustments due to impairment (Note 20)	(11,426)	(1,238)
Trade and other receivables	60,210	420

On 1 January 2018 the balances of Audax Energía, S.A.U. relating to trade and other receivables at that date, amounting to EUR 66,929 thousand were integrated due to retroactive accounting effect of the merger with Audax Renovables, S.A. and of the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11). The breakdown of the integrated accounts is as follows:

	Merger by absorption (Note11)
Trade receivables	69,967
Receivables from group companies and associates	3,708
Sundry receivables	523
Personnel	4
Current tax assets	-
Other receivables from Public Administrations	1,529
Valuation adjustments due to impairment	(8,802)
Trade and other receivables	66,929

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The account Receivables from group companies and associates includes provided services of technical, accounting and administrative assistance as well as the bilateral energy sales activity, price hedges and representation services provided to various companies of the Group. The accounts receivable are not insured and no interest is accrued on them.

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

In general, no interest is charged on outstanding invoices.

There are no overdue financial assets at the date of presentation of these individual Annual Accounts.

Impairment movement

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

Balance at 1 January 2018	(1,238)
Incorporation of merger impairment	(8,802)
Charges	(1,912)
Reversals	526
Balance at 31 December 2018	(11,426)

10. Cash and other cash equivalents

	At 31.12.18	At 31.12.17
Treasury	33,246	249
Other cash equivalents	1,061	-
Total	34,307	249

On 1 January 2018 the balances of Audax Energía, S.A.U. relating to Treasury at that date, amounting to EUR 40,974 thousand, were integrated due to retroactive accounting effect of the merger with Audax Renovables, S.A., and the merger by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11).

There are no restrictions to the disposable cash as at 31 December 2018.

11. Net equity

a) Share capital

The Extraordinary General Meeting of Shareholders of the Company on 2 May 2007 agreed to increase share capital by EUR 37,755,975 through the issue of 37,755,975 ordinary shares with a par value of EUR 1 each, and a share premium of EUR 3 per share. On 9 July 2007 this capital increase was accounted for after it was inscribed in the Registry of the Spanish National Security Market Commission (CNMV), recorded in a public deed and entered into the Commercial Register.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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

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

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

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

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

On 23 November 2018 the Extraordinary General Meeting of Shareholders of Audax Renovables, S.A. approved the project of merger between Audax Renovables S.A. (acquiring company) and Audax Energía S.A.U. (acquired company) which had been formulated by the Board of Directors of both companies on 29 June 2018 and was entered into the Commercial Register on 25 January 2019. 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.

Previously, on 28 June 2018, the General Meeting of Shareholders of the company Audax Energía S.A. 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. This merger transaction was entered into the Commercial Register on 19 October 2018. The merger implied an en bloc transfer of assets of the acquired companies (Orus Energía, S.L.U. and A-Dos Energía, S.L.U.) to the acquiring company (Audax Energía S.A.U.) and the dissolution without liquidation of the acquired companies. The acquired companies as well as the acquiring company were owned directly by the same sole shareholder.

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

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

statements of both companies as at 31 December 2017 (Note 17). Likewise, in accordance with the regulation of NRV 21 section 2.2 of the General Accounting Plan, it was considered that both transactions have effect since 1 January 2018.

The breakdown of the assets and liabilities of Audax Energía, S.L., Orus Energía, S.L. and A-Dos Energía, S.L. which were incorporated into Audax Renovables as of 1 January 2018, in compliance with the requirements established in the applicable regulations, is as follows:

ASSETS	Audax Energía, S.A.	A-Dos Energía, S.L.	Orus Energía, S.L.	TOTAL	LIABILITIES AND NET EQUITY	Audax Energía, S.A.	A-Dos Energía, S.L.	Orus Energía, S.L.	TOTAL
NON-CURRENT ASSETS	91,623	4,154	4,725	100,502	NET EQUITY	215	7,294	-	7,509
Intangible assets	1,109	611	12	1,732	Shareholders' equity	-	-	-	-
Property, plant and equipment	1,688	11	179	1,878	Capital	-	-	-	-
Long-term investments in group companies and associates	88,158	-	4,519	92,677	Share premium	-	-	-	-
Non-current financial assets	666	3,532	14	4,212	Reserves	-	-	-	-
Deferred tax assets	2	-	1	3	Result for the year	-	-	-	-
					Valuation adjustments	215	7,294	-	7,509
					NON-CURRENT LIABILITIES	111,280	8,328	113	119,721
CURRENT ASSETS	144,190	21,915	1,700	167,805	Long-term provisions	-	-	-	-
Trade and other receivables	52,133	13,797	999	66,929	Non-current liabilities	111,208	9	113	111,330
Short-term investments in group companies and associates	3,613	167	68	3,848	Non-current liabilities with group companies and associates	-	5,888	-	5,888
Current financial assets	42,362	6,313	503	49,178	Other non-current liabilities	-	-	-	-
Prepayments	5,538	1,315	23	6,876	Deferred tax liabilities	72	2,431	-	2,503
Cash and other cash equivalents	40,544	323	107	40,974	CURRENT LIABILITIES	132,511	10,215	4,782	147,508
					Current liabilities	60,761	3,511	1,017	65,289
					Current liabilities with group companies and associates	41,574	1,405	2,118	45,097
					Trade and other payables	30,176	5,299	1,647	37,122
					Prepayments	-	-	-	-
TOTAL ASSETS	235,813	26,069	6,425	268,307	TOTAL LIABILITIES AND NET EQUITY	244,006	25,837	4,895	274,738

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

All these transactions were carried out between companies which belong directly or indirectly to the same Group. Therefore, and according to NRV 21 section 2.2 of the General Accounting Plan, the assets and liabilities integrated into the group were incorporated at their book value in the acquired or contributing company, and the difference between those book values and the values at which the capital increases were carried out, together with the cost related to the transaction, were recognised in reserves in the negative amount of EUR 356,103 thousand corresponding to the merger transactions, and in the positive amount of EUR 48,034 thousand corresponding to the non-monetary contribution of ADS Energy 8.0, S.L.U. and Eryx Investments 2017, S.L.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share price at 31 December 2018 of the Company's shares was EUR 1.285 per share (EUR 0.44 as at 31 December 2017).

At the date of formulating 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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

As at 31 December 2018, the Share capital is divided in 440,291,054 shares of a nominal value of EUR 0.70 each share.

The breakdown of the Company's shareholders with more than 10% of shares as at 31 December 2018 and 31 December 2017, is as follows:

Shareholders	At 31.12.18	At 31.12.17
	%	%
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.U. were Eléctrica Nuriel, S.L.U. with 33% and Banana Phone, S.L.U. with 67%. Both companies were merged in the present year, as indicated in Note Nota 1.

b) Share premium account

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

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

c) Reserves

The companies that gain profit for a financial year are obliged to allocate ten per cent of the profit to the established reserve fund until it reaches at least 20 per cent of the share capital. This reserve fund, as long as it does not exceed the indicated limit, may be used only to compensate losses in case there were no other available reserves to use for this purpose. On the other hand, the fund may be also used to increase the capital in the amount exceeding 10 per cent of the increased capital.

As at 31 December 2018 the Company has a legal Reserve amounting to EUR 17,029 thousand (EUR 16,266 thousand as at 31 December 2017).

	At 31.12.18	At 31.12.17
Legal and statutory		
Legal Reserve	17,029	16,266
Other reserves		
Voluntary reserves	-	-
Other reserves	(613,681)	(312,484)
Total	(596,652)	(296,218)

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

d) Treasury shares

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

e) Distribution of earnings:

The Company's General Meeting of Shareholders held on 27 June 2018 agreed to distribute the profit for the year 2017 amounting to EUR 7,635 thousand allotting to the legal reserve the amount of EUR 763 thousand and to offset the losses from the previous years - the amount of EUR 6,872 thousand.

The proposed appropriation of earnings of Audax Renovables, S.A. for the year 2018 which the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

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

Basis of distribution	EUR
To the legal reserve	1,997,537
To offset the loss from previous years	17,977,837
Total	19,975,375

As indicated in Note 2, the Directors of the Company plan to include in the agenda of the Ordinary 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 of the Company and situate its assets in an optimum state, which will enable – if the circumstances allow it – the distribution of future dividends.

f) Profit / (Loss) per share:

The profit / (loss) per share is calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in 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 thousand)	19,975	7,635
Profit / (Loss) per share (euros per share)		
- Basic	0.1165	0.0545
- Diluted	0.1165	0.0545

As a result of the reverse merger carried out in the year 2018, 300,287,276 new shares were issued on 23 November 2018 (Note 1), which had an impact on the average number of shares throughout the year.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

12. Provisions

As at 31 December 2018 and 31 December 2017 no provisions have been recorded.

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

13. Financial liabilities

The breakdown of financial liabilities, excluding liabilities towards the Group, trade and other payables, as at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Bonds and other negotiable securities	98,158	-
Bank loans	8,600	-
Other financial liabilities	-	54
Total non-current financial liabilities	106,758	54
Bonds and other negotiable securities	67,985	-
Bank loans	35,046	4,608
Other financial liabilities	-	-
Total current financial liabilities	103,031	4,608

As of 1 January 2018 the balances of Audax Energía, S.A.U., corresponding to non-current financial liabilities at that date, amounting to EUR 111,330 thousand and current financial liabilities amounting to EUR 65,289 thousand, were integrated due to the retroactive accounting effect of the merger with Audax Renovables, S.A., and of the mergers by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11). The breakdown of the integrated accounts is as follows:

	Merger by absorption (Note11)
Bonds and other negotiable securities	85,128
Bank loans	24,449
Other financial liabilities	1,753
Total non-current financial liabilities	111,330
Bonds and other negotiable securities	29,427
Bank loans	35,853
Other financial liabilities	9
Total current financial liabilities	65,289

Bonds and other negotiable securities

The Board of Directors of the acquired company Audax Energía, S.A.U., 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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

In January 2017 Audax Energía, S.A.U. 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. This promissory note programme was expanded in February 2019 by a maximum amount of EUR 75,000 thousand with maturities of up to 2 years.

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.

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.

The outstanding amount as at 31 December 2018 is EUR 4,160 thousand.

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

The amount disclosed under the Bonds 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.

Bank loans

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

	2018	2017
Loans	29,641	4,608
Lines of credit	2,863	-
Reverse factoring and similar	11,142	-
Total bank loans	43,646	4,608

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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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.

The main loans of the 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.

Classification of Financial Liabilities by maturity date

	2019	2020	2021	2022	2023	Total
Bonds and other negotiable securities	67,985	(579)	(579)	64,569	34,747	166,143
Bank loans	35,046	5,588	2,071	941	-	43,646
	103,031	5,009	1,492	65,510	34,747	209,789

14. Other liabilities

The breakdown of Other current and non-current liabilities as at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Guarantees and deposits received	438	-
Long-term deferred payments	-	583
Other non-current liabilities	438	583
Guarantees and deposits received	14	-
Long-term deferred payments	611	584
Other current liabilities	625	584

'Deferred payments' include mainly pending payments for the purchase of the company Parque Eólico Toabré, S.A. (formerly Fersa Panamá, S.A.). No interest is charged on this deferred payment which falls due in November 2019.

15. Trade and other payables

	At 31.12.18	At 31.12.17
Suppliers	26,360	-
Suppliers – group companies (Note 20)	1,044	-
Sundry payables	13,133	197
Personnel	212	15
Current tax liabilities	(35)	
Public Administrations (Note 18.d)	12,919	122
Trade and other payables	53,633	334

As of 1 January 2018 the balances of Audax Energía, S.A.U., relating to trade and other payables at that date, amounting to EUR 37,122 thousand, were integrated due to the retroactive accounting effect of the merger with Audax Renovables, S.A., and of the mergers by which Audax Energía, S.A.U. acquired Orus Energía, S.L.U. and A-DOS Energía S.L.U. (Note 11). The breakdown of the integrated accounts is as follows:

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

	Merger by absorption (Note11)
Suppliers	13,064
Suppliers – group companies	4,390
Sundry payables	15,451
Personnel	149
Public Administrations	4,068
Trade and other payables	37,122

The amount of Public Administrations for the year 2018 relates mainly to the Electricity Municipal FEE (IMU).

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

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

	2018	2017
	Days	Days
Average period of payment to suppliers	36	64
Paid operations ratio	33	66
Ratio of the operations with outstanding payment	36	12

	(EUR thousands)	(EUR thousands)
Total payments carried out	466,657	754
Total outstanding payments	46,210	41

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

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

16. Risk management

The Company, 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.

Therefore, Audax Renovables 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. This is why the Board of Directors, being aware of their importance,

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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 risk hedging instruments.
- d) Information on the risks faced by the Group and of the systems implemented to mitigate them.
- e) Adjusting this 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 Company, being aware of their importance, has been taking the appropriate measures concerning the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall Company's risk management programme is centred on the uncertainty of the financial markets and attempts to minimise the potential adverse effects on its financial profitability.

Interest rate risk

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

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

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

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

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

	At 31.12.18	At 31.12.17
Fixed interest rate	201,462	-
Floating interest rate	8,327	4,608
Total	209,789	4,608

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:

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2018	10%	(41)
	(10%)	38
2017	10%	(2)
	(10%)	2

This effect does not include the impact that would result from interest rate fluctuations on asset impairments, considered in Note 7.

Exchange rate risk

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

The main non-euro currencies with which Audax Renovables, S.A. operates in 2018 are the dollar and the zloty.

Commodity price of electricity risk

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 Company operates in the energy generation business 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 Company to attain desirable profit margins and investment recovery levels. A reduction of the prices below those levels could have a significant adverse effect on the business, the financial situation and the results of the Company's operations.

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

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 business, does keep policies to ensure that the energy is sold to the clients with appropriate credit history, e.g. sales carried out through analysis of client scoring before signing the contract.

The designation of an existing credit risk as bad debt is established according to the implemented accounting principles (Note 2). In particular, the Company carries out an individual

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

analysis of the unpaid credits older than 180 days, clients in state of insolvency as well as the clients with relevant proceedings initiated against them.

As at 31 December 2018, and after the incorporation of the retailing business (Note 1), the provision for bad debts amounts to EUR 10,233 thousand. As at 31 December 2017 there were no provisions for bad debt as they were not considered to be necessary.

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

As at 31 December 2018 and 2017, the Company did not have significant credit risk concentrations.

Liquidity risk

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

Management follows up the liquidity reserve forecasts of the Company (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note 13, to which the payments corresponding to Trade and other payables maturing in 2018 should also be added (Note 15).

As at 31 December 2018 available liquidity amounts to EUR 249 thousand including cash and other cash equivalents (EUR 249 thousand as at 31 December 2017), and there are no undrawn credit facilities.

Capital management

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

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

	At 31.12.18	At 31.12.17
Long-term financial liabilities (Note 13)	106,758	-
Short-term financial liabilities (Note 13)	103,031	4,608
Derivatives	(9,674)	-
Financial assets	(16,324)	-
Cash and other cash equivalents	(34,307)	(249)
Net financial liabilities:	149,484	4,359
Net equity (Note 11)	159,099	88,368
Leverage (Net financial liabilities / (Net financial liabilities + Net equity))	48.44%	4.70%

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

Guarantee terms risk

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

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

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

Access to finance

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

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

17. Tax situation

The movement in deferred tax is as follows:

	Balance 31.12.17	Change in scope	Recognitions	Derecognitions	Balance 31.12.18
Deferred tax assets	-	-	170	-	170
Deferred tax liabilities	(3,625)	(3)	(2,408)	247	(5,789)
Net total	(3,625)	(3)	(2,238)	247	(5,619)

	Balance 31.12.16	Change in scope	Recognitions	Derecognitions	Balance 31.12.17
Deferred tax assets	1,724	-	-	(1,724)	-
Deferred tax liabilities	(5,653)	-	-	2,028	(3,625)
Net total	(3,929)	-	-	304	(3,625)

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The composition of taxable income for the year 2018 is as follows:

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

The composition of taxable income for the year 2017 is as follows:

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

The decreases of temporary differences arising from previous years before 2018 refer mostly to the tax reversal of impairment provisions recorded in previous years (Note 7).

The comparison between the applicable tax rate and the effective tax rate for the years 2018 and 2017 is as follows:

	2018	%	2017	%
Profit (loss) before tax	21,551		4,401	
Theoretical tax	5,388	25%	1,100	25%
Permanent differences due to dividends	(616)		(99)	
Other permanent differences	247		-	
Goodwill amortisation	(317)		(317)	
Incorporation of profit (loss) provided by subsidiaries of the tax group	-		1,878	
Profit from disposal of shares	(494)		-	
Charge / reversal of financial provision	(1,393)		(7,792)	
Non-recognition of tax credits	-		2,245	
Use of NOLs and tax credits	(1,103)		-	
Other	(136)		(249)	
Corporate income tax accrued	1,576		(3,234)	

Due to the fact that the Company is subject to the tax consolidation system, the income tax balance for the year is a payable of Excelsior Times, S.L. amounting to EUR 1,474 thousand (Note 20).

As at 31 December 2018 the Company has net operating losses (NOL) to be carried forward amounting to EUR 118,998 thousand (EUR 117,403 thousand as at 31 December 2017). The

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

Company has decided not to recognise these amounts in its annual accounts as it considers that there are uncertainties regarding the possibility to recover them.

The various merger transactions and the non-monetary contribution carried out in the year 2018 (Note 11.a) have been submitted to the tax system established in chapter VII of Title VII of the Law 27/2014, of 27 November 2014, on Corporate Income Tax.

The years in which the merged companies acquired the assets incorporated into Audax Renovables, S.A. susceptible to amortisation or depreciation are as follows:

AUDAX ENERGIA, S.A.U.		EUR thousand								
		2010	2011	2012	2013	2014	2015	2016	2017	Total
Intangible assets	Computer software									
	Cost	2	-	2	39	59	21	50	1,181	1,354
	Accumulated amortisation	-	(1)	(1)	(1)	(33)	(36)	(41)	(132)	(245)
	Total	2	(1)	1	38	26	(15)	9	1,049	1,109
Property, plant and equipment	Structures									
	Cost	-	-	-	-	8	-	-	-	8
	Accumulated depreciation	-	-	-	-	-	-	-	-	(1)
		-	-	-	-	8	-	-	-	7
	Facilities									
	Cost	-	-	-	-	739	442	710	59	1,950
	Accumulated depreciation	-	-	-	-	(31)	(81)	(109)	(189)	(410)
		-	-	-	-	708	361	601	(130)	1,540
	Equipment									
	Cost	-	-	-	-	83	13	24	7	127
	Accumulated depreciation	-	-	-	-	(2)	(9)	(13)	(11)	(35)
		-	-	-	-	81	4	11	(4)	92
	Computer hardware									
	Cost	3	-	-	-	1	35	-	33	72
	Accumulated depreciation	-	(1)	(1)	(1)	(1)	(6)	(10)	(8)	(28)
	3	(1)	(1)	(1)	-	29	(10)	25	44	
Means of transport										
Cost	-	-	-	-	13	-	-	-	13	
Accumulated depreciation	-	-	-	-	(1)	(2)	(2)	(3)	(8)	
	-	-	-	-	12	(2)	(2)	(3)	5	
	Total	3	(1)	(1)	(1)	809	392	600	(112)	1,688

A-DOS ENERGIA, S.L.U.		Miles de euros								
		2010	2011	2012	2013	2014	2015	2016	2017	Total
Intangible assets	Computer software									
	Cost	-	-	-	-	-	9	313	468	790
	Accumulated amortisation	-	-	-	-	-	(2)	(18)	(159)	(179)
	Total	-	-	-	-	-	7	295	309	611
Property, plant and equipment	Equipment									
	Cost	-	-	-	-	-	-	-	1	1
	Accumulated depreciation	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	1	1
	Computer hardware									
	Cost	-	-	-	-	-	-	-	12	12
Accumulated depreciation	-	-	-	-	-	-	-	(2)	(2)	
	-	-	-	-	-	-	-	10	10	
	Total	-	-	-	-	-	-	-	11	11

ORUS ENERGIA, S.L.		Miles de euros								
		2010	2011	2012	2013	2014	2015	2016	2017	Total
Intangible assets	Computer software									
	Cost	15	34	56	14	-	7	17	-	143
	Accumulated amortisation	(1)	(8)	(17)	(29)	(29)	(23)	(17)	(7)	(131)
	Total	14	26	39	(15)	(29)	(16)	-	(7)	12
Property, plant and equipment	Facilities									
	Cost	-	9	-	-	-	-	-	-	9
	Accumulated depreciation	-	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(9)
		-	8	(1)	(1)	(1)	(1)	(1)	(3)	-
	Computer hardware									
	Cost	-	17	31	2	-	-	-	-	50
	Accumulated depreciation	-	(1)	(7)	(12)	(13)	(11)	(6)	-	(50)
		-	16	24	(10)	(13)	(11)	(6)	-	-
	Means of transport									
	Cost	5	-	-	72	-	-	239	-	316
Accumulated depreciation	(1)	(2)	(1)	(10)	(12)	(12)	(40)	(59)	(137)	
	4	(2)	(1)	62	(12)	(12)	199	(59)	179	
	Total	4	22	22	51	(26)	(24)	192	(62)	179

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The Balance Sheets of the merger transactions approved by the acquired companies are those of the balance sheet date of 31 December 2017, and the transactions carried out by the acquired companies are considered to have been carried out by the acquiring company - Audax Renovables, S.A., for tax purposes, as of 1 January 2018 (Note 11.a). The assets and liabilities have been incorporated at their book value and there are no assets incorporated at a different value.

ASSETS	Audax Energía, S.A.	A-Dos Energía, S.L.	Orus Energía, S.L.	LIABILITIES AND NET EQUITY	Audax Energía, S.A.	A-Dos Energía, S.L.	Orus Energía, S.L.
NON-CURRENT ASSETS	148,678	4,154	5,043	NET EQUITY	49,077	7,526	1,848
Intangible assets	1,109	611	12	Shareholders' equity	48,862	232	1,848
Property, plant and equipment	1,688	11	179	Capital	1,800	3	292
Long-term investments in group companies and associates	145,213	-	4,837	Share premium	-	-	195
Non-current financial assets	666	3,532	14	Reserves	37,325	218	2,037
Deferred tax assets	2	-	1	Other contributions of shareholders	-	700	-
				Profit (loss) for the year	9,737	(689)	(676)
				Valuation adjustments	215	7,294	-
CURRENT ASSETS	144,190	21,915	1,700	NON-CURRENT LIABILITIES	111,280	8,328	113
Trade and other receivables	52,133	13,797	999	Long-term provisions	-	-	-
Short-term investments in group companies and associates	3,613	167	68	Non-current liabilities	111,208	9	113
Current financial assets	42,362	6,313	503	Non-current liabilities to group companies and associates	-	5,888	-
Prepayments	5,538	1,315	23	Other non-current liabilities	-	-	-
Cash and other cash equivalents	40,544	323	107	Deferred tax liabilities	72	2,431	-
				CURRENT LIABILITIES	132,511	10,215	4,782
				Current liabilities	60,761	3,511	1,017
				Current liabilities to group companies and associates	41,574	1,405	2,118
				Trade and other payables	30,176	5,299	1,647
				Prepayments	-	-	-
TOTAL ASSETS	292,868	26,069	6,743	TOTAL LIABILITIES AND NET EQUITY	292,868	26,069	6,743

There are no tax benefits of the acquired companies for which Audax Renovables, S.A. should assume any obligation.

The non-monetary contribution carried out by Eléctrica Núriél S.L.U. to Audax Energía, S.L.U is considered for tax purposes to be carried out on 19 October 2018. (Note 11.a). The shares in the company ADS Energy 8.0, S.L.U. were acquired by Eléctrica Nuriel, S.L.U and the shares of Eryx Investments 2017, S.L. were acquired by Banana Phone, S.L.U, both on 15 December 2017.

The book value of the contributed assets corresponds to the book value that they had in the assigning company.

The companies Eléctrica Nuriel, S.L. and Banana Phone, S.L.U carried out a process of merger in the year 2018 with tax effects as of 1 January 2018 (Note 1).

The last balance sheets of the companies contributing the shares are those of the balance sheet date of 31 December 2017:

ASSETS	Eléctrica Nuriel, S.L.U.	Banana Phone, S.L.U.	LIABILITIES AND NET EQUITY	Eléctrica Nuriel, S.L.U.	Banana Phone, S.L.U.
CURRENT ASSETS	4,514	1,816	NET EQUITY	1,402	1,593
Long-term investments in group companies and associates	4,513	1,816	Shareholders' equity	1,402	1,593
Non-current financial assets	1	-	Capital	12	3
			Share premium	1,274	-
			Reserves	(1,779)	805
			Other contributions of shareholders	2,024	-
			Profit (loss) for the year	(129)	785
NON-CURRENT ASSETS	125	33	NON-CURRENT LIABILITIES	2,982	242
Trade and other receivables	74	20	Non-current liabilities to group companies and associates	2,982	242
Short-term investments in group companies and associates	10	10			
Current financial assets	1	-	CURRENT LIABILITIES	255	14
Cash and other cash equivalents	40	3	Current liabilities	9	-
			Current liabilities to group companies and associates	163	14
			Trade and other payables	83	-
TOTAL ASSETS	4,639	1,849	LIABILITIES AND NET EQUITY	4,639	1,849

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

There are no tax benefits of the companies Eléctrica Nuriel, S.L. and Banana Phone, S.L.U for which Audax Renovables, S.A. should assume any obligation.

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

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

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

Excelsior Times, S.L.U	Parc Eòlic 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 servicios, 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	

18. Income and expenses

a) Net turnover

The breakdown of the net turnover is as follows:

	National		Rest of the European Union		Total	
	2018	2017	2018	2017	2018	2017
Income from energy retailing	359,637	-	110,752	-	470,390	-
Provision of services	10,096	1,571	161	127	10,257	1,698
Other	-	2,363	-	999	-	3,362
Net turnover	369,734	3,934	110,913	1,126	480,647	5,060

The annual accounts for the year 2018 include the financial statements of a permanent establishment in Portugal. Its registered address is at Avenida das Túlipas, 6, 18º, Lisboa.

As the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate of the volume of sales to customers that has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured under the heading "Trade and other

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

receivables" of the assets of the Balance Sheet and, as at 31 December 2018, amounts to EUR 35,897 thousand. Regarding this energy, there is an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 7,376 thousand.

Additionally, in the income statement for the year 2018 the Company presents an amount of EUR 987 thousand related to deficient provisions in connection with the provision for costs of energy purchase to be incurred, according to the best estimate made by the Company on the basis of available historical information.

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

The net turnover for the year 2017 is comprised of the accounts relating to the pure Holding activity that the Company had been carrying out. It includes the income from dividends and interest on the loans granted to the group companies.

b) Procurements

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

	2018	2017
Consumption of goods	(438,834)	-
National purchases	(362,873)	-
Intra-Community purchases	(75,961)	-
Import purchases	-	-
Work performed by other entities	(9,919)	-
Procurements	(448,753)	-

As indicated in previous paragraph, as the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 7,376 thousand. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the Balance Sheet. Additionally, there is an estimate related to the invoices for energy purchase not yet received, amounting to EUR 2,785 thousand. The accumulated balances under this heading are included in the "Trade and other payables" account of the liabilities in the attached Balance Sheet.

In 2018 the Company signed 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.

c) Staff costs

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

	2018	2017
Wages and salaries	(6,825)	(720)
Damages	(411)	-
Employer contributions	(1,621)	(132)
Other social expenses	(27)	-
Total staff costs	(8,884)	(852)

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

	2018	2017
Management*	3	2
Technicians	39	9
Back office staff	173	-
Total	215	11

* Including internal auditor.

As a consequence of the merger transaction (Note 1), the average number of employees of the Company increased according to the data indicated above.

Furthermore, in accordance with the provisions of the Organic Law 3/2007, of 22 March 2007, on gender equality, published in the BOE on 23 March 2007, the number of employees at the end of the year 2018 and 2017 by category and gender is as follows:

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

* Including internal auditor.

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

* Including internal auditor.

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

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

	2018	2017
Management*	-	-
Technicians	-	-
Back office staff	2	-
Total	2	-

In the year 2017 there were no employees with a disability equal to or greater than 33%.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

d) Other operating expenses

The breakdown of other operating expenses is as follows:

	2018	2017
External services	(7,118)	(567)
Taxes (Note 15)	(3,333)	(6)
Loss, impairment and change in provisions for commercial transactions	(2,461)	-
Other current operating expenses	(448)	-
Total operating expenses	(13,360)	(573)

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

e) Financial income (expense)

	2018	2017
Financial income	8,870	-
From equity instruments	2,466	-
In group companies and associates (Note 20)	2,466	-
From negotiable securities, loans and other financial instruments	6,404	-
In group companies and associates (Note 20)	4,901	-
In third parties	1,503	-
Financial expenses	(8,126)	(313)
Liabilities to third parties	(6,591)	(313)
Other financial expenses	(1,535)	-
Exchange differences	(70)	221
Impairment and profit (loss) on disposal of financial instruments (Note 7)	7,561	832
Reversal/(Impairment) and earnings/(losses)	5,605	390
Profit (loss) on disposal and others	1,956	442
NET FINANCIAL INCOME (EXPENSE)	8,235	740

19. Commitments and contingencies

Guarantees with third parties

As at 31 December 2018 the Company has received guarantees from financial entities against third parties in the amount of EUR 31,190 thousand (EUR 2,420 thousand as at 31 December 2017). These guarantees have been granted in order to insure the purchase transactions on the electricity market.

The Company's Management considers that the liabilities not provided for as at 31 December 2018, if any, which could arise from the commitments indicated in this Note and in Note 14, will not be significant to these annual accounts.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

Contractual commitments

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

Period	31.12.18	31.12.17
Up to one year	260	9
Between one and five years	397	5
More than five years	-	-
Total	657	14

Operating lease expenses in the year 2018 amount to EUR 203 thousand (EUR 80 thousand in 2017).

The increase in 2018 of the future payments is mainly a consequence of the integration of the contractual commitments proceeding from Audax Energía, S.A. and corresponding primarily to the offices rental in Badalona and to the rental of the Company's offices for its subsidiary in Portugal.

Audax Renovables, S.A. considers that the provisions and value adjustments recorded in these Annual Accounts adequately cover the contingencies stated in this Note and therefore, it does not expect that they will generate any liabilities or value adjustments other than those which have been recorded (Note7).

20. Information on related party transactions

Related parties are:

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

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

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

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

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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

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

a) Balances with related parties:

The accounts receivable and payable with the parent company (considering the parent company to be Excelsior Times, S.L for the year 2018, and Audax Energía, S.A.U. for the year 2017) and with the companies from the Excelsior Group as at 31 December 2018 and 2017 are as follows:

Year 2018

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

Year 2017

	Parent company	Group and related companies	Total
Long-term investments in group entities and associates (Note 7)	-	89,776	89,776
Trade and other payables			
Short-term payables to Group companies and associates	-	414	414
Short-term investments in group entities and associates (Note 7)	7,010	2,610	9,620
Total assets	7,010	92,800	99,810
Non-current liabilities to group entities and associates	1,872	-	1,872
Current liabilities to group entities and associates	-	1,109	1,109
Total liabilities	1,872	1,109	2,981

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

b) Related party transactions:

Year 2018

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

Year 2017

	Parent company	Group and related companies	Total
Turnover			
Technical, accounting and administration services	-	1,698	1,698
Dividends	-	398	398
Interest	-	2,964	2,964
Total income	-	5,060	5,060
Other operating expenses			
Offices rental	-	5	5
Financial expenses			
Interest on Audax Energía, S.A.'s loan	22	-	22
Total expenses	22	5	5

In the year 2018 the income from the most significant transactions carried out with the group companies relates to

- Energy sales under bilateral contracts.
- Invoicing to the energy generating companies from the group for market representation.
- Invoicing to other companies for the works performed by the staff on the Company's payroll.
- Invoicing for technical assistance and administration services.
- Energy price hedging contracts.
- Expenses related to offices rental.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The expenses for the most significant transactions in the year 2018 relate to the energy purchase for the group companies and recovery services.

The income with related parties for the year 2017 relates to the Holding business activity carried out by the company and it was comprised of the services provided to the Group involving technical and accounting assistance, the dividends receivables and the interest collectible on the loans granted to the Group companies.

c) Transactions with Directors and management:

There were no transactions made with Directors or management members in the year 2018.

21. 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 applicable for 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 accrued 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 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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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 Company.

Senior Management's remuneration

The remuneration accrued 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 Company is made up of one woman and two men, including the internal auditor (one woman and one man in 2017, including the internal auditor).

22. Auditors' fees

The audit company (KPMG Auditores, S.L.) of the annual accounts of the Company has invoiced throughout the years ended on 31 December 2018 and 2017 fees for professional services in the following amounts:

	2018	2017
Audit services	137	44
Other services related to the audit	63	20
Total audit services and related services	200	64
Total professional services	200	64

The amounts featured in the above table include the entirety of the fees related to the services rendered during the years 2018 and 2017, independently of the invoice date.

The net fees accrued by other entities associated to KPMG International in 2018 amount to EUR 80 thousand (EUR 0 in 2017).

23. Natural environment

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

In 2018 and 2017 no significant environmental expenses have been incurred.

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

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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

24. Subsequent events

On 25 January 2019 the Commercial Register registered the merger between Audax Renovables and Audax Energía, approved on 23 November 2018 by the General Meeting of Shareholders of Audax Renovables (Notes 1 and 11).

On 4 February 2019 the Company informed about the conclusion of a power purchase agreement (PPA) with Morningchapter S.A., controlled by Allianz Insurance Companies. Audax 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 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 (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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

APPENDIX I

a) Shareholdings in Group companies

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

Company's name	Registered address	Country	Objects	Shareholding	
				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 Nações 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 Beausembiant, 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%	-
Entreyteltes 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 Energia, SP. Z O.O.	Ul. Zurawia 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 multi-group companies

Company's name	Registered address	Country	Objects	Shareholding		Controlling relation
				Direct	Indirect	
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, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

APPENDIX II

a) Shareholdings in Group companies

At 31.12.18						
Company	Share capital	Reserves and others	Profit (loss)	Total shareholders' equity	Gross book value	Dividends
ADS Energy 8.0., S.L.U.	258	194	(194)	258	1,870	-
Generación Iberia, S.L.	200	200	(177)	223	779	-
Eólica El Pedregoso, S.L.	146	2,050	161	2,357	8,988	-
Eólica Del Pino, S.L.	75	(1,109)	(445)	(1,479)	8,630	-
Parc Eòlic Mudefer, S.L.U.	2,554	4,547	1,079	8,180	28,663	-
Fercom Eólica, S.L.U.	37	19,506	(19)	19,524	43,720	-
Gestora Fotovoltaica de Castellón, S.L.	30	1,764	140	1,934	1,425	-
Parque Eólico Hinojal, S.L.U.	2,876	4,092	1,224	8,192	26,783	1,796
Eólica Postolin Sp Z.o.o	11,931	4,496	284	16,711	41,153	-
Fersa Asesoramiento y Gestión, S.L.U.	50	(6)	(6)	38	166	-
Parc Eòlic Coll De Som, S.L.U.	643	177	(1)	819	6,931	-
Eolica Warblewo Sp Z.o.o	14	(156)	(17)	(159)	12,232	-
Eolennes De Beausemblant, S.A.S.	556	957	892	2,405	3,498	669
Castellwind 03, S.L.	764	359	(9)	1,114	580	-
Entreyeltes 1, S.L.	3	(19)	-	(16)	48	-
Audax Energía, S.R.L.	100	5,289	(4,308)	1,081	14,740	-
Audax Energie, GmbH	50	(1,565)	(1,912)	(3,427)	50	-
Audax Energía, SP. Z O.O.	579	3,492	(2,901)	1,170	8,443	-
Audax Netherlands B.V.	-	39,391	(13,596)	25,795	38,500	-
Eryx Investments, S.L.U.	4	62,372	(404)	61,972	46,714	-
Total	20,870	146,031	(20,209)	146,692	293,913	2,465
Provision for shareholding impairment					(128,318)	
Net book value					165,595	

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

b) Shareholdings in associated companies and multi-group companies

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

At 31.12.17						
Company	Share capital	Reserves and others	Profit (loss)	Total shareholders' equity	Gross book value	Dividends
Berta Energies Renovables, S.L.	5,716	(1,871)	(275)	3,570	271	-
Parque Eólico Toabré	500	(41)	(445)	14	7,916	-
Total	6,216	(1,912)	(720)	3,584	8,187	-
Provision for shareholding impairment					(271)	
Net book value					7,916	

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

AUDAX RENOVABLES, S.A.

DIRECTORS' REPORT FOR THE YEAR 2018

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The following 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 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, S.A., 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, S.A. and Audax Energía, S.A. formulated a joint project of merger by absorption between Audax Renovables, S.A., 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 reverse merger was entered into the Commercial Register in Barcelona.

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

Shareholder	Shareholding
Eléctrica Nuriel, S.L.	90,73%
Free float	9,27%
Total	100,00%

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

1.1 Organisational structure

The Company 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 2 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 Company'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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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 Company 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 Company 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 Company 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 Company 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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

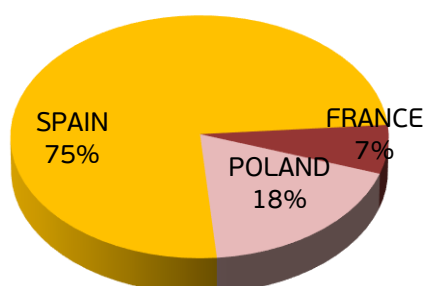
- **GENERATION:**

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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

2. EVOLUTION AND RESULTS OF THE BUSINESS

2.1. Significant events of the period

Audax ends the year 2018 with a Profit for the year amounting to EUR 19,975 thousand, in comparison to EUR 7,635 thousand of the same period of the previous year, which is an increase of 161.6%.

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

- Audax Renovables, S.A. informed that at the beginning of the first quarter its syndicated corporate loan, signed in January 2012, was restructured by a conclusion of 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. announced the conclusion, on 16 March 2018, of 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,

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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, obtained the approval of 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, previously described, 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.

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.

In compliance with the requirements of the General Accounting Plan, the information featured in these annual accounts for the year 2018 is presented - solely and exclusively for comparative purposes – together with the information relating to the year 2017.

Until the year 2017 Audax Renovables carried out only the activity of a Holding of a group of companies, therefore its turnover included, among others, the dividends and financial income from loans granted to the subsidiaries, in accordance with the answer of the Accounting and Auditing Institute published in the BOICAC 79. In 2018, due to the merger with Audax Energía, S.A, the business of Audax Renovables is no more a pure Holding activity and, as a consequence of the above, the referred income is classified as financial income in the income statement for the year 2018.

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	485.245	5.060	9489,8
Gross Margin ⁽¹⁾	36.492	5.060	621,2
EBITDA ⁽²⁾	14.248	3.635	292,0
EBIT ⁽³⁾	13.316	3.661	263,7
Profit/loss attributable to the Parent Company	19.975	7.635	161,6

EUR thousands

(1) Gross Margin = Net turnover + other income - costs of sales

(2) EBITDA = Operating income - costs of sales - wages and salaries - other operating expenses

(3) EBIT = EBITDA - Amortisation, depreciation and impairment -/+ provisions

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The reverse merger transaction described above implied the integration into the profit and loss for the year 2018 of the entire business of Audax Energía, S.A. in comparison to the profit and loss for the year 2017 where Audax Renovables, S.A. appears as a holding of a group of renewable energy companies.

The Profit for the year amounts to EUR 19,975 thousand, in comparison to EUR 7,635 thousand for the previous year, which means an increase of 161.6%.

2.4. Principal operating figures

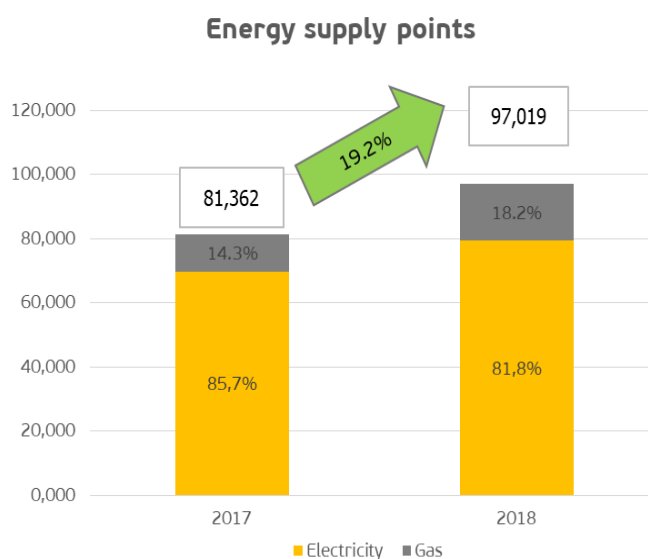
The principal figures arranged by segments are as follows:

- **Retailing:**

Supply points:

At the balance sheet date of the year 2018 Audax has 97 thousand active energy supply points, approximately 19.2% more than at the end of 2017.

The electricity supply points, whose number increased by 13.8%, represent 81.8% of the total quantity of supply points. The number of gas supply points increased by 52.1% in comparison to the same period of the previous year, and represents 18.2% of the total quantity of supply points.



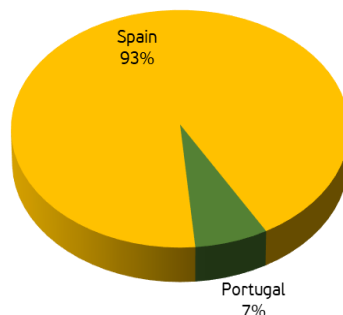
The following table shows the evolution of the supply points throughout the two years, divided between electricity and gas:

Energy supply points	2018	2017	% Var.
Total Electricity	79,380	69,765	13.8
Total Gas	17,639	11,597	52.1
TOTAL ENERGY SUPPLY POINTS	97,019	81,362	19.2

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

Energy supply points 2018

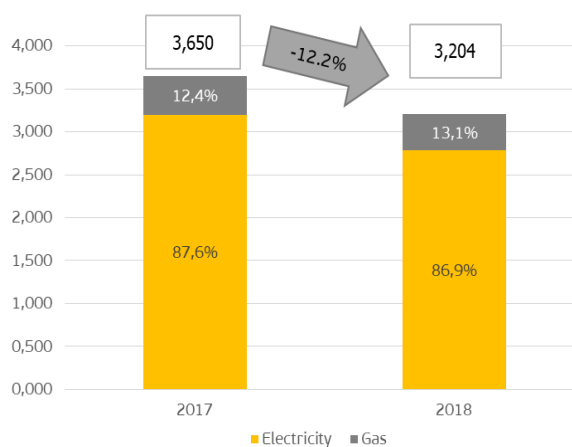


Supplied energy:

The total amount of energy supplied by Audax in the year 2018 is 3.2 TWh, compared to 3.7 TWh of the previous year, which signifies a decrease of 12.2%.

The supplied electricity constitutes 86.9% of the total amount, and the supplied gas is 13.1% of the total amount.

Energy Supplied (GWh)



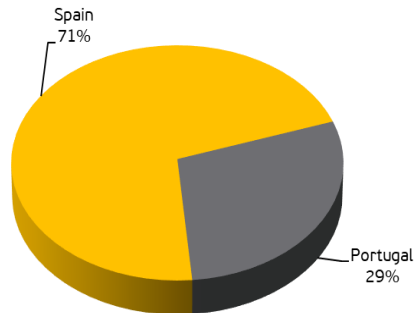
The following table shows the evolution of the supplied energy in the two years and its distribution between electricity and gas:

Energy Supplied (GWh)	2018	2017	% Var.
Total Electricity	2,784	3,197	-12.9
Total Gas	420	453	-7.5
TOTAL ENERGY SUPPLY POINTS	3,204	3,650	-12.2

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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

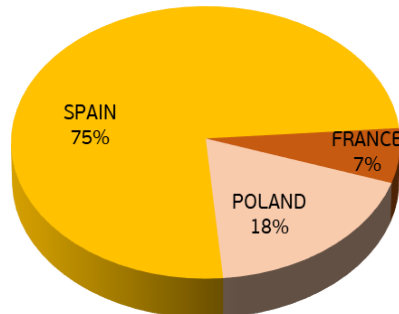
Energy Supplied 2018



o **Generation:**

The 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:

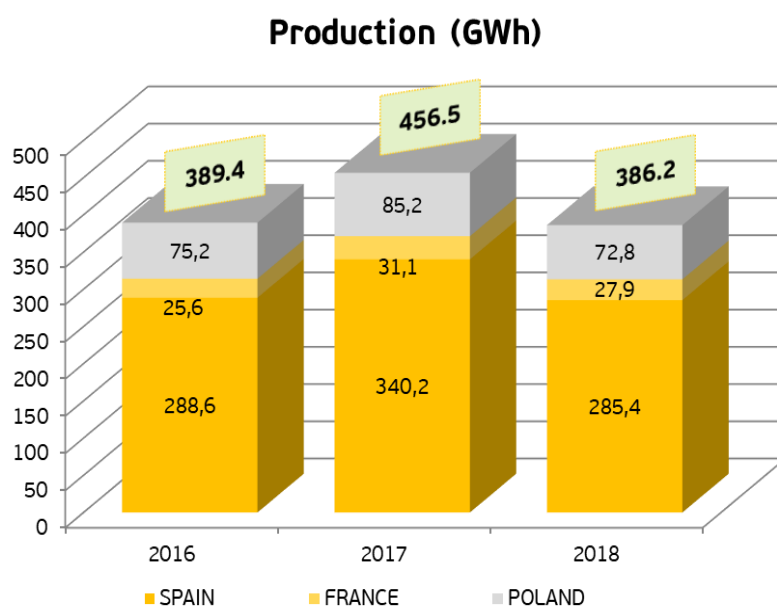
Installed capacity - 185 MW



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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

The production in the year 2018 reached 386.2 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

The leverage ratio of the Company, considering only the corporate debt to the financial entities (without considering the debt to the shareholders nor to other third parties), is as follows:

Net Financial Debt	Dec-18	Dec-17	Var.
Current and non-current financial debt	209,789	4,608	205,181
Derivatives	-9,674	0	-9,674
Cash and other current financial assets	-50,631	-249	-50,382
Net Financial Debt *	149,484	4,359	145,125
Net Equity **	159,099	88,368	70,731
Leverage ***	48.4%	4.7%	43.7%

(miles de euros)

* Net Financial Debt = Current and non-current financial debt + Derivatives - Cash and others

** Net Equity = Net Equity of the Parent Company + of the Minority interests

*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

The reverse merger transaction implies integrating the entire business of Audax Energía, S.A. in comparison to the year 2017, where Audax Renovables, S.A. appears as a holding company. The incorporation of the movements of merger affects the comparison of the net financial debt and the leverage.

See note 13 about Financial Liabilities and note 11 on Net Equity in the notes to the financial statements.

3.2. Rating management

As at 31 December 2018 the Company has a BBB- with stable outlook rating issued by AXESOR RISK MANAGEMENT S.L.U.

3.3. Debt structure

The following table shows the structure of the total amount of current and non-current financial liabilities:

Financial liabilities breakdown	Dec-18	% total
Bonds	114,618	55%
Promissory notes	51,525	25%
Loans	29,641	14%
Credits	2,863	1%
Confirmings and others	11,142	5%
Total financial liabilities	209,790	100%

For more details, see note 13 on Financial Liabilities in the notes to the financial statement.

4. Main risks and uncertainties

4.1. Risk control system

The Company's Risk Control and Management System

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

In this regard, the Company 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 Company 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 Company;
- 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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

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 Company 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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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).

Audax Renovables 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 Company 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 Company 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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

d) Liquidity risk: the management of that risk results from the demand for financing the Company'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 Company'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 Company. Should the financial institutions that grant the guarantees decide to cancel them, the Company'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 Company 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 BUSINESS 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 Company'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 Company 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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

5. R+D+i activities

In the year 2018 the Company allocated EUR 543 thousand to the R+D+i activities.

6. Personnel

As at 31 December 2018 the number of the Company's employees is 225, the average of the year 2018 being 215 employees.

7. Natural environment

In the year 2018 the Company has not incurred significant environmental expenditure.

8. Acquisition and disposal of treasury shares

As at 31 December 2018 the Company does not hold treasury shares.

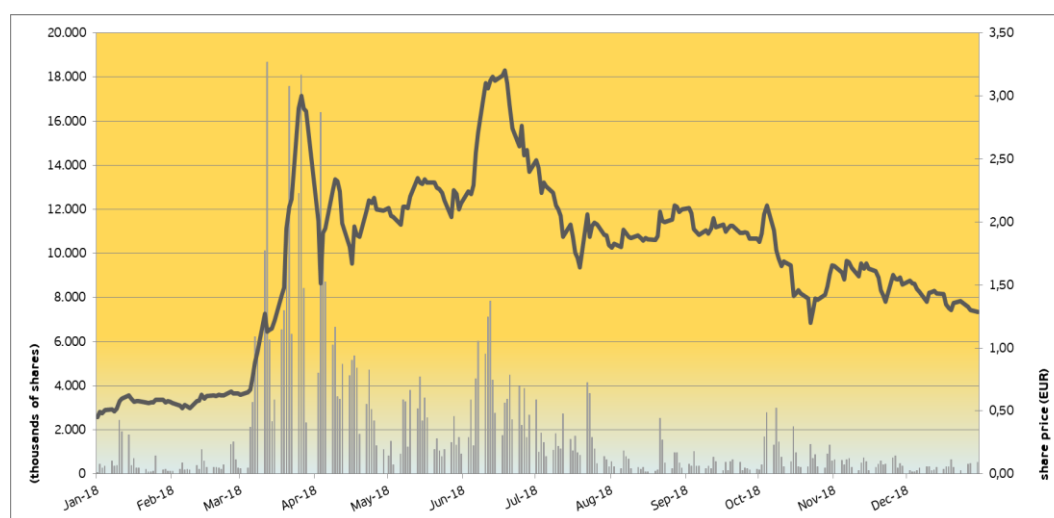
9. Other important information

9.1. Stock market information

The price of the 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:



AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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.

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 merger 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.

AUDAX RENOVABLES, S.A

Notes to the financial statements for the year 2018
(EUR thousands)

- On 13 February 2019 the Parent Company prolonged its current promissory note programme of EUR 50,000 thousand 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.

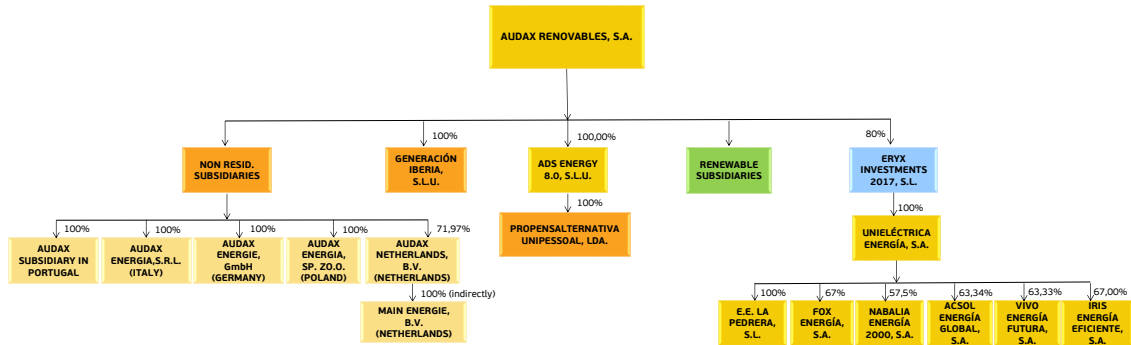
11. Corporate Governance Annual Report

See Appendix II to the Directors' Report for Corporate Governance Annual Report.

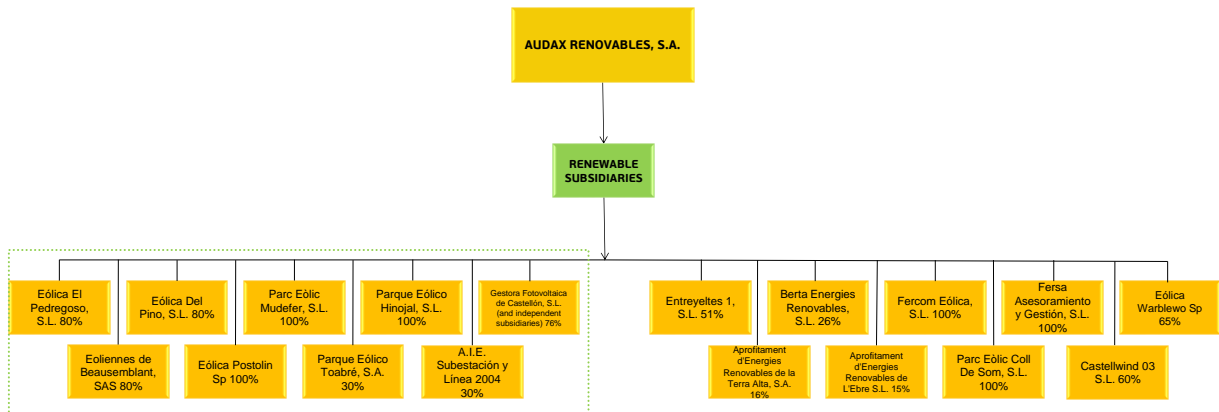
AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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.

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

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 Vínroma, 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
Entreyetes 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%	Cinquenta, 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
Nabalía 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 Nações Unidas, 23, Escritorio C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retail
Audax Energía, 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

AUDAX RENOVABLES, S.A
Notes to the financial statements for the year 2018
(EUR thousands)

Appendix II: Corporate Governance Annual Report