RESPONSIBILITY STATEMENT FOR THE ANNUAL FINANCIAL REPORT

AUDAX RENOVABLES, S.A. AND INVESTEE COMPANIES

Annual Accounts and Directors' Report as at 31 December 2021

The members of the Board of Directors of Audax Renovables, S.A., in compliance with article 8 of the Royal Decree 1362/2007, confirm that to the best of their knowledge the individual annual accounts and the consolidated group's annual accounts for the year ended on 31 December 2021 and drawn up on the meeting on 24 February 2022 have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of Audax Renovables, S.A. and of the entities included in the consolidation taken as a whole, and that the directors' report includes a fair review of the development and performance of the business and the position of Audax Renovables, S.A. and of the entities included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, duly signed by all directors.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro
Chairman

Mr Eduard Romeu Barceló
Member

Mr Josep Maria Echarri i Torres
Member

Mr Ramiro Martínez-Pardo del Valle
Member

Ms Anabel López Porta
Member

Ms Rosa González Sans
Member

Badalona, 24 February 2022

AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2021

Auditor's Report on Audax Renovables, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Audax Renovables, S.A. and subsidiaries for the year ended 31 December 2021)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the shareholders of Audax Renovables, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Audax Renovables, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. 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.

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

Key Audit Matters

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

Recoverability of goodwill See note 5 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2021 the Group has capitalised goodwill totalling Euros 137,942 thousand. At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2021. This recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors in the use of estimates. The valuation process for goodwill from business combinations has been considered as a key audit matter insofar as the valuation techniques used often require the exercising of judgement by the Directors and the use of assumptions and estimates.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill, - assessing the reasonableness of the methodology and assumptions used to estimate the recoverable amount, through value in use or fair value less costs to sell based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists, - comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained, - evaluating the sensitivity of the estimated recoverable amount to reasonably possible changes in the relevant assumptions and judgements, such as the discount rate, the expected future growth rate and future cash flows. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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

Recognition of revenue from unbilled energy supplied See notes 10 and 19 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
Recognition of revenue from energy trading is a significant area due to its amount and because it is subject to material misstatement, particularly at the reporting date as regards the appropriate timing of recognition based on the commercial terms agreed with customers. At 31 December 2021 trade and other receivables include Euros 170,998 thousand in unbilled energy supplied, corresponding to the period from the last meter reading to year end. Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a key audit matter.	Our audit procedures included the following: - analysis of the design and implementation of the key controls related to the calculation of the unbilled energy supplied, - retrospective analysis of the estimates made at previous years' closes, - assessment of the reasonableness of the volume of unbilled energy through an analysis of historical information and other internal and data, - assessment of whether the timing of the recognition is correct based on a selection of transactions after the reporting date. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

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

b) Assess and report on the consistency of the rest of the information included in the consolidated directors’ report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors’ report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Audax Renovables, S.A. and its subsidiaries for 2021 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Audax Renovables, S.A. are responsible for the presentation of the 2021 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the consolidated directors' report.

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

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

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 25 February 2022.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 13 July 2021 for a period of one year, from the year ended 31 December 2021.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

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

(Signed on original in Spanish)

This report corresponds to stamp number *20/22/00356* issued by the Catalan Institute of Registered Auditors (Col.legi de Censors Jurats de Comptes de Catalunya).

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

CONTENTS OF CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP

Audax Renovables, S.A. and subsidiaries

Consolidated Balance Sheet

(EUR thousands)

Assets	**Note**	**31.12.2021**	**31.12.2020***
Goodwill	5	137,942	137,942
Other intangible assets	5	200,048	159,487
Property, plant and equipment	6	117,200	87,429
Investments as per equity accounting	7	10,047	6,665
Financial assets	8	101,814	26,739
Deferred tax assets	18	13,358	8,109
Total non-current assets		**580,409**	**426,371**
Inventory		5,077	1,458
Trade and other receivables	10	319,450	221,068
Current tax assets		1,744	1,029
Financial assets	8	119,516	85,978
Time period adjustments and other current assets	10	78,769	42,479
Cash and other cash equivalents	11	244,149	368,233
Total current assets		**768,705**	**720,245**
Total assets		**1,349,114**	**1,146,616**

Net Equity and Liabilities	**Note**	**31.12.2021**	**31.12.2020**
Capital		44,029	44,029
Share premium account		420,316	420,316
Reserves		(337,191)	(352,573)
Profit (loss) for the year attributable to the parent company		2,838	26,385
Translation differences		(2,587)	(2,888)
Other comprehensive income		9,557	(80)
Equity attributed to the parent company		**136,962**	**135,189**
Non-controlling interests		11,962	7,818
Total net equity	12	**148,924**	**143,007**
Provisions	13	1,524	987
Bonds and other negotiable securities	14	447,821	379,158
Financial liabilities to credit institutions	14	81,783	82,339
Lease liabilities	2 and 14	15,326	7,801
Derivative financial instruments	9	5,387	5,346
Other financial liabilities	14	731	528
Subsidies	15	4,606	4,916
Other non-current liabilities		58,006	45,996
Deferred tax liabilities	18	21,455	16,502
Total non-current liabilities		**636,639**	**543,573**
Provisions		3,303	1,482
Bonds and other negotiable securities	14	202,993	136,754
Financial liabilities to credit institutions	14	39,599	53,649
Lease liabilities	2 and 14	1,178	1,132
Derivative financial instruments	9	8,427	483
Other financial liabilities	14	49,698	44,780
Trade and other payables	16	172,624	126,086
Current tax liabilities		3,881	1,379
Other current liabilities	16	81,848	94,291
Total current liabilities		**563,551**	**460,036**
Total net equity and liabilities		**1,349,114**	**1,146,616**

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

* Restated figures (Note 2.3)

Audax Renovables, S.A. and subsidiaries

Consolidated Income Statement

(EUR thousands)

	Note	31.12.2021	31.12.2020
Ordinary income	19	1,684,642	967,438
Procurement	19	(1,561,229)	(854,416)
Other operating income		5,340	1,862
Wages and salaries	19	(27,732)	(22,495)
Other operating expenses	19	(47,931)	(42,296)
Amortisation and depreciation	5 and 6	(21,968)	(19,654)
Impairment and profit (loss) on disposal of fixed assets	5	(153)	7
Negative differences in business combinations	2	-	16,341
Operating profit (loss)		**30,969**	**46,787**
Financial income		803	4,380
Financial expenses		(28,815)	(17,724)
Profit (loss) on disposal and change in value of financial instruments		1,704	227
Exchange differences		(147)	431
Financial profit (loss)	20	**(26,455)**	**(12,686)**
Profit (loss) of companies consolidated by equity accounting	7	(57)	(52)
Profit (loss) before tax from continuing operations		**4,457**	**34,049**
Income tax expense	18	(3,212)	(3,879)
Profit (loss) after tax from continuing operations		**1,245**	**30,170**
Profit (loss) for the year from discontinued operations		-	-
Consolidated profit (loss) for the year		**1,245**	**30,170**
Profit (loss) attributable to the parent company		**2,838**	**26,385**
Profit (loss) attributable to non-controlling interests	**12**	**(1,593)**	**3,785**

	2021	2020
Profit (loss) per share		
Basic	0.006	0.051
Diluted	0.006	0.051

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

Audax Renovables, S.A. and subsidiaries

Consolidated Statement of Comprehensive Income

(EUR thousands)

	31.12.2021	31.12.2020
Consolidated profit (loss) for the year	1,245	30,170
Other comprehensive income		
Items to be reclassified to profit and loss statement (net of tax)		
Cash flow hedges	13,362	7,141
Translation differences of financial statements of businesses abroad	301	(4,570)
Other comprehensive income for the year, after tax	**13,663**	**2,571**
Total comprehensive income for the year	**14,908**	**32,741**
Total comprehensive income attributable to the parent company	12,776	27,569
Total comprehensive income attributable to non-controlling interests	2,132	5,172

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

Audax Renovables, S.A. and subsidiaries

Consolidated Statement of Changes in Net Equity

(EUR thousands)

In EUR	**Capital**	**Share premium account**	**Reserves**	**Equity component of issued compound financial instruments**	**Profit (loss) attributable to the Parent Company**	**Translation differences**	**Other Comprehensive Income**	**Equity attributed to Parent Company**	**Non-controlling interests**	**Net equity**
Balance at 1 January 2020	**44,029**	**420,316**	**(364,322)**	**-**	**25,417**	**1,682**	**(4,901)**	**122,221**	**33,493**	**155,714**
Dividends	-	-	-	-	-	-	-	-	(4,703)	(4,703)
Profit (loss) for the year	-	-	-	-	26,385	(4,570)	5,754	27,569	5,172	32,741
Changes to the scope (Note 2)	-	-	(13,668)	-	-	-	(933)	(14,601)	(26,144)	(40,745)
Other movements	-	-	-	8,035	-	-	-	8,035	-	8,035
Reserves	-	-	25,417	-	(25,417)	-	-	-	-	-
Balance at 31 December 2020	**44,029**	**420,316**	**(352,573)**	**8,035**	**26,385**	**(2,888)**	**(80)**	**143,224**	**7,818**	**151,042**
Restatement (Note 2.3)	-	-	-	(8,035)	-	-	-	(8,035)	-	(8,035)
Balance at 31 December 2020 Restated	**44,029**	**420,316**	**(352,573)**	**-**	**26,385**	**(2,888)**	**(80)**	**135,189**	**7,818**	**143,007**
Recognised income and expenses	-	-	-	-	2,838	301	9,637	12,776	2,132	14,908
Dividends	-	-	(10,000)	-	-	-	-	(10,000)	(190)	(10,190)
Changes to the scope (Note 2)	-	-	-	-	-	-	-	-	2,202	2,202
Other movements	-	-	(1,003)	-	-	-	-	(1,003)	-	(1,003)
Reserves	-	-	26,385	-	(26,385)	-	-	-	-	-
Balance at 31 December 2021	**44,029**	**420,316**	**(337,191)**	**-**	**2,838**	**(2,587)**	**9,557**	**136,962**	**11,962**	**148,924**

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

Audax Renovables, S.A. and subsidiaries

Consolidated Cash Flow Statement

(EUR thousands)

	Note	2021	2020
Cash flows from operating activities			
Profit (loss) for the year before tax		**4,457**	**34,049**
Adjustments to results		**47,358**	**19,085**
Amortisation and depreciation	5	21,968	19,654
Valuation adjustments due to impairment	5	3,091	7,723
Changes in provisions		2,308	210
Allocation of subsidies		(257)	(264)
Profit (loss) on derecognition and disposal of fixed assets		153	(7)
Profit (loss) on derecognition and disposal of financial instruments		(1,704)	(227)
Financial income	20	(803)	(4,380)
Financial expenses	20	28,815	17,724
Exchange differences		147	(431)
Changes in fair value of financial instruments		(6,417)	(4,628)
Negative consolidation difference	2	-	(16,341)
Other income and expenses		57	52
Changes in working capital		**(106,990)**	**35,842**
Inventory		(3,619)	354
Accounts receivable		(101,371)	3,517
Other current assets		(35,939)	(16,238)
Accounts payable		35,279	(6,638)
Other current liabilities		(10,226)	15,316
Other non-current assets and liabilities		8,886	39,531
Other cash flows from operating activities		**(18,870)**	**(13,388)**
Payments of interest		(19,546)	(13,874)
Collections of interest		676	486
Cash flows from operating activities		**(74,045)**	**75,588**
Cash flows from investment activities			
Payments of investments		**(151,679)**	**(198,207)**
Intangible assets	5	(9,441)	(1,070)
Property, plant and equipment	5	(29,707)	(15,887)
Group and associated companies	2.5	(40,214)	(121,438)
Other financial assets	8	(72,317)	(59,812)
Other assets		-	-
Collection on divestments		**36,546**	**90,157**
Group and associated companies		-	81,818
Intangible assets	5	1,396	543
Property, plant and equipment	5	33	32
Other financial assets	8	35,117	7,764
Business unit		**57**	**(33,929)**
Cash flows from investment activities		**(115,076)**	**(141,979)**
Cash flows from financing activities			
Collections and payments for financial liability instruments:		**-**	**(15,227)**
Acquisition of equity instruments		-	(15,227)
Collections and payments for financial liability instruments		**75,334**	**303,770**
Issuance			
Bonds and other negotiable securities	14	376,768	441,682
Amounts owed to credit institutions	14	52,869	127,909
Payables to group companies and associates	22	47,698	-
Other debts		108	-
Repayment		-	-
Bonds and other negotiable securities	14	(245,195)	(135,200)
Amounts owed to credit institutions	14	(67,040)	(128,771)
Payables to group companies and associates	22	(80,164)	-
Other debts		(9,710)	(1,850)
Payments of dividends and remuneration of other financial liabilities		**(10,297)**	**(4,703)**
Dividends		(10,297)	(4,703)
Cash flows from financing activities		**65,037**	**283,840**
Net increase/decrease in cash or equivalents		**(124,084)**	**217,449**
Cash and equivalents at the beginning of the year		368,233	150,784
Cash and equivalents at the end of the year		244,149	368,233

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

NOTE 1 – GENERAL INFORMATION

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

Its registered address is Calle Temple nº 25, Badalona, Barcelona, Spain.

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

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

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

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

Moreover, the Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Calle Temple, nº 25, Badalona, Barcelona, Spain. The Excelsior Group's consolidated annual accounts for the year 2020, formulated on 31 March 2021, 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 2020 were approved by the General Meeting of Shareholders on 21 April 2021 and were submitted to the Commercial Register in Barcelona.

The consolidated annual accounts of the Group for the year 2021 were formulated by the Directors of the Parent Company on 24 February 2022 in the European Single Electronic Format in accordance with the requirements of the Commission Delegated Regulation (EU) 2019/815, and will be subject to approval at the General Meeting of Shareholders, and are expected to be approved without modification.

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

NOTE 2 - BASES OF PRESENTATION, ACCOUNTING POLICIES AND VALUATION STANDARDS

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

The consolidated annual accounts of the Audax Renovables Group for the year 2021 have been drawn up by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as per the Regulations (CE) nº 1606/2002 of the European Parliament and the Council. All the accounting principles and standards and the mandatory valuation criteria, along with the Commercial Code, the Spanish Companies Act, the Stock Exchange Market Law and any other applicable commercial legislation have also been taken into consideration. The Group adopted the IFRS-EU on 31 December 2016 and applied on that date the IFRS 1 "First-time Adoption of International Financial Reporting Standards".

The consolidated annual accounts of the Audax Renovables Group have been drawn up on the basis of the financial statements of Audax Renovables, S.A. and of the companies belonging to the Group. Each company draws up its financial statements in compliance with the accounting principles of the country where it operates. The adjustments and reclassifications, which were necessary to harmonise the principles and criteria and put them in line with the IFRS-EU, have been carried out during the consolidation process. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure the consistency with the accounting policies adopted by the Audax Renovables Group.

The accounting policies applied for the preparation of the consolidated annual accounts coincide with those used and described in the Consolidated Annual Accounts for the year ended on 31 December 2020, except for the new IFRS-EU standards and interpretations applied from 1 January 2021.

The information set out in these consolidated annual accounts is the responsibility of the Directors of the Parent Company.

New IFRS-EU accounting standards and IFRIC interpretations

a) Standards, improvements and interpretations effective as at 1 January 2021

Upon their approval, publication and entry into force on 1 January 2021, the following standards, interpretations and amendments adopted by the European Union have been applied:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) "Interest Rate Benchmark Reform: Phase 2": Guidance for the entities to provide useful information regarding transition to alternative benchmark interest rates.
- IFRS 4 (amendments) "Deferral of effective date of IFRS 9": Remedies temporary accounting effects caused by the different dates of entry into force of IFRS 9 Financial Instruments and the future IFRS 17 Insurance Contracts

None of these standards, interpretations or amendments has been applied early. The application of these standards, interpretations and amendments has had no significant impact on these consolidated annual accounts.

b) Standards that will enter into force on 1 January 2022 and beyond

The following is a list of standards, amendments and interpretations that will enter into force for the fiscal years beginning after 1 January 2022 and later:

Standards adopted by the European Union

- IFRS 16 (amendment) "Covid-19-Related Rent Concessions Beyond 30 June 2021": Extending the period of a practical expedient to lessees due to the COVID-19 pandemic as well as allowing to continue providing useful information regarding their leases to the financial statement users.

Entry into force in the years beginning with 1 April 2021.

- IAS (amendment) "Provisions, Contingent Liabilities and Contingent Assets: Provisions for Onerous Contracts": Clarifies that the cost of fulfilling a contract comprises incremental costs of the fulfilment of the contract as well as allocation of other costs directly related to the fulfilment of the contract. Entry into force in the years beginning with 1 January 2022.
- IAS 16 (amendment) "Property, Plant and Equipment: Proceeds before intended use": Prohibits deducting sales proceeds from the cost of any item of property, plant and equipment while that asset is being made available for its intended use. Entry into force in the years beginning with 1 January 2022.
- Annual improvements 2018-2020 cycle: Several minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. Entry into force in the years beginning with 1 January 2022.
- IFRS 3 (amendment) "References to the Conceptual Framework": Aligns the definitions of asset and liability in business combination with those given in the conceptual framework. Entry into force in the years beginning with 1 January 2022.
- IFRS 17 "Insurance Contracts": New standard to replace the IFRS 4. Entry into force in the years beginning with 1 January 2023.

Standards issued by the IASB and not yet adopted by the European Union

- IAS 1 Presentation of Financial Statements (amendment): Classification of liabilities as current or non-current. Entry into force in the years beginning with 1 January 2023.
- IAS 1 (amendment) "Disclosure of Accounting Policies": Explains the material criteria for disclosing accounting policies. Entry into force in the years beginning with 1 January 2023.
- IAS 8 (amendment) "Definition of Accounting Estimates": New definition of accounting estimates. Entry into force in the years beginning with 1 January 2023.
- IAS 12 (amendment) "Deferred Tax related to Assets and Liabilities arising from a Single Transaction": Reduces the exemption from initial recognition of deferred tax assets and liabilities arising from certain single transactions. Entry into force in the years beginning with 1 January 2023.
- IFRS 17 (amendment) "First Application of IFRS 17 and IFRS 9, Comparison of the Information": Transition option related to the comparative information on financial assets presented in the first application of IFRS 17. Entry into force in the years beginning with 1 January 2023.

None of these standards or amendments has been applied early. The application of these amendments is not expected to have significant effect.

2.2 Fair view, accounting principles and going concern

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2021, and the consolidated results of its operations, the changes in the statement of comprehensive income, changes in consolidated net equity and consolidated cash flows that have taken place in the Audax Renovables Group in the year then ended.

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

2.3 Bases of preparation and comparison of the information

The Consolidated annual accounts have been prepared according to the principle of historical cost, with the following exception of derivative financial instruments, financial assets at fair value with changes in comprehensive income and financial assets at fair value with changes in other comprehensive income.

The Consolidated annual accounts have been prepared according to the principle of historical cost, with the exception of derivative financial instruments, financial assets at fair value with changes in comprehensive income and financial assets at fair value with changes in other comprehensive income. The consolidated annual accounts present, for comparative purposes, with each heading of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows, and of the notes to the consolidated annual accounts, together with the figures for the year 2021, the figures for the previous year, which were included in consolidated annual accounts for the year 2020 and which differ from those approved by the General Meeting of Shareholders of 21 April 2021 for the reasons specified below.

In 2020 the Board of Directors of the Company approved the issue of senior plain green convertible secured bonds for the amount of EUR 125,000 thousand and at the annual interest rate of 2.25% to 2.75% payable half-yearly, with maturity on 20 November 2025 (Note 14). In that year the Group considered this financial instrument to be compound instrument, because it contained the following components:

- A financial liability component, due to the Group's obligation to pay the coupons at half-yearly intervals and the principal at maturity date, amounting to EUR 116,965 thousand at 31 December 2020.

- A net equity component because of the bondholders' option to convert a fixed number of Company shares to a fixed amount of money or other assets. As at 31 December 2020, the fair value of this component was estimated at EUR 8,035 thousand.

Due to the contingent call provisions mentioned in Note 14, the directors of the Company have restated the comparative figures corresponding to the year 2020 in order to present this financial Instrument entirely as a financial liability.

Over the year 2020 the Group acquired a significant set of Non-controlling interests. The companies whose shareholding was increased had been already considered to be group companies, since all their assets and liabilities belonged to the Group. Therefore, the effect of these operations was limited primarily to a decrease of the Non-controlling interests and of the Reserves (Note 12 and Note 2.5.b).

2.4 Relative importance

So as to determine the information that needs to be broken down in the consolidated notes for each of the different accounting items, the Group has considered its relative importance in relation to the current consolidated annual accounts for the year 2021 and 2020.

2.5 Consolidation principles and standards

a) Consolidation methods

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

Full consolidation method – Subsidiary Companies

Subsidiary companies are consolidated beginning on the date of the transfer of control, and are excluded from consolidation on the date from which the control is no longer exercised. Audax is considered to exercise control over an entity when it has direct or indirect power over the subsidiary, is exposed to its variable income, or has the rights which allow it to manage important activities of the subsidiary.

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

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

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

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

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

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

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

In order to account for an acquisition of assets which does not meet the definition of a business combination under IFRS 3, an analysis is carried out for the purpose of finding out whether the integrated set of acquired activities and assets constitutes a business. In order to be considered as such, it is necessary that it should contain at least one input and one substantial process which, together, contribute significantly to the capacity of manufacturing goods.

Equity accounting method – Associated companies

The equity accounting method has been used to consolidate the associates, i.e. the companies over which the Group has significant influence.

A significant influence is understood to exist when the Group has a stake in the associate and can intervene in the decisions regarding the associate's financial and operating policies but does not exercise control or joint control. Generally, it occurs when the stake held is between 20% and 50% of the voting rights.

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

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

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

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

b) Changes in the consolidation scope and business combinations

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which have been included in the consolidation scope as at 31 December 2021 and 2020.

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

Year 2021

Purchase of photovoltaic projects

In the year 2021 the Group entered into an agreement with the company Rocío Servicios Fotovoltaicos S.L.U. (formerly Audax Fotovoltaica, S.L.U.) and Audax Green S.L.U. (companies belonging to the Excelsior Group) for the purchase of shares of the following companies:

Company name	Country of residence	Transaction date	% acquired
Audax Solar SPV XXVII, S.L.	Spain	28/05/2021	50.00%
Audax Solar SPV XXVIII, S.L.	Spain	28/05/2021	50.00%
Audax Solar SPV XXIX, S.L.	Spain	28/05/2021	50.00%
Audax Solar SPV XXX, S.L.	Spain	28/05/2021	50.00%
Audax Solar SPV XXXI, S.L.	Spain	28/05/2021	50.00%
Audax Solar SPV XV, S.L.	Spain	28/05/2021	60.00%
Merfonda Solar, S.L.	Spain	28/05/2021	100.00%
Sarda Solar, S.L.	Spain	28/05/2021	100.00%
Audax Solar SPV XXIV, S.L.U.	Spain	28/05/2021	100.00%
Audax Solar SPV XXV, S.L.U.	Spain	28/05/2021	100.00%
Green Show, L.D.A.	Portugal	28/05/2021	100.00%
ADX Fotovoltaico - Solar Da Luz, L.D.A	Portugal	28/05/2021	100.00%
ADX Fotovoltaico - Solar Do Ceu, L.D.A	Portugal	28/05/2021	100.00%
Clever Road, L.D.A.	Portugal	28/05/2021	100.00%
Audax Solar SPV Italia 1, S.R.L.	Italy	11/06/2021	100.00%
Audax Solar SPV Italia 2, S.R.L.	Italy	11/06/2021	100.00%
Audax Solar SPV Italia 3, S.R.L.	Italy	11/06/2021	100.00%
Audax Solar SPV Italia 4, S.R.L.	Italy	11/06/2021	100.00%
Audax Solar SPV Italia 5, S.R.L.	Italy	11/06/2021	100.00%
Audax Solar SPV Italia 6, S.R.L.	Italy	11/06/2021	100.00%

With regard to the above-mentioned transactions, after carrying out an analysis, the Group considers that these transactions do not meet the requirements of IFRS 3 to be classified as a business combination, because the set of integrated assets does not constitute a business, as it does not include a substantial process and input which, together, would contribute to its ability to manufacture goods, with no organised workforce and without having generated income at the date of acquisition, because at that moment they were at the stage of development.

The total purchase price (fair value) of these transactions amounted to EUR 43,011 thousand and was endorsed by an independent expert through a report at the request of the governing bodies and their delegated committees, as it was a case of related party transaction. The main object of all the acquired companies involves development and operation of photovoltaic power stations.

The acquisition of companies from Rocío Servicios Fotovoltaicos S.L.U. generated cash flows from payments of investments in group companies amounting to EUR 40,214 thousand.

This transaction corresponds to the second phase of the transaction of acquisition of a set of companies from Rocío Servicios Fotovoltaicos S.L.U., the first phase of which was carried out in 2020 with the purchase of 4 companies for the amount of EUR 66,225 thousand (Note 2, transactions in the year 2020). In this regard, on 15 December 2020, Ernst & Young Servicios Corporativos S.L. as an independent expert issued a Fairness Opinion on the portfolio of solar projects including the two phases of the transaction. The report was issued as a usual instance of this kind of valuation works. The group adopted the same values as the ones issued by the expert for the acquisition of theses assets.

The independent expert used the following valuation methods for the purpose of valuation of the projects:

1) The main valuation method: Income Approach - Discounted Free Cash Flow (DFCL).
2) Comparable method: Market approach - GTCM o comparable transactions.

The following main key assumptions were used:

- 35 years of useful life As a consequence of the technological improvements introduced in recent years, the useful life of the projects has been prolonged to 35 years.
- Discounted cash flows at 35 years adjusting the value at the Transaction Date (CoD) according to the stage of administrative procedures of each project.
- Discount rates from 4.6% in Spain, 4.8% in Portugal and from 5.3% to 6.4% in Italy.

All the assumptions are considered to be market assumptions for the kind of projects analysed, at the time of carrying out the analysis.

Since the transaction referred to is considered to be a related party transaction, on 17 December 2020 the Audit Committee of Audax met for the purpose of, among others, analysing and examining said independent valuation report issued by Ernst&Young regarding the fair value of the portfolio of projects - the subject of the transaction. After considering and analysing the report, the members of the Audit Committee of Audax, all of them being independent directors, resolved unanimously to issue the relevant favourable opinion for the transaction to be carried out and relayed the opinion to the Board of Directors of Audax on the same day.

The Board of Directors of Audax, in view of the favourable opinion expressed by the Audit Committee and the valuation report issued by the independent expert, analysed and approved unanimously on 17 December 2020 the transaction to be carried out.

The companies Audax Solar SPV XV, S.L., Merfonda Solar, S.L., Sarda Solar, S.L., Audax Solar SPV XXIV, S.L.U., Audax Solar SPV XXV, S.L.U., ADX Fotovoltaico - Solar Da Luz, L.D.A, ADX Fotovoltaico - Solar Do Ceu, L.D.A, Clever Road, L.D.A., Green Show, L.D.A., Audax Solar SPV Italia 1, S.R.L., Audax Solar SPV Italia 2, S.R.L., Audax Solar SPV Italia 3, S.R.L., Audax Solar SPV Italia 4, S.R.L., Audax Solar SPV Italia 5, S.R.L. and Audax Solar SPV Italia 6, S.R.L. have been consolidated by the full consolidation method. The breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the Group is as follows:

	AUDAX SOLAR SPV XV, SLU	AUDAX SOLAR SPV XXIV, SLU	AUDAX SOLAR SPV XXV, SLU	GREEN SHOW, LDA	CLEVE R ROAD, LDA	AUDAX SOLAR SPV ITALIA 1, SRL	AUDAX SOLAR SPV ITALIA 2, SRL	AUDAX SOLAR SPV ITALIA 3, SRL	AUDAX SOLAR SPV ITALIA 4, SRL	AUDAX SOLAR SPV ITALIA 5, SRL	AUDAX SOLAR SPV ITALIA 6, SRL	Total
Intangible assets	5,477	2,752	1,833	4,101	17,237	4,462	110	6	-	132	833	36,943
Tangible assets	340	149	100	964	768	1,211	80	192	220	200	433	4,658
Other assets	61	30	20	26	4	13	23	49	74	47	98	445
Total assets	5,878	2,931	1,953	5,091	18,009	5,686	213	247	294	379	1,364	42,046
Non-controlling interests	2,194	-	-	-	-	-	-	-	-	-	-	2,194
Other net liabilities	420	177	118	1,039	792	31	50	51	51	1	3	2,733
Total liabilities	2,614	177	118	1,039	792	31	50	51	51	1	3	4,927
Total acquired net assets	**3,264**	**2,754**	**1,835**	**4,052**	**17,217**	**5,655**	**163**	**196**	**243**	**378**	**1,361**	**37,119**
Total carrying amount	**8**	**2**	**2**	**(51)**	**(19)**	**1,117**	**57**	**193**	**326**	**247**	**530**	**2,412**

The companies Merfonda Solar S.L. and Sarda Solar, S.L. are subsidiary companies of Audax Solar SPV XV, S.L. Likewise, the companies ADX Fotovoltaico - Solar Da Luz, L.D.A and ADX Fotovoltaico – Solar Do Ceu, L.D.A, are subsidiary companies of Green Show, L.D.A. The data of these companies are integrated in their parent company.

The price paid was assigned to various assets and liabilities of the acquired companies, depending on their relative fair value, and the difference between the fair value and the price paid was registered as an intangible. This intangible comes from the valuation of the different milestones completed in each power station during its development phase at the moment of the acquisition. This intangible is amortised depending on the useful life of the plant and starts when the plant is put into operation, and is registered in the account of rights, licences and similar.

The value of the companies differs depending on the power in MW of each plant and the stage of its processing (milestones completed at the date of the acquisition).

Moreover, at the date of the acquisition a total of loans amounting to EUR 2,468 thousand was assumed, as it had been recorded under liabilities in the balance sheet of the acquired companies.

On the other hand, the companies Audax Solar SPV XXVII, S.L., Audax Solar SPV XXVIII, S.L., Audax Solar SPV XXIX, S.L., Audax Solar SPV XXX, S.L., Audax Solar SPV XXXI, S.L. are integrated in these financial statements by the equity method, bringing about an increase of EUR 3,301 thousand in investments as per equity accounting, considering that the Group does not have control over these companies, but it does have significant influence (Note 7). With regard to these companies a total of loans amounting to EUR 124 thousand was likewise assumed.

On 18 January 2021 Audax Renovables acquired 100% of shares of the companies Centauro Energía Solar, S.L., Tohora Solar inversiones, S.L. and Tarakona Solar inversiones, S.L. for the total amount of EUR 2,483 thousand from non-related companies Idena Solar, S.L. and Energy Pool España, S.L. The main object of the acquired companies involves development, construction and operation of various photovoltaic power generation projects.

Consequently, the breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the group is as follows:

	CENTAURO ENERGIA SOLAR, SL	TOHORA SOLAR INVERSIONES, SL	TARAKONA SOLAR INVERSIONES, SL	Total
Intangible assets	737	978	693	2,408
Tangible assets	446	8	8	462
Other assets	92	-	-	92
Total assets	1,275	986	701	2,962
Other net liabilities	467	6	6	479
Total liabilities	467	6	6	479
Total acquired net assets	**808**	**980**	**695**	**2,483**
Total carrying amount	**71**	**2**	**2**	**75**

With regard to the above-mentioned transactions, after carrying out an analysis, the Group considers that these transactions do not meet the requirements of IFRS 3 to be classified as a business combination, because the set of integrated assets does not constitute a business, as it does not include a substantial process and input which, together, would contribute to its ability to manufacture goods, with no organised workforce and without having generated income at the date of acquisition, because at that moment they were at the stage of development.

The price paid was assigned to various assets and liabilities of the acquired companies, depending on their relative fair value, and the difference between the fair value and the price paid was registered as an intangible. This intangible comes from the valuation of the different milestones completed in each power station during its development phase at the moment of the acquisition. This intangible is amortised depending on the useful life of the plant and starts when the plant is put into operation, and is registered in the account of rights, licences and similar.

The value of the companies differs depending on the power in MW of each plant and the stage of its processing (milestones completed at the date of the acquisition).

Moreover, on 16 December 2021 the Group acquired 100% of shares of the company Zurván Gestión de Proyectos, S.L. from a group of non-related natural persons and legal entities. The total price of the transaction amounted to EUR 1,848 thousand. The acquired company owns the photovoltaic projects Zaratán I and II of 12.36 MWp of total installed capacity in the municipality of Ciguñuela (Valladolid), which already have obtained all the administrative permits to begin their construction.

Likewise, this transaction has not been considered as a business combination by the Group, for the same reasons which were taken into consideration in the case the two previously mentioned transaction.

Moreover, in July 2021 the Group acquired the companies Astendong, S.L., and Coral Perkings S.L.for a total amount of EUR 6 thousand, both companies being involved in the development of solar power stations.

Other transactions

Moreover, on 18 January 2021 Audax Renovables S.A. acquired from non-related parties non-controlling interest of 25% of the company Alset Comercializadora, S.L. The transaction did not have any significant impact on these financial statements.

In the second half of the year, the Group founded in Hungary the company Audax Gas Trading, KFT, whose main object will be the retailing of natural gas in that country. This transaction did not involve any significant impact on the current financial statements.

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which were included in the consolidation scope as at 30 December 2021.

Year 2020

Acquisition of Audax Renewables Kft. (Hungary)

On 6 July 2020 the Company signed a purchase and sale contract with E.ON Hungária Zrt., a subsidiary of the German multinational group E.ON, for the purchase of 100% of share capital of the company Audax Renewables Kft. (formerly E.ON Energiakereskedelmi Kft., and hereinafter Audax Hungría), an electricity retailer in Hungary.

The sale and purchase contract was subject to the fulfilment of certain conditions precedent which came to fruition on 24 September 2020 - the effective date of the business combination.

The information on the business combination cost, fair value of the acquired net assets and of the excess of acquired net assets over the combination cost is as follows:

	EUR thousands
Cost of business combination	
Amount paid	13,914
Fair value of acquired net assets	30,255
Excess of acquired net assets over acquisition cost	16,341

Moreover, at the date of the acquisition a loan of EUR 28,346 thousand was assumed, as it had been recorded under liabilities in the balance sheet of the acquired company. The total amount paid for the transaction was of EUR 42,260 thousand, and the fair value of the assets, without taking into account the loan, amounted to EUR 58,601 thousand.

On 25 February 2021 Ernst & Young Servicios Corporativos S.L., as an independent expert, issued the Purchase Price Allocation report related to the acquisition of Audax Renewables Kft (Audax Hungría). The report was issued as a usual instance of this kind of valuation works and does not include any reservations or objections.

For the purpose of accounting for the business combination, the Group took into consideration the same values and opinions as those included by the independent expert in the report.

The following table shows the amounts of the assets and liabilities recognised at fair value at the date of the business combination and previous carrying amounts:

	Previous carrying amount	Fair value
Intangible assets	1,531	3,339
Tangible assets	26	26
Other non-current financial assets	16	16
Deferred tax assets	-	1,120
Trade and other receivables	83,513	83,513
Cash and equivalents	8,311	8,311
Total assets	93,397	96,325
Non-current liabilities	257	1,657
Deferred tax liabilities	-	723
Trade and other payables	62,290	63,690
Total liabilities	62,547	66,070
Total acquired net assets	30,850	30,255

As a result of the paid price allocation process intangible assets were identified of the amount of EUR 1.8 million as well as liabilities from a disadvantageous contract amounting to EUR 2.8 million (with related tax effect).

In accordance with the provisions of IFRS 3 the Group should measure the final effect of a business combination within a maximum period of twelve months. By the date of these consolidated annual accounts, and within the aforementioned period of twelve months, the Group has completed the process of valuation of the acquired assets and liabilities at their fair value, which did not involve any changes to the provisional measurement carried out in the consolidated annual accounts for the year ended on 31 December 2020.

As a consequence of the difference between the cost of the business combination and the fair value of the acquired net assets, there arose a negative difference in business combinations amounting to EUR 16,341 thousand, which was recorded in the consolidated income statement for the year 2020. The difference resulted mainly from the urgency of E.ON Hungária Zrt. to sell 100% of the share capital of Audax Renewables Kft. in order to comply with certain requirements imposed by the European Competition Authorities in the context of other corporate transactions in which the E.ON Group was involved, the final effect being an advantageous transaction for the Audax Group.

2020, Within the period between the date of business combination and the end of the year the income and the profit contributed by Audax Hungría amounted to EUR 104,912 thousand and EUR 428 thousand respectively.

If the acquisition had been carried out on 1 January 2020, ordinary income of the Group and consolidated profit from continued operations for the year ended on 31 December 2020 would have amounted to EUR 1,253,426 thousand and EUR 26,385 thousand, respectively.

Purchase of photovoltaic projects

On 30 December 2020 Audax Renovables achieved an exclusive purchase agreement with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group, which later adopted the name of Rocío Servicios Fotovoltaicos, S.L.U.) for the purchase of 100% of shares of the companies Audax Solar SPV VII, S.L.U., Audax Solar SPV XXVI, S.L.U., Audax Solar SPV X, S.L.U, Solar Buaya Inversiones, S.L.U. for the total amount of EUR 66,225 thousand. The main object of the acquired companies involves development, construction and operation of photovoltaic power generation projects.

This transaction corresponds to the first phase of the transaction of acquisition of a set of companies from Audax Fotovoltaica, S.L., the second phase of which was carried out in 2021 with the purchase of a set of companies for the amount of EUR 43,011 thousand (Note 2, transactions in the year 2021). With this regard, the independent expert opinion, the accounting criteria for considering that it was not a business combination and the internal processes for the approval of the transaction were the same as those explained before.

Consequently, the breakdown of the assets and liabilities incorporated at fair value at the date of their incorporation to the group is as follows:

	Audax Solar SPV VII, S.L.U.	**Audax Solar SPV X, S.L.U.**	**Audax Solar SPV XXVI, S.L.U.**	**Solar Buaya Inversiones, S.L.U.**	**EUR thousands**
Intangible assets	4,362	2,107	53,455	3,338	63,262
Tangible assets	135	241	2,792	97	3,265
Other assets	25	39	372	20	456
Total assets	4,522	2,387	56,619	3,455	66,983
Other net liabilities	113	39	512	94	758
Total liabilities	113	39	512	94	758
Total acquired net assets	**4,409**	**2,348**	**56,107**	**3,361**	**66,225**

The price paid was assigned to various assets and liabilities of the acquired companies, depending on their relative fair value, and the difference between the fair value and the price paid was registered as an intangible. This intangible comes from the valuation of the different milestones completed in each power station during its development phase at the moment of the acquisition. This intangible is amortised depending on the useful life of the plant and starts when the plant is put into operation.

Similarly to the case of the transactions of acquisition of shares from Rocío Servicios Fotovoltaicos S.L.U. (formerly Audax Fotovoltaica, S.L.U.) carried out in 2021 and described before, these transactions were not considered as business combinations, because they did not meet the IFRS 3 criteria established to this effect. Instead, they were registered as asset acquisition transactions.

The value of the companies differs depending on the power in MW of each plant and the stage of its processing (milestones completed at the date of the acquisition).

Moreover, on 28 July 2020 Audax Renovables S.A. signed an agreement with Energy Pool España, S.L. for the purchase of 100% of shares of the company Corinto Solar, S.L. for the amount of EUR 236 thousand.

Purchase of Non-controlling interests

On 24 April 2020 Audax Renovables, S.A. entered into an agreement on the purchase of the Non-controlling interests of the Dutch company Main Energie, B.V. (formerly Audax Netherlands B.V.) for the amount of EUR 15,385 thousand. Through this transaction Audax Renovables, S.A. became the sole shareholder of the company, and previous cross-option agreements were exercised for put and call options over the shares of the company. This transaction involved a reduction of the Non-controlling Interest by EUR 11,348 thousand. The acquisition of the Non-controlling interest of Main Energie, B.V. was part of the obligations between the purchasing party and the selling party under the cross-option agreement. These options were established at the moment of the acquisition of the initial share.

On 29 June 2020 Audax Renovables purchased the Non-controlling interests of Eryx Investments 2017, S.L. - the parent of a group of energy retailing companies, including Unieléctrica Energía, S.A. Through this transaction Audax Renovables, S.A. became the sole shareholder of that company. The purchase price of the transaction amounted to EUR 28,608 thousand and involved a decrease of the Non-controlling interests by EUR 13,539 thousand. The seller of this non-controlling interest was the related company, Eléctrica Nuriel, S.L.

On 29 June 2020 Audax Renovables purchased the Non-controlling interest of the company Fox Energía, S.L. - a subsidiary of Unieléctrica Energía, S.A. involved in energy retailing. Through this transaction the Audax Renovables Group holds an 88.8% stake of the company. The purchase price of the transaction amounted to EUR 10,400 thousand and involved an increase of the Non-controlling interests by EUR 997 thousand. The seller of this non-controlling interest was the related company, Eléctrica Nuriel, S.L.

These three transactions as a whole involved a negative effect on reserves amounting to EUR 13,124 thousand.

The transactions were endorsed by the following valuation methods applied by Ernst & Young Servicios Corporativos S.L. in the report issued on 2 March 2020 in order to determine the market value of the shareholdings:

1) Income Approach (Discounted Cash Flow), obtaining the range of EV (Enterprise Value) and adjusting it by the Net Financial Position at the valuation date (31 December 2019).
2) Market approach, as the comparison method by analysing the comparable listed companies and obtaining multiples of valuation (EV/Ebitda) in order to find the range of EV and adjusting it by the Net Financial Position at the target valuation date.

Other transactions

In 2020 the dissolution and liquidation of the companies Castellwind-03, S.L., Entreyeltes 1, S.L. and Fersa Asesoramiento y Gestión, S.L. was approved. The liquidation of those companies did not involve any significant impact on the financial statements for the year 2020.

In 2020 the companies Masqluz 2020, S.L. Alset Comercializadora, S.L., By Energyc Energía Eficiente, S.L., Love Energy, S.L., Energía Ecológica Económica S.L. and Feed Energia, S.L. were set up, all of them dedicated to the energy retailing in Spain.

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

The criteria applied in the homogenisation have been as follows:

- Temporary homogenisation: the accounts of the companies in the consolidation scope are referred to 31 December 31 December 2021 and 2020.

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

- Homogenisation for internal transactions.

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

2.6 Transactions in foreign currency

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

The transactions in foreign currency are translated into the functional currency using the exchange rates in force on the transaction dates. The gains and losses in foreign currency from the settlement of these transactions and the translation to year end exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the consolidated income statement.

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

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

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

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

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

The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2021 and 2020 were as follows:

	31 December 2021		**31 December 2020**	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
US dollar	1.1326	1.1851	1.2271	1.1453
Hungarian forint	369.19	359.01	366.24	364.12
Polish zloty	4.5969	4.5711	4.5597	4.4502

2.7 Segment reporting

The Group discloses financial information by segments in accordance with IFRS 8, identifying its operating segments on the basis of their important economic indicators and features, which are regularly reviewed and evaluated in the process of decision making. The conclusions are used in the areas of allocation of resources and evaluation of performance in each operating segment.

Although the results of the generation and retail, as well as their economic features, could be different, the fact that the Group follows its strategy of vertical integration of both business lines by, for example, developing its own generation facilities, as well as protecting the prices through power supply agreements, justifies that, at the operating segment level, both business lines are joined.

Therefore, the Group presents the information divided into geographical segments, and each of them constitutes a different business with its own organisational structure in order to evaluate its level of goal achievement.

The main geographical segments of the Audax Renovables Group are the following:

- Spain and Portugal
- Rest of World: namely Italy, Poland, Germany, the Netherlands, France, Panama and Hungary.

2.8 Intangible assets

The assets included in intangible assets are measured at cost, which may be the acquisition price or the production cost, less the relevant accumulated amortisation (calculated based on its useful life) and possible impairment losses, if applicable.

The depreciable amount of an intangible asset of limited useful life is distributed on a regular basis throughout its useful life. The amortisation charge of each period is recognised in the profit or loss for the year.

a) Goodwill

Goodwill represents the surplus, on the acquisition date, of the costs of the business combination over the fair value of the share in the net identifiable assets of the acquired company. The goodwill related to the acquisitions of subsidiaries is included under intangible assets and that related to acquisitions of associates is included under investments consolidated by equity accounting.

The goodwill is only recognised when it was acquired against payment and corresponds to the future economic profits arising from the assets which could not be identified individually and recognised separately.

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

Any goodwill coming from the acquisition of a company whose functional currency is not the Euro, will be valued in that distinct currency. The Euro conversion will take place on the balance sheet date.
Apart from investigating the existence of any impairment sign, the goodwill and intangible assets are examined at least annually for the purpose of discovering any loss due to impairment.

In order to analyse its recoverability, the goodwill is assigned to those cash-generating units (or groups of cash-generating units) which are benefited by the synergies of the business combination.

b) Computer software

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

The Group reviews the residual value, the useful life and the depreciation method of the intangible assets at the end of each year. The changes to the initially established criteria are recognised as a change in the accounting estimate.

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

c) Trademarks and Client portfolio

Client portfolio corresponds primarily to the ones acquired through business combination in the year 2017 of the company Audax Netherlands B.V. and the company Eryx Investments 2017, S.L. (Unieléctrica Group) during the year 2018. Moreover, in 2020 a client portfolio was acquired through the business combination of Audax Hungría.

For the purpose of valuation of customer relations, the earnings method (MEEM) was used. The value of the assets is estimated by the sum of future "excess earnings" discounted at present value, less charges for contributory assets.

The client portfolios are amortised by the straight-line amortisation method during their useful life which is estimated to be between 2 and 12 years and is determined according to the drop ratio based on historical data.

Trademarks are the ones acquired through business combinations referred to in the previous paragraph. Some trademarks were considered, by the independent expert who carried out its measurement at fair value, to have indefinite useful life, as there is no estimable limit to the period in which the asset will generate cash inflows, whereas others are amortised depending on their estimated useful life, mainly between 2 and 10 years.

d) Right-of-use assets

Right-of-use assets are recognised on the lease commencement date.

The cost of the right-of-use asset includes the amount of the measurement at recognition of the lease liability, any lease payment made on or before the commencement date, less the incentives received, the initial direct costs incurred in lease, and the estimated cost to be incurred in dismantling and restoring the asset.

After the initial recognition, the right-of-use asset is measured at cost less accumulated amortisation and impairment loss. The amortisation of the right-of-use asset begins on the lease commencement date and is carried out over the useful life of the underlying asset or the lease term if the latter is shorter. If the ownership is transferred to the lessee or when it is quite certain that the lessee will exercise the purchase option, the amortisation is recorded over the useful life of the asset.

Asset recognition exemption was applied to the leases where the underlying asset is of low value (less than EUR 4,000) or its lease term at the date of the lease contract is 12 months or less). In these cases the lease payments are recognised as operating expenses applying the straight-line method over the lease term.

e) Other intangible assets and licences

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

These assets arise mainly from measuring at fair value, in business combinations or company acquisitions, certain milestones in the development and implementation of, for example, renewable energy generation plants, such as the finding of ideal sites for the farm, applications for access points and grid connection, land lease agreements, obtaining permits and authorisations granted by official bodies, etc. They also include own work capitalised (basically staff costs) under intangible assets when the requirements of IAS 38 are met. These intangible assets are amortised on a straight-line basis over the farm's useful life, which begins when the assets are put into operation, and that is when the dismantling or restoring costs, if applicable, begin to be registered.

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

2.9 Property, plant and equipment

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

The assets related to dismantling or land rehabilitation are registered upon start-up of the power generation plant, which is also when the depreciation begins.

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

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

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

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

	Depreciation method	**Years of estimated useful life**
Structures	Straight-line	33 – 50
Plant and machinery	Straight-line	8 – 35
Other plants, facilities and equipment	Straight-line	5 – 20
Other property, plant and equipment	Straight-line	4 – 14

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

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

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

2.10 Impairment losses on non-financial assets

The Group analyses, at least at the closing date of each year, the value of its non-current assets in order to determine whether there is any indication of a loss due to impairment of these assets. If there is any such indication, then the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if necessary.

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

For the purpose of assessing impairment, the assets are grouped on the lowest level for which it is possible to identify independent cash flows.

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU (Cash-Generating Unit) to which it belongs. The recoverable amount of an asset is whichever is higher between its fair value less costs of disposal or its value in use.

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

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

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

The main indications which the Group takes into account in order to check the existence of impairment are the following:

- Recurring losses in the CGUs;
- Actual net cash flows, or results, deriving from the exploitation of the asset, significantly lower than estimated;
- Negative change in one of the key assumptions on which the cash flows forecasts are based: production, prices, number of clients, discount rates, gross margins, etc.;
- Significant changes with unfavourable effect for the Group, which occurred during the year or are expected to occur in immediate future, in the form or manner in which the asset is used or is expected to be used, such as, for example, plans to interrupt or restructure the business activity to which the asset belongs, or plans to dispose of the asset;
- Identification of unforeseen contingent liabilities in the CGUs subject to valuation, unforeseen significant sanctions or failure to meet certain ratios related to financial liabilities.

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

2.11 Leases

Identification of a lease

At the beginning of a contract, the Group assesses if the contract contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period in which the Group uses an asset includes consecutive and non-consecutive periods. The Group reassesses the conditions only when the contract is amended.

Lessee accounting

In the contracts which contain one or more lease components and non-lease components, the Group assigns consideration of the contract to each lease component according to the selling stand-alone price of the lease component and aggregate stand-alone price of the non-lease components.

The payments made by the Group which do not involve transfer of goods or services to the Group by the lessor are not a component separate from the lease, but form part of the total consideration of the contract.

The Group decided to not apply the accounting policies specified below for short-term leases and those where the value of the underlying asset is lower than EUR 4 thousand. (IFRS 16.8 and B3-B8).

For this kind of contracts the Group recognises the payments on a straight-line basis over the lease term.

At the beginning of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset consists of the amount of the lease liability, any lease payment made on or before the commencement date, less the incentives received, the initial direct costs incurred in lease and the estimated cost to be incurred in dismantling and restoring the asset, as indicated in the provisions accounting policy.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts the lease payments using the adequate incremental rate, except for when it is possible to credibly determine the lessor's interest rate implicit in the lease.

The unpaid lease payments consist of fixed payments, less any lease incentives receivable, variable payments that depend on an index or a rate, initially measured using the index or rate applicable at the commencement date, the amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and the payments of penalties for terminating the lease if the lease term reflects the exercising of an option to terminate the lease.

The Group measures the right-of-use assets, less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract conveys the ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the purchase option price, depreciation is carried out applying the criteria indicated in the property, plant and equipment paragraph from the lease commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful file of the right-of-use asset or the end of the lease term.

The Group applies the criteria of the impairment of non-current assets indicated in Note 5 to the right-of-use assets.

The Group measures the lease liability incrementing it by the accrued financial expense, reducing it by the payments made and remeasuring the book value due to amendments to the lease or in order to reflect the adjustments of the in-substance fixed payments.

The Group recognises variable payments that were not included in the initial measurement of the liability in profit or loss for the period in which the circumstance occurred which triggered the payment.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset until it is reduced to zero and later in profit or loss.

The Group remeasures the lease liability by discounting the lease payments using a revised discount rate if there is a change in the lease term or a change to the assessment of the option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under residual value guarantee or a change to the index or rate used to determine the payments, including a change to reflect the changes in the market rental rates following a market rent review.

The Group recognises a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification is not accounted for as a separate lease, at the date of the modification, the Group allocates the consideration in the modified contract in the way indicated above, determines again the lease term and remeasures the lease liability by discounting the revised payments using a revised discount rate. The Group decreases the book value of the right-of-use asset to reflect the partial or full termination of the lease in the modifications that decrease the scope of the lease, and recognises in profit or loss the relevant gain or loss. For all other lease modifications, the Group adjusts the book value of the right-of-use asset.

Lease liabilities

On the lease commencement date, the Group recognises the lease liability at the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that is impossible to be easily verified, the incremental borrowing rate.

The initial value of the lease liability is measured at the value of future lease payments discounted, as a rule, at incremental rate. Lease payments include:

- Fixed payments or in-substance fixed payments specified in the lease contract less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- The amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of a purchase option that the lessee is reasonably certain to exercise; and
- Payments for terminating the lease if the lease term includes early termination.

Contingent rents subject to the occurrence of a specific event and variable payments that depend on the income or on the use of the underlying asset are measured at the moment when they are incurred under the 'External services' heading of the Consolidated income statement instead of being part of the lease liabilities.

Subsequently, lease liability is increased in order to reflect the financial expense and is reduced by the amount of the payments made. Financial adjustment is recorded under the 'Financial expenses' heading of the Consolidated income statement.

The leases, where the Audax Renovables Group acts as lessee, have been measured individually at the present value of the future payments, discounted at the average discount rate of 4%.

The majority of the leases affected by this regulation correspond to the lease of land where the power plants are installed, as well as lease of office space.

2.12 Financial instruments

Recognition and initial measurement

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

A financial instrument is recognised when the Group becomes an obliged party to an agreement or a legal transaction according to the provisions thereof.

A financial asset or financial liability is initially measured at fair value plus, in the case of an item not measured at fair value with changes in comprehensive income, the transaction costs directly attributable to its acquisition or issuance. A trade receivable without significant financing component is measured initially at transaction price.

Subsequent classification and measurement

Financial assets

The Group classifies its financial assets, except for the investments accounted for by the equity method, into the following categories:

a) Amortised cost:

These are financial assets, non-derivative, which are held for the collection of contractual cash flows when these cash flows represent only the principal and interest payments. They are included in current assets, except when they mature in more than twelve months as from the Balance Sheet date on which they were classified as non-current assets.

They are initially recognised at fair value and, subsequently, at amortised cost, using the method of effective interest rate. The interest income of these financial assets is included in financial income, any profit or loss arisen when they are derecognised is recorded directly in consolidated income, and impairment losses are presented as a separate item of the Consolidated Income Statement for the year.

b) Measurement at fair value through Other Comprehensive Income:

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

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

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

c) Measurement at fair value through profit and loss:

These are assets acquired for the purpose of selling them in short term. The derivatives are included in this category, unless they are described as hedging instruments. These financial assets are measured, both initially and subsequently, at fair value, with the changes in that value recorded in the Consolidated Income Statement for the year. The equity instruments included in this category are recognised at fair value, with any gain or loss arising from the changes in fair value or the disposal of the instrument being recorded in the Consolidated Income Statement.

The fair value of listed investments is based on the market value (Level 1). In the case of non-listed company shares, the fair value is determined using the valuation methods which include the use of recent transactions between interested and duly informed parties, references to other substantially equal instruments and the analysis of discounted future cash flows (Level 2 and 3). When recent available information is insufficient for determining the fair value, or when there is a whole range of possible valuations of the fair value and the cost represents a better estimate within that range, the investments are recorded at acquisition cost, less the impairment loss, if applicable.

d) Financial assets measured at cost:

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

Financial liabilities

At the moment of their initial recognition, they are classified into the following categories:

a) Financial liabilities at amortised cost

Financial liabilities are recognised initially at fair value, net of the costs incurred in obtaining them. The difference between the amount obtained and their redemption value is recognised in the Consolidated Income Statement during the term of the financial liability using the effective interest rate method.

In the case of amendments to contracts concerning financial liabilities measured at amortised cost which do not result in their amortisation, the modified cash flows of the refinanced debt are discounted at the original effective interest rate, and the obtained difference from the previous carrying amount is recorded in the Income Statement at the date of the modification.

The difference between the book value of a financial liability which is cancelled and the consideration paid is recognised in the profit or loss for the period.

Financial liabilities are classified as current liabilities unless their maturity is longer than twelve months as from the Balance Sheet date or if they include tacit renewal clause to be exercised by the Group.

Moreover, current trade and other payables are short-term financial liabilities which are initially measured at fair value do not accrue interest and are recorded at their nominal value.

b) Financial liabilities at fair value through profit and loss:

These are liabilities acquired for the purpose of selling them in short term. The derivatives are included in this category, unless they are described as hedging instruments. These financial liabilities are measured, both initially and subsequently, at fair value, with the changes in that value recorded in the Consolidated Income Statement for the year.

Principles of compensation

A financial asset and a financial liability are subject to compensation only when the Group has the legal right actually enforceable to compensate the recognised amounts and has the intention to settle for differences or realise the asset and cancel the liability simultaneously. In order for the Group to have the legal right actually enforceable, it should not be contingent to a future event and should be legally enforceable in the ordinary course of business, in case of insolvency or legally declared liquidation and in case of default.

Reclassifications of financial instruments

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

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

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

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

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

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

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

i) Impairment

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

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

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

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

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

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

- Internal and external credit risk ratings;

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

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

- Significant increase in the credit risk of other financial instruments of the same borrower;

- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

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

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

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

For the financial assets renegotiated or modified and which have not implied derecognition of the original financial asset the Group evaluates the significant increase in credit risk comparing the risk of a default at the date of the balance sheet according to the new conditions with the risk of a default at the date of the initial recognition according to the original conditions. The Group considers that the credit loss of modified financial assets should not be estimated during the lifetime for the instrument only when there is evidence of the borrower’s fulfilment of the modified obligations.

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

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

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

The maximum term considered by the Group to measure the expected credit loss is the contractual period, including novation options, during which the Group is exposed to credit risk. However, the Group determines credit losses during the period in which the Group is exposed to credit risk and the credit losses would not be mitigated by credit risk management actions, even if this period exceeds the maximum contractual period.

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

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

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

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

ii) Extinguishment of financial assets

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

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

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

iii) Interests and dividends

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

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

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

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

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

The Group recognises as financial income and expenses the late-payment interest in commercial transactions according to the legal and contractual conditions. If eventually the interest is compensated or cancelled, the Group recognises the transaction according to its substance.

iv) Derecognition and modification of financial liabilities

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

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

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

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

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

v) Issuance and acquisition of equity instruments and financial instruments and recognition of dividends

The Group classifies issued, incurred or assumed financial instruments as financial liabilities in its entirety or in one of its parts, providing that, depending on the economic situation, it means for the Group a direct or indirect contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with third parties under conditions that are potentially unfavourable.

The Company recognises the increases and decreases of capital in net equity when the issuance and subscription has been carried out.

In the issuance of compound financial instruments with equity and liability components the Group measures the equity component at the residual amount obtained after subtracting from the fair value of the instrument as a whole the amount of the liability component, including any derivative financial instrument. The liability component is measured at fair value of a similar instrument which does not contain an equity component. However, if an issued instrument is puttable at any time at the investor's request or because of a contingency which cannot be controlled by the Group, the initial value of the financial liability is equal to its issue price. Derivative financial instruments are later measured at fair value through profit or loss. The liability component of the financial instrument is later measured at amortised cost. Transaction costs related to an issue of a compound financial instrument are allocated according to the carrying amount of each of the components at the time of classification.

In an issue of convertible bonds the Company recognises the conversion option as other equity instruments, providing that it is not classified as a derivative financial instrument. The financial liability component and transaction costs are recognised as stated above.

At the date of the conversion the Group cancels the liability component and proceeds to credit the capital account and, if applicable, the share premium account. Moreover, the original component of net equity is reclassified to the share premium account.

In case of agreement on bonds repayment, the Group cancels the liability and, at the difference against consideration paid, accounts for the result of the transaction in the financial margin of the consolidated income statement. Likewise, the original net equity component is reclassified to the reserves.

When the Group cancels a convertible bond before maturity, through early redemption or repurchase where conversion terms remain unchanged, the Company distributes the consideration paid and transaction costs related to the redemption or repurchase between the liability and equity components of the instrument at the date of the transaction, in a way which is congruent with the method used in the distribution carried out for the initial recognition of the instrument.

Once the allocation of the consideration paid between the two components is made, the resulting gain or loss related to the cancellation of liability is recognised in the consolidated profit or loss, and the amount corresponding to the equity component is recognised directly in a reserves account.

If the initial terms of the convertible instrument are amended in order to induce early conversion, the difference, at the date when the terms are amended, between the fair value of the consideration the investor is to receive on conversion of the instrument under the new terms and the fair value of the consideration that the investor would have received under the original terms is recognised as a financial profit or loss in the consolidated income statement.

Contracts for purchase and sale of non-financial assets

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

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

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

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

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

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

As at 31 December 2021 and 2022 the Group does not have any interest rate derivatives.

2.13 Derivatives and other financial instruments

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

The Group aligns its accounting with the implemented financial risk management. Periodically, the risk management and hedging strategy objectives are reviewed, and a description of the pursued objective of risk management is prepared.

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

The market value of different financial instruments is calculated according to the following procedures:

- Regarding the derivatives traded on regulated market, at their quoted price at the end of the year (Level 1).

- In the case of derivatives that do not trade on regulated market, at the discounted cash flows, based on the market conditions at the year-end date or, in the case of non-financial elements, on the best estimate of the future price curves of those elements (Level 2 and 3).

The fair values are adjusted by the expected negative impact of the observable own credit risk on the valuation scenarios.

For the purpose of recognition, the transactions are classified in the following manner:

a) Cash flow hedges:

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

b) Fair value hedge:

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges are posted in the consolidated income statement.

2.14 Share capital

Share capital is represented by ordinary shares.

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

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

2.15 Provisions and contingent liabilities

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

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

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

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

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

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

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

2.16 Corporate Income Tax

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

The Group incorporates the uncertainty effect into the tax treatment when determining the tax profit, tax bases, unused tax losses, unused tax credits and tax rates.

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

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

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

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

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

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

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

When there is a change in tax rates, the amounts of the deferred tax in assets and liabilities are remeasured. These amounts are charged or allocated through consolidated profit and loss or through the "Other comprehensive income for the year" account of the Consolidated Statement of Comprehensive Income, depending on the account to which the original amount was charged or allocated.

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

Measurement of deferred tax assets and liabilities

The deferred tax assets and liabilities are measured according to the tax rates that will be applicable in the years when the assets are expected to be realised and the liabilities are expected to be settled, on the basis of the regulations and types that are approved or are soon to be approved and after considering the tax implications of the form in which the Group expects to recover the assets or settle the liabilities. For this purpose, the Group has considered the deduction from the reversal of temporary measures, established in the 37th transitional provision of the Law 27/2014 of 27 November 2014 on Corporate Income Tax, as an adjustment to the tax rate applicable to the temporary deductible difference associated with the non-deductibility of the amortisations and depreciations recorded in the years 2013 and 2014 and updating the balance sheets under the Law 16/2012 of 27 December 2012.

The Group revises, at the date of the financial year end, the carrying value of the deferred tax assets in order to reduce that value when it is not probable that there will be sufficient taxable profit in the future to compensate them.

The deferred tax assets which do not meet the conditions specified above, are not recognised in the consolidated statement of financial position. The Group reassesses, at the year end, if the conditions are met in order to recognise the deferred tax assets which previously were not recognised.

Tax uncertainties

If the Group establishes that it is not probable that the tax authority will accept an uncertain tax treatment or a group of uncertain tax treatments, it takes such uncertainty into consideration for the establishment of the taxable income, tax bases, credits for tax losses carried forward, deductions or tax rates. The Group determines the effect of the uncertainty in the corporate income tax return applying the expected value method when the range of possible outcomes is very wide, or the most-likely amount method when the outcome is binary or is concentrated on a value. In those cases where the tax asset or tax liability calculated using these criteria exceeds the amount presented in the tax return self-assessments, it is presented as current or non-current in the consolidated statement of financial position according to the expected date of recover or settlement, recording in the income statement, when appropriate, the amount of the relevant late-payment interest over the liability as it accrues. The Group records the changes in facts and circumstances related to the uncertainties as a change in the accounting estimate.

The Group recognises and presents the sanctions in accordance with the accounting policy indicated for provisions.

Compensation and classification

The Group only compensates the current tax assets and liabilities if there is legal authorisation from the tax authorities and the Group intends to settle the resulting debt in its net amount or to realise the assets and settle the debt simultaneously.

The Group only compensates deferred tax assets and liabilities if there is legal authorisation from the tax authorities to compensate and the assets and liabilities belong to the same tax authority and to the same taxable person or to different taxable persons that intend to settle or realise the current tax assets and liabilities at their net amount or to realise the assets and settle the liabilities simultaneously, in every future fiscal year in which it is expected that significant amounts of deferred tax assets or liabilities will be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, regardless of the expected date of the realisation or settlement.

2.17 Recognition of revenues from contracts with customers

Income from contracts with customers is recognised according to the fulfilment of the performance obligations towards the customers.

Ordinary income represent the transfer of goods or services to the customer for an amount which reflects the consideration that the Group expects to receive in exchange for that goods or services.

According to IFRS 15, for the recognition of revenues it is necessary to apply a procedure in five steps in order to determine the moment in which income needs to be recognised, as well as its amount:

1. Identifying the contract or contracts with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price
4. Allocating the transaction price to different performance obligations.
5. Recognition of income according to the fulfilment of each obligation.

The expenses are recognised when they accrue, or immediately - in the case of outlays that are not going to generate future economic profit or when they do not meet the necessary requirements to be recognised in books as assets.

Sales are measured net of tax and discounts, and transactions between Group companies are excluded.

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

Electricity and natural gas sales are recognised as income at the moment of delivery to the customer according to the quantities supplied during the period, before being invoiced. Therefore, sales figures include the estimated volume of supplied electricity, that has not yet been read on the customer's meter (Note 2.21).

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

2.18 Cash flow statement

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

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

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

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

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

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

2.19 Profit or loss per share

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

2.20 Cash and other cash equivalents

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

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

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

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

2.21 Significant accounting estimates and assumptions.

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

a) *Impairment of non-financial assets*

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

b) *Provisions*

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

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

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

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

d) *Recognition of income and customers that have not yet been invoiced*

Income from energy sales is recognized when the electricity is delivered to the customer on the basis of estimated energy production. Since the usual meter read date does not coincide with the balance sheet date, the Management of the Group estimates the volume of sales to customers, that have not yet been invoiced.

In this regard, the income from the energy supplied, but not yet read on the customer's meter, is based on the estimates of the volume of supplied energy and of all the usual components of the price according to customer type.

When the usual meter read date and the invoicing date do not coincide with the calendar month, the estimate amount of income is calculated in the following manner:

- The amount of supplied energy is estimated based on the purchase made on the market in given period plus an estimate of the difference between the actual customer's meter read and said purchase. In those cases when the information on fees is not yet available, the Group uses internal sources of information in order to estimate the amount, based on the periods to be invoiced, gathered in the database (number of days from the last issued invoice to the end of the year) and historical daily consumption of each supply point (KWh).

- In order to estimate the sale prices for the purpose of invoicing the energy supplied and not invoiced at the end of the year, the Group uses internal and external sources of information. As an internal source, the Group has the actual prices of the invoices issued in the year 2022 which correspond, according to the meter read date, to the year 2021 (issued based on the purchase fees mentioned before). With regard to the amount that has not yet been invoiced because the purchase fees are not available, the Group needs to estimate the prices to be applied and for this purpose uses the information available at the closing date, taking into account the energy price changes on the wholesale market, as well as the current tariffs established with each supply point, which may be fixed or indexed.

In order to determine the income from the energy sale to customers before invoicing, originating from the power generation plants, the Group monitors the actual production with the measuring equipment of each operating power plant.

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

e) *Fair value of financial instruments*

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

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

f) *Impairment of receivables*

In compliance with the IFRS 9 standard, the Group applies a criterion of expected loss, calculated on the basis of expected losses for the next 12 months or for the whole life of the instrument, depending on significant increase in risk.

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

2.22 Actions causing an impact on the environment

The payments carried out in order to comply with the legal requirements connected with the natural environment protection are recorded on an annual basis as expenses or as investments, according to their nature. Amounts registered as an investment are depreciated according to their useful life.

No provision for liabilities and charges related to natural environment has been considered, given that there are no significant contingencies related to the environment protection.

2.23 Incremental costs of acquiring new contracts and client acquisition costs

The incremental costs of obtaining a contract are those incurred in order to obtain a contract with a customer, and which would not have been incurred if the contract had not been obtained.

The costs of obtaining a contract, which were incurred regardless of whether the contract was obtained or not, are recognised as an expense when they are incurred, unless they are explicitly attributable to the client without regard to obtaining the contract.

The Group recognises as assets the incremental costs of obtaining a contract with a client if the entity expects to recover those costs.

With regard to the contracts where there are substantial annual renewal costs, the incremental costs incurred directly in acquiring new customer contracts, which correspond primarily to the commission paid for the acquisition of contracts for power supply signed with those customers, are recorded as Prepaid Expenses and are transferred to the profit and loss account under the heading of procurement, linearly during the expected average life of the contract.

With regard to the contracts without substantial annual renewal costs, the commission paid for the acquisition of contracts for power supply signed with those customers are recorded as intangible assets and are transferred to the profit and loss account under the heading of Amortisation charge, linearly during the expected average life of the contract.

The customer acquisition costs recognised as assets are amortised systematically in the Consolidated Profit and Loss Account during the expected average life of contracts with customers which ranges between 1 and 3 years.

2.24 Market price deviation adjustment value under article 22 of Royal Decree 413/2014

On 22 October 2021 the Comisión Nacional del Mercado de Valores (CNMV, National Securities Market Commission) issued an announcement establishing the criterion for accounting for the value of the market price deviation adjustment under article 22 of Royal Decree 413/2014 (RD 413/2014) of 6 June 2014 which regulates the electricity production from renewable energy sources, cogeneration and waste materials.

The value of the market price deviation adjustments reflects the differences that arise in each year between the income from energy retailing at estimated market price, an estimation that is determined at the beginning of each regulatory half-term of three years, and the actual income from energy retailing at average market price in that year.

According to the criterion established by the CNMV as a general rule, it is necessary to recognise in the balance sheet each of the market deviations, positive and negative, which arise under RD 413/2014. However, if during the regulatory residual life of the assets it were highly likely that the achieved market profitability would be higher than the one established in RD 413/2014 and if, therefore, discontinuing the remunerative system would not have more adverse and economically significant consequences than continuing its application, it is considered that in such situation only the assets would be recognised.

In the case when certain facility is in the last half-term of the regulatory useful life of the asset, or early discontinuance of the remunerative system has been announced, the entity proceeds to record in each year an asset or a liability for the amount of the positive and negative deviations generated in the half-term until the closing date of the corresponding year.

In the year 2021 the Group has only two facilities covered by the remunerative system established in RD 413/2014 under the code IT-00656 and with a regulatory useful life end in 2026. On applying the criterion established by the CNMV to those facilities, the Group considers it to be highly likely that during the remaining regulatory useful life, according to its best estimation of the future changes of the energy market price, direct market profitability will be obtained, which will be higher than the one guaranteed by the Royal Decree.

The calculation of the Asset Net Value (VNA) was determined according to the income and operating costs of the type plants, the remuneration for investment received, the corresponding revision rate, as well as including the impact of negative and positive deviations. This calculation results in an estimated VNA for the year 2022 which is negative (considered as zero for regulatory purposes), meaning that those facilities will not receive specific remuneration (remuneration for investment) beginning from the next regulatory half-term from 1 January 2023 till the end of its regulatory useful life in 2026. Therefore, no impact has been recorded in the Consolidated Annual Accounts as at 31 December 2021.

Moreover, given that the facilities do not receive operation remuneration assigned under RD 413/2014, the fact of discontinuing the application of the remunerative system would not have more adverse economically significant consequences than remaining within the system.

2.25 Measurement at fair value

Fair value is the price which would be received from selling an asset or paid for the transfer of a liability in an orderly transaction between market participants at the date of the measurement, whether the price is directly observable or estimated by using a different valuation method.

If there is no listed price available on an active market, the Group uses valuation methods which maximise the use of relevant observable input data and minimise the use of non-observable input data. More specifically, and with regard to different derivative financial instruments not marketable on regulated markets, the Group establishes the fair value by using valuation methods which include the use of recent free transactions between interested and duly informed parties, involving other substantially similar instruments, the analysis of discounted cash flows at interest rates and exchange rates applied in the market at the date of the presentation and models of establishing option prices, improved in order to reflect the specific circumstances of the issuer.

2.26 Business combinations

The Group accounts for business combinations using the acquisition method when the control is transferred to the Group in accordance with IFRS 3. The acquisition date is the date on which the Group obtains control over the acquired business.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 – REGULATORY FRAMEWORK

In this section we describe the main features of the regulations applicable to the sectors in which the Audax Renovables Group operates in the main regions where the activity is carried out, in chronological order.

A. Electricity market

A.1. Spanish legislative framework

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 Royal Decree-law 17/2013 “CESUR” tenders are removed from their role as a fixing mechanism of energy price component for the last resort tariffs (currently PVPC).
- The access tolls are equal nationwide and are collected by the distributors who act as collecting agents of the electricity system.

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

- Possible temporary differences due to imbalance in settlement of regulated activities in the electricity sector.
- Regulatory changes in the regulated costs.
- Exceptionally, when there are special circumstances affecting the regulated costs or the parameters used to calculate costs.

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 Official State Gazette BOE ("**RDL 15/2018**"). RDL 15/2018 introduces measures for consumer protection grouped in two chapters: (i) the first chapter is dedicated to vulnerable consumers and energy poverty prevention; and (ii) 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. RDL 15/2018 was partially amended by Royal Decree-law 23/2021 of 26 October 2021 on urgent measures in the energy sector for consumer protection and introduction of transparency in the electricity wholesale and retail markets, described below.

Accordingly, the range of electricity price components is presented below:

- Connection fees: See detailed explanation in a previous paragraph of this section III.5.1.4.
- Cost of energy: Cost of commodity purchase.
- Capacity payments: Supply guarantee cost.
- System operator cost: The amount collected by Red Eléctrica de España in order to maintain the balance between production and demand.
- Marketing margin.
- Taxes: Municipal tax.
- Transmission and distribution losses: Adjustments by the System Operator for electricity transmission and distribution losses.

A.1.1 Generation of renewable energy

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

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

- The income derived from sale of electricity on the market.

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

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

- A factor per unit of installed power (investment remuneration) which covers the investment costs of a standard plant that cannot be recovered from the sale of energy in the market, and

- A factor in the operation (operative remuneration) which covers the negative difference between the operative costs and the income from the market share.

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

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

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

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

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

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

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

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

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

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

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

On 28 February 2020 Order TED/171/2020, of 24 February, was published in the BOE, updating the remunerative parameters of the type plants, applicable to certain plants of electricity production from renewable energy sources, cogeneration and waste materials, to be applied in the regulatory period beginning on 1 January 2020. Moreover, the approval of the estimated market price for each year of the third regulatory half-term was published.

On 24 June 2020 Royal Decree-Law 23/2020 of 23 June was published, in order to drive the processing and authorisation of energy generation projects, approving measures for the energy sector and other businesses for the purpose of economic reactivation as a consequence of the international COVID-19 pandemic declared by the World Health Organisation. This Royal Decree establishes a range of administrative milestones to be met by the developers of power plants. Among other milestones, there are deadlines for obtaining the favourable environmental impact declaration (DIA) for the project, obtaining the prior administrative approval (AAP), building permit (AAC) and operation approval (AAE), which, when failed to meet, will automatically invalidate the access and grid connection permits. However, due to an elevated number of projects currently being processed, it is possible that the projects potentially viable, which have proved their will to build the designed power plants, will not be able to carry out their investments. Therefore, Royal Decree-law 29/2021, of 21 December 2021, on adopting urgent measures in the energy sector in order to encourage electric mobility, self-supply and development of renewable energy, extends by an additional period of nine months the deadlines established in Royal Decree-law 23/2020, of 23 June 2020, for the intermediate milestones relating to the environmental impact declaration and administrative building permits, without extending the total deadline of five years for the final milestone of obtaining the AAE.

Royal Decree 960/2020 of 3 November, which regulates the economic system of new power generation plants by competitive tendering.

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December 2012, on tax measures for the energetic sustainability. Under the above-mentioned law it is stipulated, among others, a new tax, the Tax on the Value of Production of Electrical Energy (IVPEE), 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 2018 was published in the BOE, introducing urgent measures for energy transition and consumer protection, also discussed in the section on energy retailing on the Spanish electricity market. The Royal Decree-law includes provisions where several measures are adopted in relation with the tax regulations, whose main objective is to moderate the price changes on the electricity wholesale market, and through which an exemption from IVPEE is established for the electricity produced and incorporated to the electric system within six months, coinciding with the months of the largest demand and the highest prices on the wholesale electricity markets at the moment, in agreement with the ultimate aim of the current norm. In connection with the measure of temporary exemption from IVPEE, under Royal Decree-law 12/2021 of 24 June 2021, an exceptional temporary exemption from IVPEE was applied for the third calendar quarter of the year 2021 due to the energy crisis resulting from the COVID-19 pandemic, which involves modifications, for the year 2021, of the calculation of the taxable income and of the part-payments regulated in the tax provisions of the above-mentioned Law 15/2012 of 27 December 2012. Following this measure, article 2 of the aforementioned Royal Decree-law 17/2021 extends for and additional quarter the temporary exemption from IVPEE, involving therefore a change to the determined taxable income and to the part-payments of the tax during the year 2021. Likewise, following the chronology related to the development of the regulations applicable to this tax, the Government approved at the end of December the Royal Decree-law 29/2021 previously mentioned, which extends till 31 March the temporary suspension of the tax, among other tax measures.

Moreover, the Royal Decree-law 23/2021 specifies the scope of application of the mechanism of reduction of the excess of remuneration of the electric market due to the higher quoted price of natural gas on international markets, regulated in title III of the Royal Decree-law 17/2021 of 14 September. In this regard, the current Royal Decree-law 23/2021 amends the Law 24/2013 of 26 December 2013 on Electricity Sector in order to increase the transparency, improve the monitoring capacity and reinforce the information and protection of consumers by imposing certain duties on the producers, such as providing Public Administration and the CNMC with information on energy production, consumption or sales and other aspects established by the regulator, among other information and formal requirements.

A.1.2. Energy retailing

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

As regards taxes, Law 11/2020, of 30 September, on the General State Budget for the year 2021, with amendments concerning retailing in the year 2021 should be mentioned.

The year 2020 was marked by the impact of COVID-19 on the sector, with regard to the consumption as well as to the measures adopted to mitigate its effects, especially on the most vulnerable groups, and the measures aimed at bolstering - in an organised and quick method - the energy transition towards a system of 100% renewable electricity and at supporting the economic reactivation in line with the European Green Deal of 11 December 2019 which establishes the climate roadmap of the European Union for the next years.

In the firs group there is RDL Royal Decree-Law 26/2020, of 7 July, Royal Decree-Law 30/2020, of 29 September and Royal Decree-Law 37/2020, of 22 December, establishing extensions to the applicability of social tariffs and restrictions on cutting off power supply to households.

With regard to the measures aimed at supporting the businesses and bolstering economic reactivation, RDL 23/2020, of 23 June, approved measures related to energy matters and other issues and RDL 34/2020 establishing the transfer of the income from CO2 emissions to costs of the electricity sector.

Below we describe important regulatory changes established chronologically throughout the year 2021, among which there are several Decree-laws approved as a consequence of the hard time through which the energy markets had gone. The quoted prices of the main raw materials and of electricity translated into a high cost which affected social life in all its dimensions, the electricity price increased in the wholesale markets going from, for example, 46.31 €/MWh (arithmetic mean of the last three years in the Iberian electricity market) to 156.91 €/MWh on the last day of December 2021, through a peak of 399.64 €/MWh on 23 December 2021.

The consumers' right to transparent, accurate and verifiable information is one of the pillars of the international and national regulation and one of the objectives which govern the directives of the European Union. In this regard, Circular 2/2021, of 10 February, of the CNMC, establishes the methodology and conditions of electricity labelling for the purpose of informing about the source of the electricity consumed and its impact on the environment, and therefore the invoices issued by the retailers to their clients should provide information about the source of the electricity.

With regard to the structure and operation of the taxpayers' register of the Special Electricity Tax (IEE), the Order HAC/172/2021 of 25 February approves the form 560, "Special Electricity Tax. Self Supply", and determines the method and procedure of submitting the form. Electricity tax amounts to 5.1127% and is applied to the items of capacity and use specified in the electricity invoice.

As regards the calculation method of the price, in 2021 the Royal Decree 148/2021 of 9 March was approved, which determines the method to be applied to calculate the annual price of distribution among the users of the electric grid of the system charges, and settles the basis for the calculation of the items of capacity and energy, among others. In order to design the structure of the charges, the same tariff structure by voltage levels as the one introduced by the National Commission of Markets and Competition (CNMC) in the Circular 3/2020 of 15 January, of the CNMC, which establishes the calculation methodology of the electricity transport and distribution fees.

With regard to energy efficiency, the Directive 2012/27/EU of the European Parliament and of the Council, of 25 October 2012, and in relation to article 20, the Member States were allowed to create a National Energy Efficiency Fund as backing for the national energy efficiency initiatives, and the Ministerial Order TED/275/2021 of 18 March determined the target of annual savings, the percentage of distribution among the corresponding bound entities and the consequent saving portions or duties and their financial equivalent.

On 13 April the Order TED/456/2021 was implemented determining the contents and the conditions for the purpose of submitting to the Ministry for the Ecological Transition and the Demographic Challenge of the information on prices applied to the electricity end users and establishing the common and transparent criteria and definitions for all the entities bound to submit the information on prices applied to the electricity end users, in accordance with the European regulation.

On 20 May the Law 7/2021 on climate change and energy transition was implemented. It was designed as a response of Spain to the commitment of the entire European Union to fighting climate change and sets the purpose of ensuring the achievement of greenhouse gas emissions neutrality in Spain by the year 2050. In order to achieve this goal, the emissions of the entirety of the Spanish economy in the year 2030 should be reduced by at least 23% in comparison to the year 1990 and climate neutrality should be achieved no later than the year 2050. Moreover, by the year 2030 the share of the energy from renewable sources in the final energy consumption should be of at least 42%, and the electric grid should involve at least 74% of energy production from renewable sources, among other measures.

On 4 May the Royal Decree-law 8/2021 was implemented, in which urgent measures were adopted in the health, social and jurisdictional systems to be applied after the end of the state of alarm declared by the Royal Decree 926/2020 of 25 October. The regulation extended the temporary effectiveness of some of the measures, mainly of social and economic nature, which were connected with the state of alarm and which would no longer be applied after the end of the state of alarm. The extension prolonged the effectiveness of the most important protection measures, the so called «social shield», until 9 August 2021, but then it was amended by the Royal Decree-law 16/2021, which extended the temporary effectiveness of some of the measures until 31 December 2021. At that moment, and given various social indicators and an energy crisis, which show that there was still the risk of an impact on the most vulnerable groups of the population, an extension until 28 February 2022 was approved for some of the measures in order to ensure the supply of water, electricity and natural gas to the most vulnerable consumers. Specifically, a ban was introduced on suspension of electricity and/or natural gas supply to the consumers who, while unable to provide evidence of the supply contract holder, met the requirements for being considered as vulnerable or extremely vulnerable consumers.

Moreover, the Resolution of 24 June 2021, of the National Commission of Markets and Competition established the minimum content and model of the electricity invoice to be applied by the reference retailers. Under this resolution, the invoice model and its minimum content must include a QR code with the necessary information for the consumer to access the buyer of the natural gas and electricity offers of the CNMC.

As regards taxes, Law 11/2020, of 30 September, on the General State Budget for the year 2021, with amendments concerning retailing, should be mentioned. With this regard, and in the scope of local taxes, new items or groups of the Economic Activity Tax rates were created in order to classify into specific categories the general activities of supplies retailing (electricity and gas)

Moreover, the Royal Decree-law 12/2021 of 24 June, already mentioned in the previous section, implements urgent measures in the area of energy taxes and, among other aspects, introduces a temporary reduction of VAT until the end of the year, from 21% to 10% in the electricity invoices, and a definition of taxable income and of the part-payments of the tax on the value electric power production in 2021. Therefore, in the third quarter of 2021 the plants that generate electricity and incorporate it to the grid were exempted from IVPEE.

Another regulation by which urgent measures were implemented in the area of energy taxes was the Royal Decree-law 17/2021 of 14 September, already mentioned, regarding the measures applied in the electricity sector. These include measures of social nature, such as the implementation of minimum supply - extending to six months the period that must elapse from the first non-payment of the electricity invoice - which allows to increase the protection of energetically vulnerable consumers, as well as of tax nature (the reduction of IEE already mentioned), and instruments associated with the operation of the wholesale market. For this purpose, the Royal Decree-law increases, until 31 March 2022, the discount of the social electricity tariff from 40 to 70% for extremely vulnerable consumers and from 25 to 60% for vulnerable consumers. This measure will help to reduce the charge of the electricity invoice to more than one million two hundred households.

Moreover, it is important to highlight the first final provision, which introduces the application of the mechanism referring to the energy subject to derivatives, in order to reduce the excess of remuneration of the electric market due to the higher quoted price of natural gas on the international markets, regulated in title III of the Royal Decree-law 17/2021 of 14 September. Therefore, the regulation excludes the energy produced by power plants, which has been hedged by a forward contract, whose contract conclusion date is earlier than the date of the entry into force of the Royal Decree-law, with fixed price and hedge term of one year or more. If the previous forward contract includes a partial indexation of the market price on the peninsular wholesale market to the electricity contract, the exclusion will affect only the electricity equivalent to the part of the contract which has not been indexed. In the rest of the cases, the energy produced by power plants will be reduced according to the calculation formula provided in article 7 of the Royal Decree-law 17/2021.

The forward contracts may include contracts with physical delivery as well as instruments with financial settlement within the period of the mechanism or reduction by the net selling position of a group of companies or, in case of not belonging to a group, of the company subject to the mechanism.

The Royal Decree-law 23/2021 already mentioned amends the Law 24/2013 of 26 October on Electricity Sector in order to increase the transparency, improve the monitoring capacity and reinforce the information and protection of consumers, by imposing certain duties on the retailers and producers, such as providing information to the CNMC with regard to the contracting of forward instruments. Moreover, the regulations establish the duty of the retailer to inform the consumer about any review of the prices arising from the established terms with at least one month's notice before its implementation and in a transparent and comprehensible form, and the criteria o application of the system of reducing the energy subject to forward instruments.

In order to establish a framework with regard to the connection fees to the electricity transport and distribution networks, the CNMC establishes in its resolution of 16 December 2021 the prices for the items of contracted capacity and active energy in the Annex I to be applied beginning on 1 January 2022 in accordance with the provisions of the Circular 3/2020 previously mentioned.

Moreover, the aforementioned Royal Decree-law 29/2021 of 21 December on adopting urgent measures in the energy sector in order to encourage electric mobility, self-supply and development of renewable energy, includes the possibility for tax ordinances to a) regulate a discount of up to 50 percent of the whole amount of the tax for the real estates where charge points for electric vehicles have been installed, b) apply a discount of up to 50 percent of the tax amount corresponding to the economic activity for taxable entities that pay municipal taxes and have installed charge points for electric vehicles in the premises belonging to the economic activity, and c) apply a discount of up to 90 percent for the constructions, facilities or projects necessary for the installation of charge points for electric vehicles.

As regards taxes, an exceptional and transitory extension until 30 April 2022 was regulated for the application of the reduced rate of 10 percent of the Value-added Tax (VAT) levied on all the items of the electricity invoice for the contracts whose fixed capacity term is not higher than 10 kW when the average monthly price in the wholesale market in the previous month before the invoicing date was higher than 45 €/MWh. Another extension was regulated for the application of the tax rate of 10 percent of that tax for the supply to the holders of electricity supply agreements, who receive social discount during the term of application of this royal decree-law, regardless of the price of electricity in the wholesale market.

With regard to IEE, it is considered to be appropriate to continue applying until 30 April 2022 the measure already provided in the aforementioned Royal Decree-law 17/2021 of 14 September, which established an exceptional and transitory reduction, until 31 December 2021, of the tax rate of the IEE, regulated in the Law 38/1992 of 28 December on Special Taxes, from 5.11269632 percent to 0.5 percent.

At the end of the year, the Order TED/1484/2021, of 28 December, in compliance with the provisions of the Royal Decree 148/2021 of 9 March, mentioned before, updates the tariff segments specific to the activity involving the supply of services of electric vehicle charging, which has been shaped so as to recover 100% of the charges through the energy item.

Lastly, it is necessary to take into consideration the Draft of the Order on establishing obligation of contributions to the national energy efficiency fund in the year 2022, which, in compliance with article 70.1 of the aforementioned Law 18/2014 of 15 October, establishes the target of energy savings for the year 2022 and the saving duties corresponding to all the entities bound by the obligation, and the relevant economic equivalent.

In parallel to all the regulations described before, and as a consequence of the natural disaster caused by the volcanic eruption on the island of La Palma, the Royal Decree-law 20/2021 of 5 October was approved, implementing urgent measures for supporting the reparation of the damage caused by the eruption.

A.2. European legislative framework

A.2.1. Generation of renewable energy

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

- Law nº 2000-108 of10 February 2000, on the modernisation and development of the electricity utilities.

- Decree nº 2000-877 of 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 2020, he tariff applied to the company in the Audax Renovables Group in France was of 9.536 cents euro per KWh until 1 November, and from that date, of 9.427 cents euro per KWh.

On 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 apply to the aforementioned French company. The tax rate changes, as shown in the following table, from 33% in 2017 to 26.5% in 2021 and to 25% beginning from 2022:

2021	From 2022 onwards
PME communautaires B ≤ €75,000 : 28% B > €75,000 : 26.5%	25%

PME communautaires refers to companies where the annual turnover of the majority shareholder does not exceed €50M
B: Profit before tax

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 260.69 PLN/MWh (141.63 PLN/MWh at the end of the previous year).

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

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

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

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

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

A.2.2. Energy retailing

It is important to mention the regulation applicable in the geographical segments of Italy, the Netherlands, Poland, Germany and Hungary, considering the activity carried out by the Group in these territories.

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

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

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

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

The regulation of the electricity sector in the Netherlands is reflected basically in the Electricity Law of 1998 and the Law on Gas. The main aspects regulated by this law are the rules applicable to the production, transport, retailing and supply of electricity and natural gas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The establishment of the Federal Network Agency, Bundesnetzagentur (BNetzA), as the regulatory body under the supervision of the government.

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

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

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

In Hungary the electricity market is regulated by the government and the regulatory agency (HEA). The competence in energy policy belong to the Ministry of Innovation and Technology, which is responsible for the energy strategy and development of the policies related to renewable energy, efficiency and decarbonisation of the electricity sector.

The liberalisation of the sector began in 2004 with the large clients and from 1 July 2007 all gas and electricity consumers have free choice of supplier, in line with the requests established by the European directives. As part of the process, in the same year the Hungarian Act on Electricity (Act No. 86 of 2007) was approved.

The electricity system is composed of the system operator (MAVIR) and six distribution companies operating in Hungary.

With regard to the purchase of energy and trading possibilities, the Hungarian regulated market (Hungarian Power Exchange - HUPX) began operating in 2010.

The approximate power generation mix is predominantly nuclear 48%, followed by gas 23%, 14% coal and 15% renewable energy, the growth of the latter being especially encouraged. It should be noted that 61% of the energy demand in Hungary is covered through import. It is crucial for the government to reduce that percentage, and this aim is highlighted in the National Strategy Plan.

B. Natural gas market

B.1. Spanish legislative framework

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

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

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

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

In 2003 total liberalisation of the market was implemented. The consumers may freely choose among several retailers and negotiate the economic terms of the supply.
In this context, at the end of 2004, 80% of the consumed natural gas was traded already on the free market, with 11 active retailers offering their services there.

Later on, in 2005, the Standards of Technical System Management (NGTS), a set of detailed procedures and standards relating to the operation of the natural gas system and the conduct of the agents participating in the system and the users of the infrastructures.
In 2007, the Law 12/2007 was approved, transposing the second Gas Directive (Directive 2003/55/CE), eliminating the obligation of supply at consumers' tariff and obliging Enagás to separate its branches of transmission and of technical management of the system into two different companies.

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

In April 2010, the Spanish energy regulator, CNE, published a document with a roadmap for the development of an organised market of natural gas. Between 2012 and 2014, several European network codes were approved, making a significant impact on the design and operation of the electricity and natural gas markets, giving a final impulse to the development of the wholesale markets of natural gas in the countries where, as in Spain, the regulation had not advanced sufficiently in order to create a liquid and competitive wholesale gas market. Among them there are the network codes establishing the mechanisms of congestion management, capacity allocation, gas balance in transport networks and interoperability and data exchange rules.

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

a. The Law 8/2015 of 21 May 2015 updated the Law 34/1998 (Hydrocarbons Law) and established the institution of the Organised Gas Market and designated MIBGAS, S.A. as the market operator.
b. The Circular 2/2015 of the CNMC defined a new balance mechanism in the gas transmission network in line with the European network code.
c. The Royal Decree 984/2015 implemented the detailed regulation of the Organised Gas Market and updated the legislative framework of the system of third-party access to the natural gas facilities.
d. The Resolution of 23 December 2015 of the Secretary of State for Energy, which implements the procedure of purchase of self-supply gas by Enagás GTS, increasing significantly the MIBGAS's liquidity.
e. The Order ETU/1977/2016 of 23 December, which established the gas fees and levies, empowered MIBGAS, S.A. to trade term product with physical delivery.
f. The Resolution of 11 December 2017 of the Secretary of State for Energy, which established the terms for the mandatory market maker service provision by the dominant operators of the natural gas market.

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

As previously stated in relation to the COVID-19 pandemic effects on the sector and the approval of various Royal Decree-laws in 2021, the relevant protection measures that have been adopted, such as the «social shield», whose term of application was extended till 28 February 2022 under Royal Decree-law 21/2021 of 26 October, in order to ensure the supply to the vulnerable consumers, re also applicable to natural gas.

In this area also applicable is the aforementioned Royal Decree-law 20/2021 of 5 October, which implements urgent measures for supporting the reparation of the damage caused by volcanic eruptions and for the social and economic reconstruction of the island of La Palma. Therefore, with regard to the measures concerning continuing-performance contracts of gas supply, when the contract is impossible to comply with or when the consumer cannot have the use of the supply, the customer may choose between terminating the contract without paying any penalty, or deferring the execution of payment on the terms agreed between the parties.
In response to the situation of the international energy markets, the Government implemented several regulatory instruments outlined in the Royal Decree-law 17/2021 of 14 September previously mentioned, introducing urgent measures to mitigate the impact of natural gas price escalation in the retail markets, adding these measures to those already implemented in other regulations, such as the Royal Decree-law 12/2021 of 24 June, also previously mentioned, by which urgent measures were adopted in the areas of energy taxes and energy generation.

Specifically, the Royal Decree-law 17/2021 involves measures based on a global vision of the energy issue analysed before, including direct measures aimed at the natural gas retail sector (by reducing the value fluctuation of the raw material cost in the tariff of last resort of natural gas, as implemented by the Resolution of 26 September 2021 of the Directorate General for Energy Policy and Mines, publishing the tariff of last resort of natural gas).

The Royal Decree-law 23/2021 also previously mentioned endeavours to promote the transparency and supervision of the natural gas retail market and amends the Law 34/1998 of 7 October on the Hydrocarbons Sector by obliging the retailers to disclose information that is transparent, comparable, adequate and updated regarding the prices applicable to all the offers available at any moment to the consumers of annual consumption below 50,000 kWh and, if applicable, on the conditions related to the termination of the contracts, as well as information on additional services provided under a contract and other obligations, such as the requirement that any intention of modifying the terms of the contract should be announced in a transparent and comprehensible way, together with the information on the right of the consumer to terminate the contract without any cost at the receipt of the notice.

Likewise, the order TED/1023/2021 is also important, as it establishes the charges and remunerations of the gas sector and the fees of basic underground storage facilities for the period between 1 October 2021 and 30 September 2022 - the 2022 gas year - as well as the regulated remuneration and access fees of the basic underground storage facilities.

On 23 November the Royal Decree-law 27/2021 was published, by which certain economic measures were extended in order to support recovery and, specifically, with regard to the commencement of the supply of last resort in the natural gas sector. Specifically, section 3 of article 2 of the Royal Decree 104/2010 of 5 February was amended so that the retailer of last resort belonging to a group of companies that owns a network in a distribution area or, in default of such group, the retailer of last resort holding the biggest share of the market in the autonomous community, shall attend to the supply of those consumers who, without having the right to use the tariff of last resort, temporarily have no valid supply contract with a retailer and continue consuming natural gas. This obligation is extended only for one month from the termination of the contract with the client, unless it is an essential service, in which case it may be extended for up to six months or, preferably, until the consumer has a valid supply contract with a retailer.

Lastly, the aforementioned Royal Decree-law 29/2021 of 21 December establishes a more flexible approach to the natural gas supply contracts. Therefore, upon complying with certain conditions concerning contributions, the owners of a gas supply point indicated in fifth additional disposition may ask their retailer to implement measures such as a) modification of the agreed daily volume in the end point or tank filling point, with a maximum of three modifications in the period in question, b) incorporation in a fee level applicable to the end points corresponding to lower annual consumption, or c) temporary suspension of the supply contracts under the established the conditions.

B.2. European legislative framework

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

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

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

NOTE 4 – SEGMENT REPORTING

The Group discloses financial information by segments in accordance with IFRS 8, identifying its operating segments on the basis of their important economic indicators and features, which are regularly reviewed and evaluated in the process of decision making. The conclusions are used in the areas of allocation of resources and evaluation of performance in each operating segment.

Although the results of the generation and retail, as well as their economic features, could be different, the fact that the Group follows its strategy of vertical integration of both business lines by, for example, developing its own generation facilities, as well as protecting the prices through power supply agreements, justifies that, at the operating segment level, both business lines are joined.

Therefore, the Group presents the information by geographical segments according to the criterion of the Management of the Group concerning organisation by geographical regions. Each of them constitutes a different business with its own organisational structure in order to evaluate its level of goal achievement.

The main geographical segments of the Audax Renovables Group are the following:

- Spain and Portugal
- Rest of World: namely Italy, Poland, Germany, the Netherlands, France, Panama and Hungary.

Profit and loss by segment as defined above for the years ended on 31 December 2021 and 2020 is as follows:

31 December 2021	**Spain and Portugal**	**Rest of World (1)**	**Total**
Ordinary income	1,052,180	632,462	**1,684,642**
Procurement	(979,466)	(581,763)	**(1,561,229)**
Other operating income	2,761	2,579	**5,340**
Operating expenses and remunerations	(43,855)	(31,808)	**(75,663)**
Amortisation and depreciation	(9,994)	(11,974)	**(21,968)**
Impairment and profit (loss) on disposal of fixed assets	-	(153)	**(153)**
Negative consolidation differences	-	-	**-**
Operating profit (loss)	21,626	9,343	**30,969**
Financial profit (loss)	(26,081)	(374)	**(26,455)**
Participation in the profit (loss) of associates	-	(57)	**(57)**
Income before tax	(4,455)	8,912	**4,457**
Corporate income tax	62	(3,274)	**(3,212)**
Consolidated profit (loss) for the year	(4,393)	5,638	**1,245**
a) Profit (loss) attributable to the parent company			**2,838**
b) Profit (loss) attributable to non-controlling interests			**(1,593)**

Rest of World (1) includes Italy, Poland, Germany, the Netherlands, France, Panama and Hungary

31 December 2020	Spain and Portugal	Rest of World (1)	Total
Ordinary income	645,827	321,611	**967,438**
Procurement	(570,671)	(283,745)	**(854,416)**
Other operating income	1,536	326	**1,862**
Operating expenses and remunerations	(39,415)	(25,376)	**(64,791)**
Amortisation and depreciation	(8,444)	(11,210)	**(19,654)**
Impairment and profit (loss) on disposal of fixed assets	(4)	11	**7**
Negative consolidation differences	-	16,341	**16,341**
Operating profit (loss)	28,829	17,958	**46,787**
Financial profit (loss)	(8,255)	(4,431)	**(12,686)**
Participation in the profit (loss) of associates	-	(52)	**(52)**
Income before tax	20,574	13,475	**34,049**
Corporate income tax	(4,076)	197	**(3,879)**
Consolidated profit (loss) for the year	16,498	13,672	**30,170**
a) Profit (loss) attributable to the parent company			**26,385**
b) Profit (loss) attributable to non-controlling interests			**3,785**

Rest of World (1) includes Italy, Poland, Germany, the Netherlands, France and Panama

The breakdown of ordinary income by country is the following:

	31.12.2021	31.12.2020
Spain and Portugal	**1,052,180**	**645,827**
Spain	902,186	565,696
Portugal	149,994	80,131
Rest of World	**632,462**	**321,611**
the Netherlands	123,251	131,130
Italy	90,502	41,291
Poland	26,954	20,314
Germany	19,635	21,122
France	2,778	2,842
Hungary	369,342	104,912
Total ordinary income	**1,684,642**	**967,438**

The breakdown of non-current assets, without financial assets and deferred tax assets, by segment and by country, is as follows:

	31.12.2021	31.12.2020
Spain and Portugal	**283,931**	**210,786**
Spain	260,127	210,786
Portugal	23,804	-
Rest of world	**181,306**	**180,737**
France	9,076	9,824
Italy	10,295	2,600
Germany	110	141
Poland	35,337	37,252
the Netherlands	114,547	120,212
Hungary	5,085	3,938
Panama	6,852	6,766
Others	4	4
Total Non-current assets	**465,237**	**391,523**

NOTE 5 – INTANGIBLE ASSETS

The movements for the years ended on 31 December 2021 and 2020 in the accounts under intangible assets have been as follows:

	Goodwill	Other intangible assets	Total intangible assets
Net book value at 31.12.2019	**137,945**	**106,280**	**244,225**
Investment	-	2,562	2,562
Additions to scope (Note 2)	-	66,817	66,817
Depreciation or amortisation charge	-	(15,580)	(15,580)
Derecognitions	-	(540)	(540)
Other movements	(3)	-	(3)
Translation differences	-	(52)	(52)
Net book value at 31.12.2020	**137,942**	**159,487**	**297,429**
Cost	137,942	211,628	349,570
Accumulated amortisation and depreciation	-	(52,141)	(52,141)
Net book value at 31.12.2020	**137,942**	**159,487**	**297,429**
Investment	-	17,950	17,950
Additions to scope (Note 2)	-	41,084	41,084
Depreciation or amortisation charge	-	(17,017)	(17,017)
Derecognitions (Note2)	-	(1,423)	(1,423)
Other movements	-	-	-
Translation differences	-	(33)	(33)
Net book value at 31.12.2021	**137,942**	**200,048**	**337,990**
Cost	137,942	268,926	406,868
Accumulated amortisation and depreciation	-	(68,878)	(68,878)
Net book value at 31.12.2021	**137,942**	**200,048**	**337,990**

The breakdown of the movements of intangible assets itemised by different classes is as follows:

	31.12.2020									31.12.2021		
	Gross value	Accumulated amortisation	Net book value	Investment	Additions to the scope	Amortisation charge	Derecogniti ons	Translation differences	31.12.2020	Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	91,288	(910)	90,378	-	41,084	(347)	(520)	-	130,595	131,852	(1,257)	130,595
Industrial property, patents, trademarks and similar	2,557	(1,040)	1,517	-	-	(180)	(63)	-	1,274	2,494	(1,220)	1,274
Trademarks of indefinite useful life	21,266	-	21,266	-	-	-	-	-	21,266	21,266	-	21,266
Right of use (IFRS 16)	11,567	(2,339)	9,228	8,354	-	(1,305)	-	(13)	16,264	19,908	(3,644)	16,264
Computer software	16,727	(10,884)	5,843	4,949	-	(3,150)	(840)	(20)	6,782	20,816	(14,034)	6,782
Client portfolio	67,901	(36,688)	31,213	4,449	-	(12,036)	-	-	23,626	72,350	(48,724)	23,626
Advance and other intangible assets	42	-	42	198	-	-	-	-	240	240	-	240
TOTAL	**211,348**	**51,861**	**159,487**	**17,950**	**41,084**	**17,017**	**1,423**	**(33)**	**200,048**	**268,926**	**68,878**	**200,048**

	01.01.2020									31.12.2020		
	Gross value	Accumulated amortisation	Net book value	Investment	Additions to the scope	Amortisation charge	Derecogniti ons	Translation differences	31.12.2020	Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	28,026	(840)	27,186	-	63,517	(298)	(235)	(20)	90,150	91,288	(910)	90,378
Industrial property, patents, trademarks and similar	2,197	(815)	1,382	360	-	(225)	-	-	1,517	2,557	(1,040)	1,517
Trademarks of indefinite useful life	21,266	-	21,266	-	-	-	-	-	21,266	21,266	-	21,266
Right of use (IFRS 16)	10,635	(1,082)	9,553	932	-	(1,257)	-	-	9,228	11,567	(2,339)	9,228
Computer software	14,206	(7,466)	6,740	1,270	1,531	(3,470)	32	(32)	6,071	16,727	(10,884)	5,843
Client portfolio	66,132	(26,358)	39,774	-	1,769	(10,330)	-	-	31,213	67,901	(36,688)	31,213
Advance and other intangible assets	379	-	379	-	-	-	(337)	-	42	42	-	42
TOTAL	**142,841**	**36,561**	**106,280**	**2,562**	**66,817**	**(15,580)**	**(540)**	**(52)**	**159,487**	**211,348**	**(51,861)**	**159,487**

Additions to scope relate principally to the purchase of companies engaged in solar projects development (Note 2.5.b).

The recognitions corresponding to the client portfolio in 2021 include the client acquisition cost in the amount of EUR 4,463 thousand as described in note 2.24.

As at 31 December 2021 the intangible assets still in use and completely amortised amount to EUR 5,257 thousand (EUR 4,907 thousand at 31 December 2020).

Goodwill

The breakdown of goodwill by country is as follows:

	31.12.2021	31.12.2020
Spain and Portugal		
Spain	40,088	40,088
Rest of world		
France	860	860
the Netherlands	94,391	94,391
Poland	2,599	2,599
Others	4	4
TOTAL	**137,942**	**137,942**

Other intangible assets.

The breakdown of intangible assets by country is as follows:

	31.12.2021	31.12.2020
Spain and Portugal		
Spain	142,961	123,151
Poland	2,055	2,168
Rest of world		
France	2,387	2,589
Italy	7,544	2,576
Germany	107	139
the Netherlands	18,788	24,958
Portugal	21,338	-
Hungary	4,868	3,906
TOTAL	**200,048**	**159,487**

The breakdown of goodwill and intangible assets of indefinite useful life as at 31 December 2021 and 31 December 2020 classified by country is the following:

	31.12.2021			31.12.2020		
EUR thousands	**Goodwill**	**Other intangible assets**	**Total**	**Goodwill**	**Other intangible assets**	**Total**
Spain	40,088	20,816	60,904	40,088	20,816	60,904
France	860	-	860	860	-	860
the Netherlands	94,391	-	94,391	94,391	-	94,391
Poland	2,599	-	2,599	2,599	-	2,599
Italy	-	450	450	-	450	450
Others	4	-	4	4	-	4
TOTAL	**137,942**	**21,266**	**159,208**	**137,942**	**21,266**	**159,208**

Other intangible assets of useful life relate to acquired trademarks.

Impairment test of assets and profit or loss from disposal of fixed assets:

The Audax Renovables Group has conducted impairment tests using cash flow projections in order to determine recoverable amount. The impairment tests were carried out on 31 December 2021 and 31 December 2020, and it was not necessary to record impairment or reversal of the provision in neither of the two years.

Determination of the Cash-Generating Units (CGU)

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

For the purpose of identifying the CGUs, the generation business and the retailing business are considered as different CGUs.

As at 31 December 2021, the identified Cash-Generating Units (CGUs) are as follows:

- Cash-Generating Units of Generation of France, Spain and Poland.
- Cash-Generation Units of Retailing of Italy, the Netherlands, Hungary, Germany, Spain and Poland.

The group of assets considered in the CGUs specified before has not changed since the previous estimation of its recoverable value made in 2020.

The recoverable amount of a CGU is determined as the greater of the fair value less the costs of sale and the value in use. In order to calculate the latter, the Group uses cash flow projections based on financial estimates for a minimum period of five years. The cash flows beyond the period of five years are extrapolated using reasonable increase rates, which are never rising or exceeding the increase rates for the sector.

These flows are discounted in order to calculate the current value of a rate before taxes which includes the capital cost of the business and the geographic region in which the business is carried out. Its calculation is made taking into account the current cost of money and the risk premium used generally by the analysts for the business and the geographical area.

In order to calculate the impairment, the right-of-use assets arisen as a consequence of the application of IFRS 16, have been assigned to their relevant CGUs, increasing the book value of each CGU.

Main assumptions used to determine the value in use

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 35- to 40-year Government bonds.

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

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

Year 2021

	2021							
	Spain	France	Poland	Italy	the Netherlands	Hungary	Portugal	Germany
Risk-free discount rate	1.91%	1.47%	1.77%	3.17%	1.17%	2.17%	2.07%	1.17%
Risk premium *	5.18%	5.62%	5.27%	5.19%	5.17%	5.47%	5.25%	5.08%
Capital cost	7.09%	7.09%	7.04%	8.36%	6.34%	7.64%	7.32%	6.25%
Cost of debt	2.04%	2.22%	2.69%	3.81%	2.26%	3.66%	3.10%	2.11%
After-tax weighted average cost of capital**	5.12%	4.54%	5.37%	6.89%	5.03%	6.35%	5.95%	4.92%

Year 2020

2020							
	Spain	France	Poland	Italy	the Netherlands	Hungary	Germany
Risk-free discount rate	2.17%	1.82%	2.22%	3.62%	1.52%	3.02%	1.52%
Risk premium *	5.15%	4.63%	5.27%	5.63%	5.61%	5.93%	5.38%
Capital cost	7.32%	6.45%	7.49%	9.25%	7.13%	8.95%	6.90%
Cost of debt	2.17%	1.87%	2.22%	3.62%	1.84%	3.02%	2.81%
After-tax weighted average cost of capital**	5.02%	4.54%	5.19%	6.46%	4.66%	6.29%	4.56%

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

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

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

b) Prices: The sale prices of electricity have been estimated on the basis of past experience, external sources of information as well as observable data from the market regarding future prices. 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.

   In Spain, with regard to the generation projects subject to order IET/1045/2014, the additional remuneration to the market price after the end of the regulatory useful life has not been taken into account.

c) Production hours of generation plants: the production hours employed in the calculation of the impairment test have been based, for the operating generation plants, on the average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels).

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

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

- Estimated life of the projects: In order to determine the number of years to plan in the segment of energy generation, the estimated useful life of the generating equipment, which is of 25 years for wind farms and of up to 35 years for solar farms, has been taken as a reference point, without taking into account the residual value at the end of their useful life.

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

- Operating expenses: For future years, the operating expenses have been estimated on the basis of past experience and by applying an estimated inflation rate. The projection of operating expenses does not include lease payments affected by IFRS 16.

- Increase rates: For production projections in the wind generation segment the estimated production hours were used without projecting any increase. Regarding prices, these are also estimated on the basis of past experience and external information sources, with an increase according to the regulatory framework of each country. With regard to the projections in the energy retailing segment, the volume increase rates have been estimated both for the projected period and for residual values of between 1% and 3%. The percentages of the residual value over the total recoverable amount for the main CGUs (Cash Generating Units) with goodwill or intangible assets of indefinite life are as follows:

Year	Spain	the Netherlands	Poland	Italy	Germany
2021	73%	58%	90%	70%	60%
2020	80%	54%	81%	80%	76%

<u>Impairment test</u>

As at 31 December 2021 and 31 December 2020, and in the context of the crisis caused by the COVID-19 pandemic (hereinafter, the pandemic), various scenarios have been taken into account for each of the cash flow projections, including balanced analysis of sensitivities over the main variables and assumptions affected by the pandemic, such as for example the price of the energy or the future demand for electricity and natural gas. In general terms, the estimates of cash flows take into account a path back to the pre-pandemic levels and a limitation of its effect on the energy demand.

Regarding the CGUs of energy retailing, various scenarios of development of the key assumptions have been considered in order to determine the recoverable value of the individual CGU. However, though in the short term the demand and price fluctuations may affect the margin and the generated cash flow, in the medium and long term individual CGUs may obtain sufficient cash flows to justify the book value of their assets.

With regard to the development, construction and operation of the power generation plants, the cost of the construction and development of the plants or the generation capacity have not been significantly affected, and the decrease of the demand has not had a direct effect on the valuation of the power plants either, because the entirety of the energy produced has an outlet into the wholesale energy market. Moreover, in various scenarios for the net sale price changes, the recoverable value of the power generation plants has been continually higher than their carrying amount.

The differences between the recoverable amount and the carrying amount (i.e. the existing "gap") for all of the energy generation CGUs, obtained through the analysis of impairment in the year 2021 and 2020 are as follows:

Energy generation sector	31.12.2021	31.12.2020
Spain	2,114	1,513
France	5,778	3,115
Poland	-	-
TOTAL	**7,892**	**4,628**

The difference between the recoverable amount and the carrying amount (i.e. the existing “gap”) for the entirety of the retailing CGUs of significant book value, obtained through the analysis of impairment in the year 2021 and 2020, is as follows

Energy retailing sector	31.12.2021	31.12.2020
Spain	74,859	67,748
Italy	41,108	33,991
the Netherlands	56,448	28,419
Poland	34,519	21,440
TOTAL	**206,934**	**151,598**

The book value of the retailing CGUs in Hungary, Germany, Portugal is not significant, therefore corresponding specific information has not been included.

***Sensitivity analysis*:**

As already mentioned, there are certain assumptions whose variations could significantly affect the recoverable value of the assets subject to the impairment testing, which are the discount rate and the sale prices of electricity.

Sensitivity assumptions

In order to determine a reasonable variation, the group has taken into account the historical changes of its main variables. With this regard, the changes of the discount rates in the last three years have been as follows:

	Spain	France	Poland	Italy	the Netherlands	Hungary	Portugal	Germany
WACCs 2021	5.12%	4.54%	5.37%	6.89%	5.03%	6.35%	5.95%	4.92%
WACCs 2020	5.02%	4.54%	5.19%	6.46%	4.66%	6.29%	-	4.56%
WACCs 2019	5.80%	5.22%	6.39%	6.43%	5.20%	-	-	5.06%
Changes 2021-2020	1.99%	0.00%	3.57%	6.66%	7.94%	0.95%	-	7.89%
Changes 2020-2019	-13.45%	-13.03%	-18.86%	0.47%	-10.38%	-	-	-9.88%

Therefore, the Group has considered using the rate of change between 10% and 20% in the discount rates.

Moreover, in order to determine the reasonable variation of the energy price, the Group has considered the historical change in recent years, taking into account the price of electricity in Spain, the following variations have been obtained:

	(€/MWh)	variation
2018 price	57.29	-
2019 price	47.68	-16.77%
2020 price	33.96	-28.78%
2021 price	111.93	229.59%

Source: annual average of the daily energy market price published by OMIE: https://www.omie.es/

The Group considers that the price volatility in the last year is not reasonable, therefore, in order to analyse the sensitivities to the energy price, the Group has taken into consideration a price change between 10% and 50% in the energy sale price.

Keeping in mind the historical volatility of the variables subject to the sensitivity analysis, the Group considers that the use of this change for the entirety of the variables is a good indicator to analyse the impact of reasonably possible changes in these assumptions on the profit or loss.
Generation sensitivity

With regard to the generation sector, the sensitivity of the results to reasonably possible changes in these assumptions, on which the Directors have based their determination of the recoverable amount of the wind farms, differentiated by the different geographic segments is as follows:

Effect on net income (EUR thousands)

		2021	**2020**
Increase of the discount rate of 10%			
	Spain	-	-
	France	-	-
	Poland	(577)	(966)
	Total	(577)	(966)
Increase of the discount rate of 20%			
	Spain	-	-
	France	-	-
	Poland	(1,136)	(2,004)
	Total	(1,136)	(2,004)
Decrease of the discount rate of 10%			
	Spain	-	-
	France	-	-
	Poland	541	1,104
	Total	541	1,104
Decrease of the discount rate of 20%			
	Spain	-	-
	France	-	-
	Poland	1,004	2,007
	Total	1,004	2,007

Effect on net income (EUR thousands)		
	2021	**2020**
Increase of the sale price of electricity of 10%		
Spain	-	-
France	-	-
Poland	580	3,306
Total	**580**	**3,306**
Increase of the sale price of electricity of 50%		
Spain	-	-
France	-	-
Poland	3,286	3,306
Total	**3,286**	**3,306**
Decrease of the sale price of electricity of 10%		
Spain	-	(431)
France	-	-
Poland	(580)	(3,159)
Total	**(580)**	**(3,590)**
Decrease of the sale price of electricity of 50%		
Spain	(6,974)	(8,205)
France	(482)	-
Poland	(9,851)	(16,809)
Total	**(17,307)**	**(25,014)**

Retailing sensitivity

The recovery amount of the retailing segment CGUs is greater than the net carrying value of its net assets, and changes of fair value in the assumptions would not involve impacts on the impairment of these assets. Therefore, the decrease of the recoverable amount or decrease of the gaps in the situation of increase of the discount rates as at 31 December 2021 and 31 December 2020 for the main CGUs would be as follows:

Effect on net income (EUR thousands)		
	2021	**2020**
Increase of the discount rate of 10%		
Spain	(8,611)	(14,693)
the Netherlands	(14,990)	(13,317)
Total	(23,601)	(28,010)
Increase of the discount rate of 20%		
Spain	(15,247)	(26,733)
the Netherlands	(29,981)	(26,633)
Total	(45,228)	(53,366)

The gaps between the recoverable amount and the carrying amount of the retailing CGUs are sufficiently wide, as may be observed in the previous table, in order to prevent a reasonable change of the key assumptions from involving a need to record an impairment.

The book value of the retailing CGUs in Hungary, Germany, Italy, Poland and Portugal is not significant, therefore corresponding specific information has not been included.

Moreover, the changes considered to be reasonable with regard to the price of electricity and natural gas of up to 50% have been described. Taking into consideration these changes, the conclusion was drawn that there is no reasonably possible risk for the recoverable amount of the retailing CGUs to be lower than their book value. It should be noted that the Group considers that it will have an adequate exposure to risk through, among others, the hedge contracts and long-term power purchase agreements, which mitigate the changes of the recoverable value of each CGU.

The increase rates used by the Group are based on historical assumptions and on internal and external sources of information. After considering these changes, the conclusion has been drawn that the Group would not undergo impairment provision in the face of reasonable changes of the increase rates used or even of 0 increase rates.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The movement in the years 2021 and 2020 in property, plant and equipment has been as follows:

	Total tangible assets
Net book value at 31.12.2019	**75,347**
Additions to scope (Note 2)	3,290
Investment	15,530
Divestment	(25)
Depreciation charge	(4,074)
Translation differences	(2,997)
Net book value at 31.12.2020	**87,071**
Cost	106,624
Accumulated depreciation	(19,195)
Net book value at 31.12.2020	**87,429**
Additions to scope (Note 2)	5,349
Investment	29,913
Divestment	(186)
Depreciation charge	(4,951)
Translation differences	(354)
Net book value at 31.12.2021	**117,200**
Cost	140,662
Accumulated depreciation	(23,462)
Net book value at 31.12.2021	**117,200**

The breakdown of the movements of tangible assets itemised by different classes is as follows:

	31.12.2020										31.12.2021		
	Gross value	Accumulated depreciation	Net book value	Additions to the scope	Investment	Divestment	Depreciation charge	Impairment charge	Translation differences	31.12.2021	Gross value	Accumulated depreciation	Net book value
Land	2	-	2	-	-	-	-	-	-	2	2	-	2
Structures	1,181	(258)	923	-	387	(36)	(120)	-	-	1,154	1,313	(159)	1,154
Plant and machinery	69,943	(16,449)	53,494	-	-	-	(4,251)	7,201	(354)	56,090	76,790	(20,700)	56,090
Equipment, chattels and other fixed assets	8,504	(2,488)	6,016	-	555	(150)	(580)	615	-	6,456	9,059	(2,603)	6,456
Assets under construction and advance payments	26,994	-	26,994	5,349	28,971	-	-	(7,816)	-	53,498	53,498	-	53,498
TOTAL	**106,624**	**(19,195)**	**87,429**	**5,349**	**29,913**	**(186)**	**(4,951)**	**-**	**(354)**	**117,200**	**140,662**	**(23,462)**	**117,200**

	01.01.2020										31.12.2020		
	Gross value	Accumulated depreciation	Net book value	Additions to the scope	Investment	Divestment	Depreciation charge	Transfers	Translation differences	31.12.2019	Gross value	Accumulated depreciation	Net book value
Land	2	-	2	-	-	-	-	-	-	2	2	-	2
Structures	1,152	(212)	940	-	29	-	(46)	-	-	923	1,181	(258)	923
Plant and machinery	81,884	(22,559)	59,325	-	-	(25)	(3,696)	752	(2,862)	53,494	69,943	(16,449)	53,494
Equipment, chattels and other fixed assets	8,618	(2,156)	6,462	24	-	-	(332)	(138)	-	6,016	8,504	(2,488)	6,016
Assets under construction and advance payments	8,618	-	8,618	3,266	15,501	-	-	(256)	(135)	26,994	26,994	-	26,994
TOTAL	**100,274**	**(24,927)**	**75,347**	**3,290**	**15,530**	**(25)**	**(4,074)**	**358**	**(2,997)**	**87,429**	**106,624**	**(19,195)**	**87,429**

As at 31 December 2021 there are property, plant and equipment provisions in the amount of EUR 3,306 thousand corresponding to technical facilities in the wind farms in Poland.

The most significant investments in 2021 and 2020 correspond to the cost of development and construction of various solar power plants of the companies Las Piedras Solar, S.L., Botey Solar, S.L., Corot Energía, S.L., Da Vinci Energía, S.L. , Elogia Calañas, S.A., Corinto Solar, S.L., Centauro Energia Solar, S.L. and Ulises Power, S.L., which together have a total capacity of 76.35 MWp.

Over the year 2021 the construction of 11 solar power plants operated by the companies Las Piedras Solar, S.L., Da Vinci Energía, S.L., Botey Solar, S.L.U. and Corot Energía, S.L.U. was completed, of 55 MWp of installed capacity, and the transfers of the year 2021 between the elements of property, plant and equipment refer mainly to the commencement of the operating stage.

Additions to the scope in 2020 corresponded principally to property, plant and equipment from the acquisition of the Audax Hungría companies and to the purchase of various solar power plants (Note 2.5.b).

Financial expenses capitalised in the year 2021 amounted to EUR 1,671 thousand (EUR 363 thousand in the year 2020).

As at 31 December 2021, the Group has commitments for the purchase of fixed assets for the amount of EUR 15,970 thousand, whose payment is expected during 2022 and 2023 (EUR 37,142 thousand as at 31 December 2020, whose payment was estimated between 2021 and 2022).

As at 31 December 2021 there are no payments nor advance payments to suppliers for the construction of fixed assets registered as an increase of value of assets under construction, nor there were such payments as at 31 December 2020.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The negative impact for the year 2021 and 2020 is due mainly to the depreciation of the Polish zloty against the euro.

As at 31 December 2021 the intangible assets still in use and completely depreciated amount to EUR 352 thousand (EUR 371 thousand at 31 December 2020).

Some of the assets associated to the wind farms holding loans from credit entities under the modality of Project Finance are presented as a collateral of the loans (Note 14).

It is the strategy of the Audax Renovables Group to take out all the insurance policies deemed necessary to cover the exposure of its property, plant and equipment.

The breakdown of tangible assets by country is as follows:

	31.12.2021	31.12.2020
Spain and Portugal		
Spain	73,787	47,547
Portugal	2,466	-
Rest of world		
France	5,829	6,375
Italy	2,751	24
Germany	3	2
Poland	30,678	32,485
the Netherlands	1,368	863
Hungary	217	32
Others	101	101
TOTAL	**117,200**	**87,429**

The Group assesses regularly the existence of indications which might imply possible impairment of tangible assets, in order to verify if the carrying value of said assets exceeds their recoverable amount. Moreover, as indicated in Note 5, the Group verifies, at least once a year, the possible impairment of the CGUs, so in this respect, the majority of tangible assets are subject to this analysis.

NOTE 7 – INVESTMENTS ACCOUNTED FOR BY EQUITY METHOD

The movement in the year 2021 in investments accounted for by the equity method is as follows:

	Balance 31.12.2020	Recognition	Participation in profit (loss)	Differences exchange	Balance 31.12.2021
Company					
Parque Eólico Toabré S.A.	6,665	-	(51)	137	6,751
Audax Solar SPV XXVII, S.L.	-	663	(1)	-	662
Audax Solar SPV XXVIII, S.L.	-	663	(1)	-	662
Audax Solar SPV XXIX, S.L.	-	663	(1)	-	662
Audax Solar SPV XXX, S.L.	-	663	(1)	-	662
Audax Solar SPV XXXI, S.L.	-	649	(1)	-	648
Total	**6,665**	**3,301**	**(56)**	**137**	**10,047**

The recognitions for the period relate to the acquisition of 50% of certain companies (Note 2).

The movement in the year 2020 in investments accounted for by the equity method is as follows:

	Balance 01.01.2020	Participation in profit (loss)	Differences exchange	Balance 31.12.2020
Company				
Parque Eólico Toabré S.A.	6,905	(51)	(189)	6,665
Total	**6,905**	**(51)**	**(189)**	**6,665**

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

	Country	Assets	Liabilities	Income	Result	% Shareholding
as at 31.12.2021						
Parque Eólico Toabré S.A.	Panama	133,479	131,660	-	(161)	30.00%
Audax Solar SPV XXVII, S.L.	Spain	49	49	-	(3)	50.00%
Audax Solar SPV XXVIII, S.L.	Spain	49	49	-	(3)	50.00%
Audax Solar SPV XXIX, S.L.	Spain	49	49	-	(3)	50.00%
Audax Solar SPV XXX, S.L.	Spain	49	49	-	(3)	50.00%
Audax Solar SPV XXXI, S.L.	Spain	53	53	-	(3)	50.00%
Total		**133,728**	**131,909**	**-**	**(176)**	

	Country	Assets	Liabilities	Income	Result	% Shareholding
At 31.12.2020						
Parque Eólico Toabré S.A.	Panama	105,127	103,265	-	185	30.00%
Total		**105,127**	**103,265**	**-**	**185**	

The information on these associated companies and joint ventures has been obtained from their not audited financial statements as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020 none of the associated companies is listed on the stock exchange.

NOTE 8 – FINANCIAL ASSETS

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

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Assets designated at fair value through profit and loss						
Equity instruments						
Not traded	-	1,116	**1,116**	-	1,613	**1,613**
Total	**-**	**1,116**	**1,116**	**-**	**1,613**	**1,613**
Financial assets at amortised cost						
Unsecured loans						
Floating rate	-	723	**723**	-	621	**621**
Total	-	723	**723**	-	621	**621**
Trade and other receivables						
Receivables from sales and services	344,448	-	**344,448**	243,883	-	**243,883**
Other receivables	5,633	-	**5,633**	4,725	-	**4,725**
Less impairment	(30,631)	-	**(30,631)**	(27,540)	-	**(27,540)**
Total (Note 10)	319,450	-	**319,450**	221,068	-	**221,068**
Loans to group entities (Note 22)	-	50,293	**50,293**	152	12,124	**12,276**
Total	-	50,293	**50,293**	152	12,124	**12,276**
Deposits and sureties granted	11,265	42,206	**53,471**	2,241	11,608	**13,849**
Fixed-term deposits	73,416	1,507	**74,923**	69,423	762	**70,185**
Other financial assets	2,473	-	**2,473**	3,158	-	**3,158**
Total	87,154	43,713	**130,867**	74,822	12,370	**87,192**
Total	**406,604**	**94,729**	**501,333**	**296,042**	**25,115**	**321,157**
Equity instruments at fair value through other comprehensive income						
Traded	7,239	-	**7,239**	7,637	-	**7,637**
Hedge derivatives						
Contracted on organised markets (Note 9)	25,123	5,969	**31,092**	3,367	11	**3,378**
Total	**32,362**	**5,969**	**38,331**	**11,004**	**11**	**11,015**
Total financial assets	**438,966**	**101,814**	**540,780**	**307,046**	**26,739**	**333,785**

Deposits and sureties granted relate to the amounts transferred to the lessors as a guarantee for the existing lease contracts and the amounts paid out as a guarantee for the purpose of operating on the electricity and natural gas market. The amounts are represented at paid out value which does not differ significantly from their fair value.

As at 31 December 2021, the increase of the deposits and sureties granted is mainly due to the increase of guarantees deposited for the purpose of operating on the electricity market as a consequence of the market price increase.

Fixed-term deposits consist mainly of deposits made to different financial institutions which do not yield interest at market interest rate.

The heading Other current financial assets relates primarily to the Debt Service Reserve Account (DSRA) amounting to EUR 2,445 thousand (EUR 3,130 thousand at 31 December 2020) which constitute an additional guarantee for the bank syndicate and are subject to restrictions in application, as is described in Note 14.

Cash flows generated in the account of other financial assets of the Statement of Cash Flows correspond mainly to new investments in fixed-term deposits, to the guarantees deposited for the purpose of operating on the electricity market, and to the loans granted to third parties. With this regard, the acquisition, settlement, renewal or update of various deposits and sureties have been included in the account of payments and collections of investments in Other financial assets of the Cash flow statement, amounting to EUR 72,317 thousand and EUR 35,117 thousand, respectively.

AS at 31 December 2021, the financial assets valuation adjustment, without taking into account the impairment of trade receivables, amounts to EUR 58 thousand.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As at 31 December 2021 and 31 December 2020 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	31.12.2021		31.12.2020	
	Non-current	**Current**	**Non-current**	**Current**
Assets arising from derivatives				
Energy price hedges	5,765	25,123	11.00	3,367
Interest rate swaps	204	-	-	-
Total assets	**5,969**	**25,123**	**11**	**3,367**
Liabilities arising from derivatives				
Energy price hedges	5,241	8,427	3,517	483
Interest rate swaps	146	-	1,829	-
Total liabilities	**5,387**	**8,427**	**5,346**	**483**

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

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

Interest rate derivatives

The breakdown of derivative financial instruments as at 31 December 2021 and 31 December 2020, their fair value and the breakdown by maturities of notional values, in thousand euros, are as follows:

	Fair value	At 31.12.2021 Notional Value (EUR thousands)			
		2022	**2023**	**2024**	**2025**
INTEREST RATE DERIVATIVES:					
Financial swaps	58	2,710	1,369	1,484	754

	Fair value	At 31.12.2020 Notional Value (EUR thousands)				
		2021	**2022**	**2023**	**2024**	**2025**
INTEREST RATE DERIVATIVES:						
Financial swaps	(1,829)	2,584	2,710	1,369	1,484	754

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

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2021 varies between 2.45% and 3.14%.

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

Energy price hedge derivatives.

As at 31 December 2021, the Group holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Group hedges against the risk of energy price changes for the maximum net volume of 32.75 MW for the year 2022, 5 MW for the year 2023, 16 MW for the year 2024, 5 MW for the year 2025, 22 MW for the year 2026, 27 MW for the year 2027, 22 MW for the year 2028, 22 MW for the year 2029 and 2 MW for the years 2030 and 2031. As at 31 December 2021 the net fair value of these derivative financial instruments is an asset amounting to EUR 17,220 thousand (liability of EUR 622 thousand as at 31 December 2020).

These contracts have been used entirely for the purpose of hedging the price of electricity purchase in the face of possible increase of the market price. There are no hedge derivatives acquired in order to hedge the sale price of electricity or the purchase or sale of natural gas.

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

The details of the gross amounts of the hedges recorded in net equity and the amounts reclassified from net equity to the profit and loss account are as follows:

	2021	2020
Value of hedges recorded directly in equity	56,579	4,092
Transfers from equity to profit and loss of cash flow hedges	(43,217)	3,049
Total assets	**13,362**	**7,141**

The balances recorded in equity at each date; EUR 13,362 thousand at 31 December 2021, EUR 7,141 thousand at 31 December 2020 will be or have been transferred to the profit and loss account.

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

The breakdown of Trade and other receivables is as follows:

	At 31.12.2021	At 31.12.2020
Trade receivables	344,111	243,788
Trade receivables from group companies	337	95
Other receivables	5,633	4,725
Valuation adjustments for bad debt	(30,631)	(27,540)
Total trade and other receivables	**319,450**	**221,068**

Under the heading of “Trade receivables” the Group puts mainly the invoicing amounts corresponding to the months of November and December 2021 that have not yet been collected.

As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the volume of sales to customers which has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured in under the heading “Trade and other receivables". As at 31 December 2021, the estimates of the retailing companies amount to EUR 170,204 thousand (EUR 107,128 thousand as at 31 December 2020).

The movement of valuation adjustments for bad debt in the year 2021 and 2020 is as follows:

	2021	2020
Balance at beginning of year	**(27,540)**	**(19,817)**
Change of scope (Note 2b)	-	(508)
Allocations	(10,193)	(10,684)
Reversals	3,338	605
Releases	3,764	2,930
Others	-	(66)
Balance at beginning of year	**(30,631)**	**(27,540)**

In the year 2021 the Group allocated EUR 10,193 thousand to the provision for delayed payment (EUR 10,684 thousand in 2020). The average matrix of provisions, arranged by the age of the trade receivables, is included in Note 17 (section "Credit risk").

The breakdown of “Period adjustments and other current assets” is as follows:

	31.12.2021	31.12.2020
Prepaid expenses for insurance	1,673	259
Prepaid expenses for commissions	26,423	28,061
Prepaid expenses for renting	97	36
Other prepaid expenses	19,823	559
Advances to staff	37	32
Receivables from Public Administrations	30,716	13,532
Total	**78,769**	**42,479**

“Prepaid expenses for commissions” correspond to payments of commissions made in advance to commission agents for new clients acquisition, depending on the duration of the contract which in these instances is a period of one year (Note 2.23).

Of the EUR 28,061 thousand capitalised as prepaid expenses for commissions as at 31 December 2020, the amount of EUR 27,903 thousand was transferred to the profit and loss account during the year 2021. This amount represents 99.4% of the total capitalised and corresponds to the contracts with commissions of annual renewal.

As at 31 December 2021, "Other prepaid expenses" includes payments made in advance for the purchase of energy (electricity and gas to be delivered over the year 2022), principally in Main Energie, B.V. (the Netherlands) due to the high prices of the energy.

As at 31 December 2021, "Receivables from Public Administrations" corresponds mainly to the VAT balances to offset, which increased during the year 2021 as a consequence of the increase of the prices of energy (electricity and gas) and the application of new regulatory frameworks, especially in Spain (Note 3).

NOTE 11 - CASH AND OTHER CASH EQUIVALENTS

The heading “Cash and other cash equivalents” includes:

	At 31.12.2021	At 31.12.2020
Cash and banks	242,517	367,852
Short-term investments of high liquidity	1,632	381
Total	**244,149**	**368,233**

The Group does not receive significant interest remunerations over cash and other cash equivalents.

As at 31 December 2021 and 2020, there are no significant restrictions to the disposable cash and cash equivalents.

NOTE 12 – NET EQUITY

a) Share capital

The Parent Company was incorporated in Barcelona on 10 July 2000 as a joint stock company for an unlimited duration.

As at 31 December 2021 and at 31 December 2020 the share capital of the Parent Company is represented by 440,291,054 shares of a value of EUR 0.1 each.

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

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

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

On 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 Parent Company as at 31 December 2015 and 2016 amounts to EUR 98,003 thousand and is represented by 140,003,778 shares, of a value of EUR 0.7 each. As a result of this transaction a special fund was created amounting to EUR 42,001 thousand.

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

On 23 November 2018 the General Meeting of Shareholders agreed unanimously to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. As a result of the merger, Audax Renovables, S.A. became the new parent company of the Group. 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. Those shares were issued with a share premium of EUR 0.4770775549 per share, that is EUR 141,367,906.98. The information regarding this transaction is included in the notes to the consolidated annual accounts for the year 2018.

On 29 April 2019, and with the aim to restore the equilibrium to the financial situation of the Parent Company, the General Meeting of Shareholders approved a reduction of the share capital reducing by EUR 0.6 the nominal value of the shares. As a consequence of the share capital reduction there was an increase in the Parent Company’s reserves of EUR 264,175 thousand.

The shares of Audax Renovables, S.A. are admitted to trading on the continuous market of the Spanish Stock Exchange. The share quotation as at 31 December 2021 of the Parent Company’s shares was of EUR 1.26 per share (EUR 1.94 as at 31 December 2020).

The breakdown of the shareholders with more than 10% of stake of the Parent Company as at 31 December 2021 and 2020 is as follows:

	31.12.2021	31.12.2020
Shareholders	**%**	**%**
Eléctrica Nuriel, S.L. (*)	65.15%	72.09%
Rest of Shareholders	34.85%	27.91%
Total	**100%**	**100%**

(*) Additionally, Electrica Nuriel, S.L.U, has various rights to purchase 48,000,000 shares of Audax Renovables, S.A., which represent 10.90% of the Parent Company

b) Share premium account

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

c) Legal Reserve

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

As at 31 December 2021 the Parent Company has a Legal Reserve valued at EUR 8,806 thousand (EUR 8,806 thousand as at 31 December 2020).

d) Treasury shares

As at 31 December 2021 and 2020 the Parent Company does not own treasury shares.

e) Translation differences

This account in the consolidated balance sheet includes the net exchange differences arising from the translation into euro of the balances of functional currencies of the consolidated companies whose functional currency is not the euro. As at 31 December 2021 and as at 31 December 2020, the account reflects mainly the impact of the historical price fluctuations of the Polish zloty and the Hungarian forint against the euro.

f) Distribution of earnings

The proposed distribution of earnings of the Parent Company for 2021 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	**EUR**
Profit and loss (loss)	(4,935,471)
Total	**(4,935,471)**

Base of distribution	**EUR**
To losses from previous years	(4,935,471)
Total	**(4,935,471)**

The General Meeting of Shareholders held on 21 April 2021 approved the following allocation of profit for the year 2020 of the Parent Company:

Base of distribution	EUR
Profit and loss (profit)	19,197,650
Total	**19,197,650**

Base of distribution	EUR
For dividends	10,000,000
To compensate losses from previous years	9,197,650
Total	**19,197,650**

In July 2021 the payment of dividends was carried out.

Profit / (loss) per share

The breakdown of basic and diluted earnings per share is as follows:

	31.12.2021	31.12.2020*
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	440,291,054
Average number of shares diluted	440,291,054	440,291,054
Profit for the year attributable to the Parent Company*	2,838	26,385
Profit for the year attributable to the Parent Company diluted*	2,838	26,385
*(EUR thousands)		
Profit / (loss) per share (euro per share)		
- Basic	**0.0064**	**0.0599**
- Diluted	**0.0064**	**0.0599**

* Restated figures (Note 2.3)

The basic gain per share is calculated by dividing the profit for the year attributable to the holders of equity instruments of the Parent Company by the weighted arithmetic mean of ordinary shares circulating over the year.

The diluted gain per share is calculated by dividing the diluted profit for the year attributable to the Parent Company by the diluted arithmetic mean of shares.

Non-controlling interests

The movement during the years 2021 and 2020 of non-controlling shares has been as follows:

Balance at 1 December 2020	**33,493**
Profit (loss) for the year	3,785
Dividend distribution	(4,703)
Purchase of Non-controlling interests (Note 2)	(26,144)
Other movements	1,387
Balance at 31 December 2020	**7,818**
Profit (loss) for the year	(1,593)
Dividend distribution	(190)
Incorporations to scope (Note 2)	2,202
Other movements	3,725
Balance at 31 December 2021	**11,962**

The breakdown of the non-controlling interests by entity as at 31 December 2021 and 31 December 2020 is as follows:

	31.12.2021	**31.12.2020**
Subsidiaries Unieléctrica Energía, S.A.	8,722	7,276
Eoliennes de Beausemblant, SAS	589	569
Audax Solar SPV XV, S.L.U.	2,191	-
Others	460	(27)
	11,962	**7,818**

NOTE 13 – NON-CURRENT PROVISIONS

The breakdown of provisions as at 31 December 2021 and as at 31 December 2020 is as follows:

	Balance 31.12.2021	**Balance 31.12.2020**
Provision for liabilities	450	16
Dismantling provision	1,074	971
Total	**1,524**	**987**

Provision for liabilities

In 2020 this account included mainly the provisions created in order to tackle contingent liabilities towards certain public entities with a maturity of over one year.

As at 31 December 2021, the Management of the Parent Company considers that there are no contingencies requiring to be provisioned for. Likewise, the Group did not consider necessary any allocation to the provision for onerous contracts.

Dismantling provision

Over the year 2021, several photovoltaic power plants began operating, therefore the relevant provisions were recorded for the dismantling of these plants.

As at 31 December 2021, the Group has recorded a provision of EUR 1,074 thousand (EUR 971 thousand as at 31 December 2020) to cover the costs of dismantling the wind farms and photovoltaic plants that are now in operation.

NOTE 14 – FINANCIAL LIABILITIES

The breakdown of the financial liabilities, without including trade and other payables (Note 16), during the years 2021 and 2020 is as follows:

	31.12.2021	31.12.2020*
Debt from issue of bonds and other negotiable securities	447,821	379,158
Amounts owed to credit institutions	81,783	82,339
Lease liabilities	15,326	7,801
Financial derivatives liabilities (Note 9)	5,387	5,346
Other non-current financial liabilities	731	528
Total non-current financial liabilities	**551,048**	**475,172**

	31.12.2021	31.12.2020
Debt from issue of bonds and other negotiable securities	202,993	136,754
Amounts owed to credit institutions	39,599	53,649
Lease liabilities	1,178	1,132
Financial derivatives liabilities (Note 9)	8,427	483
Other current financial liabilities	49,698	44,780
Total current financial liabilities	**301,895**	**236,798**

* Restated figures (Note 2.3)

Except for the liabilities arising from financial derivatives, the financial liabilities are measured at amortised cost. The financial derivatives liabilities are measured at fair value. The fair value of liabilities bearing fixed interest rate is estimated on the basis of discounted cash flows over the remaining term of that liability. Discount rates were determined according to the market rates available at 31 December 2021 and 2020 on the financial liabilities with similar maturity and credit features.

The movement of financial liabilities during the year 2021 and 2020 has been as follows:

	31.12.2020	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2021
Debt from issue of bonds and other negotiable securities	379,158	168,032	(13,508)	(85,861)	-	447,821
Amounts owed to credit institutions	82,339	9,786	(4,860)	(5,482)	-	81,783
Finance lease liabilities	7,801	9,118	(1,593)	-	-	15,326
Financial derivatives liabilities (Note 9)	5,346	-	-	-	41	5,387
Other financial liabilities	528	204	(1)	-	-	731
Total non-current financial liabilities	**475,172**	**187,140**	**(19,962)**	**(91,343)**	**41**	**551,048**
Debt from issue of bonds and other negotiable securities	136,754	226,997	(247,296)	86,538	-	202,993
Amounts owed to credit institutions	53,649	44,475	(63,330)	4,805	-	39,599
Finance lease liabilities	1,132	369	(323)	-	-	1,178
Financial derivatives liabilities (Note 9)	483	-	-	-	7,944	8,427
Other financial liabilities	44,780	7,100	(2,182)	-	-	49,698
Total current financial liabilities	**236,798**	**278,941**	**(313,131)**	**91,343**	**7,944**	**301,895**

	31.12.2019	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2020
Debt from issue of bonds and other negotiable securities	143,184	357,379	(115,706)	(5,699)	-	379,158
Amounts owed to credit institutions	46,554	67,066	(9,214)	(22,067)	-	82,339
Finance lease liabilities	8,267	579	(450)	(595)	-	7,801
Financial derivatives liabilities (Note 9)	4,009	-	-	-	1,337	5,346
Other financial liabilities	19,605	97	(19,174)	-	-	528
Other financial liabilities	**221,619**	**425,121**	**(144,544)**	**(28,361)**	**1,337**	**475,172**
Debt from issue of bonds and other negotiable securities	67,534	180,926	(117,405)	5,699	-	136,754
Amounts owed to credit institutions	71,121	68,130	(107,669)	22,067	-	53,649
Finance lease liabilities	1,362	736	(1,561)	595	-	1,132
Financial derivatives liabilities (Note 9)	4,060	-	-	-	(3,577)	483
Other financial liabilities	28,934	16,296	(450)	-	-	44,780
Financial derivatives liabilities (Note 9)	**173,011**	**266,088**	**(227,085)**	**28,361**	**(3,577)**	**236,798**

The breakdown of financial liabilities cash flows in 2021 was as follows:

	31.12.2020	Cash flows movement	Interest payment	Movements which do not involve cash flows	31.12.2021
Debt from issue of bonds and other negotiable securities	515,912	131,573	(18,121)	21,450	650,814
Amounts owed to credit institutions	135,988	(14,171)	(1,425)	990	121,382
Finance lease liabilities	8,933	-	-	7,571	16,504
Financial derivatives liabilities (Note 9)	5,829	-	-	7,985	13,814
Other financial liabilities	45,308	(32,466)	-	37,587	50,429
Total financial liabilities	**711,970**	**84,936**	**(19,546)**	**75,583**	**852,943**

Within the cash flows movement the amount of EUR 477,335 thousand is included, corresponding to collections, and the amount of EUR 392,399 thousand, corresponding to payments.

Bonds and other negotiable securities

In January 2017 Audax Renovables, S.A. registered a programme of corporate promissory notes on the Alternative Fixed-Income Market (MARF) for the maximum amount of EUR 50,000 thousand with maturity in 2019. On 13 February 2019 this promissory note programme was expanded to a maximum amount of EUR 75,000 thousand with maturities of up to 2 years. Later, on 30 March 2020, Audax Renovables, S.A. carried out a new increase registered under the name of "Audax 2020 Note Programme" with a maximum outstanding balance of EUR 200,000 thousand, and the maturity date on 30 March 2021. On 13 April 2021, Audax Renovables, S.A. carried out a new increase registered under the name of "Audax 2021 Note Programme", which has a maximum outstanding balance of EUR 300,000 thousand, and the maturity date on 13 April 2022. As at 31 December 2021, the total drawn down balance amounts to EUR 220,297 thousand (EUR 156,824 thousand as at 31 December 2020).

On 26 June 2020 Audax Renovables, S.A. registered a Euro-Commercial Paper Programme (ECP) of a maximum outstanding amount of EUR 300,000 thousand on the Irish Stock Exchange. The Company has not drawn down any amount under this programme, and therefore did not proceed to its settlement in 2021.

In the year 2021 Audax Renovables, S.A. signed a note programme with the company Toro Finance for the amount of EUR 15,000 thousand, which was wholly redeemed as at 31 December 2021.

On 3 July 2020 the Company registered a fixed income green bond programme for a nominal amount of up to EUR 400,000 thousand under the name of “EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020” in the Alternative Fixed-Income Market ("MARF"). On 3 September 2020 the Company carried out the first issuance under this programme, for the amount of EUR 20,000 thousand, named "Issue Number 1 of Senior Unsecured Notes of Audax Renovables, S.A. 2020" with maturity in April 2022, which was redeemed ahead of schedule on 3 December 2020.

The Company approved in 2017 a programme for issuing plain bonds on the Alternative Fixed-Income Market (MARF), of which bonds of a nominal value of EUR 65,000 thousand with maturity in June 2022 and fixed nominal annual interest of 4.20% were subscribed.
Also in 2018 the Company approved a new programme for issuing bonds worth EUR 35,000 thousand, which was later increased by another EUR 35,000 thousand, with maturity in October 2023 and fixed nominal annual interest rate of 5.5%.

On 30 November 2020 the Company announced an offer of swap transaction for the holders of those bonds for a new issue of green bonds by the Company under its programme named "EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020" in exchange for the early redemption of the Existing Bonds owned by the holders.

As a consequence of this swap transaction, on 18 December 2020 the Company carried out a second issue of green bonds named “Issue Number 2 of Senior Unsecured Notes of Audax Renovables, S.A. 2020” for the amount of EUR 200,000 thousand, at the interest rate of 4.20% and with maturity on 18 December 2027. This new issue was subscribed partly by the previous holders of the 2017 and 2018 emissions, and partly by new investors.

As at 31 December 2020 the outstanding balance of the 2017 bond amounted to EUR 26,600 thousand and the outstanding balance of the 2018 bond to EUR 17,505 thousand, corresponding to the holders who did not take part in the swap transaction offered by the Company.

In the first half of 2021 the entirety of the 2017 bond was cancelled for the amount of EUR 26,600 thousand.

On 15 June 2021, due to the great interest of the investors in subscribing the green bonds of the issue named “Issue Number 2 of Senior Unsecured Notes of Audax Renovables, S.A. 2020”, the Company decided to increase this issue by EUR 100,000 thousand under the name of “Issue Number 3 of Senior Unsecured Notes of Audax Renovables, S.A. 2020” on the same terms.

On 26 July 2021, the Company proceeded to renew this programme by registering a new one under the name of “EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2021” in the Alternative Fixed-Income Market ("MARF"), which replaces the 2020 programme.

On 18 November 2020 the Board of Directors of the Company approved the issue of senior plain green convertible unsecured bonds (hereinafter "the convertible bonds") for the amount of EUR 125,000 thousand of nominal value and at the annual interest rate of 2.25% to 2.75% payable half-yearly, with maturity on 30 November 2025.

The convertible bonds may be converted in ordinary shares of the Company, either of a new issue or those already issued on the continuous market. The conversion option has an underlying of 51.7 million shares of the Company, which correspond to 11.74% of the total of issued shares. The General Meeting of Shareholders of 21 April 2021 of the company approved the convertibility option, maintaining certain conditions, such as the exclusion of the pre-emptive subscription rights in order to allow the issuance of shares to which this conversion would apply, and the Shareholders' resolutions need to be notarised and together with the amendment to the notarial deed on the issue of convertible bonds need to be registered in the Commercial Register.

The bonds include an option for the investor to convert them into a fixed number of shares at a previously fixed price. Although at the closing date of 2020 the convertibility option had not yet been added to the terms of the instrument, at that date existed a commitment of the majority shareholder to vote in favour of its approval at the General Meeting of Shareholders.

The option of early repayment of the bond, which assists to the bondholders, may be exercised in a scenario of change of control of the Group, takeover bid, halt in the trading of its shares or when the floating capital is lower than 10% of the total of shares. The Group has implemented the accounting policy of initially measuring the financial liability component at the better estimation of the current value of the interest and the repayment price of the bond, assigning the residual amount to the equity component. For the purpose of this estimation, it has been considered improbable that any of the contingent circumstances, on which the exercise of the early redemption option depends, would arise before the ordinary maturity date of the bond.

Once the bonds are made convertible, the holders will have the right to convert the bond into shares of new issue or into existing shares (to be decided by the Company) at the conversion price of EUR 2.42 per share. The conversion option may be exercised from the moment in which the conversion is declared approved.

Additionally, the Company has the option of early redemption of convertible bonds if certain predetermined conditions are fulfilled. This option may be exercised at the third anniversary of the bond issue, i.e., in November 2023, at the price of 130% of the nominal of the bond.

Due to the contingent call provisions mentioned before, the instrument is presented as a financial liability (Note 2.3).

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2021 all the established ratios are met.

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2021 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 2021 and 2020.

The net cash flow shown in the Cash Flow Statement as collections and payments for financial liability instruments for Bonds and other negotiable securities was the positive amount of EUR 131,573 thousand, EUR 376,768 thousand of collections from the increase of the bond programme and the increase of green bonds, and EUR 245,195 thousand of payments for the redemption of bonds and promissory notes.

Amounts owed to credit institutions

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

	31.12.2021	31.12.2020
Project Finance	18,418	22,330
Loans	63,365	60,009
Total non-current	**81,783**	**82,339**

	31.12.2021	31.12.2020
Project Finance	3,509	4,897
Loans	16,139	30,103
Lines of credit	(148)	264
Reverse factoring and similar	20,099	18,385
Total current	**39,599**	**53,649**

As at 31 December 2021 the average effective interest rate of the bank loans is of 1.89% (2.73% as at 31 December 2020).

Project Finance

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

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

In the year 2021, SAS Eoliennes de Beausemblant proceeded to repay entirely its debt under the modality of Project Finance.

Regarding the loan agreements for financing of the facilities which include the obligation to meet certain ratios, as at 31 December 2021 there are no indications of non-compliance with the requirements defined in those contracts. There are no breaches of financial obligations foreseen at the balance sheet date of the next period by any of the companies of the Group.

Furthermore, these loans require that companies record a Debt Service Reserve Fund (FRSD) through their bank accounts as additional guarantee for the bank syndicate. At the balance sheet date of the year 2021 and 2020 the following amounts are held as guarantee:

Company	31.12.2021	31.12.2020
Eólica el Pedregoso, S.L.	717	730
Eólica del Pino, S.L.	363	370
Eoliennes de Beausemblant, SAS	-	632
Eólica Postolin Sp. z o.o.	1,365	1,398
Total	**2,445**	**3,130**

These reserve funds have not been considered as Cash and other cash equivalents, but they were incorporated into the account of Other current financial assets, as indicated in Note 8.

Loans and lines of credit

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

In 2020 the Parent Company signed new loan agreements with the companies Finalbion SV, S.L., Gedesco Innovfin, S.L. and Toro Finance for the amount of EUR 19,815 thousand and with maturity dates between 2021 and 2025.

In 2021 the Parent Company carried out the total settlement of the loans with Finalbion SV, S.L. and Toro Finance for the amount of EUR 5,823 thousand.

In 2021 the Parent Company entered into a loan agreement with the entity Cofides for the amount of EUR 9,700 thousand with maturity in 2028.

As at 31 December 2021, the outstanding balance of the loans of Gedesco Innovfin, S.L and Cofides amounted to EUR 13,812 thousand.

Additionally, the Parent Company and other companies of the Group in 2020 signed with various financial institutions (ICO) loans whose outstanding balance as at 31 December 2020 amounted to EUR 63,418 thousand. These loans were covered by a line of guarantees for businesses and sole traders, approved by the Royal Decree-Law 8/2020 of 17 March 2020 on urgent extraordinary measures to tackle the economic and social impact of COVID-19, under which the Ministry of Economic Affairs and Digital Transformation issues guarantees to the loans granted by the credit institutions to the businesses and sole traders in order to help maintain the employment and alleviate the economic effects of the crisis, and the maturity of these loans was between 2022 and 2025..

In 2021 the Parent Company and other companies of the Group proceeded to renegotiate with various financial institutions some of the loans (ICO) signed during the year 2020, in order to postpone the maturity dates of the loans. The maturity date of the ICO loans of the Group is between 2022 and 2028.

As at 31 December 2021, the outstanding principal of the ICO loans of the Group amounts to EUR 60,148 thousand.

During the year 2021, Audax Netherlands B.V. proceeded to settle the loans granted by credit institutions, corresponding to the credit institutions ING Bank and Rabobank, in the amount of EUR 4,405 thousand.

Reverse factoring

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

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

There are no deposits or guarantees associated with these transactions.

The net cash flow shown in the Cash Flow Statement as collections and payments for financial liability instruments of amounts owed to credit institutions was the negative amount of EUR 14,171 thousand, EUR 52,869 thousand of collections from acceptance of new loans, and EUR 67,040 thousand of payments for the settlement of various loans.

Other financial liabilities

The breakdown of other financial liabilities is as follows:

	31.12.2021	31.12.2020
Accounts payable to Group companies (Note 22)	523	525
Other debts	208	3
Total non-current	**731**	**528**

	31.12.2021	31.12.2020
Accounts payable to Group companies (Note 22)	49,075	44,226
Other debts	623	554
Total current	**49,698**	**44,780**

The following table describes consolidated gross financial liabilities as at 31 December 2021 and 2018 and their maturity dates, taking into account the impact of the derivatives, other financial liabilities and trade payables and other payables:

	Up to one year	two to three years	four to five years	more than five years	Total financial liabilities
Trade and other payables	172,624	-	-	-	172,624
Debt from issue of bonds and other negotiable securities	202,993	28,060	121,240	298,521	650,814
Amounts owed to credit institutions	39,599	38,956	26,907	15,920	121,382
Lease liabilities	1,178	1,965	1,921	11,440	16,504
Financial derivatives liabilities (Note 9)	8,427	2,209	(403)	3,581	13,814
Other non-current financial liabilities	49,698	203	1	527	50,429
	474,519	**71,393**	**149,666**	**329,989**	**1,025,567**

As at 31 December 2021 and 31 December 2020, the following financial liabilities are subject to the requirement of meeting certain minimum ratios or to clauses which, if not complied with, may result in declaring the payment immediately due.

	EUR thousands	
	2021	**2020**
Bond of nominal value €65M approved in May 2017	-	26,600
Bond of nominal value €70M approved in September 2018	16,911	17,505
Bond of nominal value €300M approved in December 2020	300,000	200,000
Convertible bond of nominal value €125M approved in November 2020	125,000	125,000
Amounts owed to credit institutions in the Netherlands	-	4,405
Project Finance	22,386	27,801
Total	**464,297**	**401,311**

*(includes accrued interest and capitalised costs)

With regard to the Bonds, the conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. With regard to the Project finance, the ratios concern "Cash flows generated in a year / Debt service of the Project finance" coefficient, as well as leverage ratios, all of them referred individually for each financed company.

As at the date of formulating these consolidated annual accounts, the Group is not in a situation of default on its financial obligations or any other obligation, which could involve early maturity of its financial commitments.

NOTE 15 – SUBSIDIES

The company Eólica Postolin Sp. z o.o. received non-repayable grants from the European Union through the Polish Ministry of Economy for the construction of its wind farm amounting to PLN 38,354 thousand (EUR 9,019 thousand). The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm. In 2021 the amount of EUR 257 thousand (EUR 264 thousand in 2020) was recognised as "Other operating income".

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

Accounts payable

The breakdown as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	**At 31.12.2020**
Suppliers	138,149	104,345
Suppliers, group companies	3,650	196
Other payables	29,234	20,003
Staff	1,591	1,542
Trade and other payables	**172,624**	**126,086**

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

As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the invoiced amounts which have not yet been received. As at 31 December 2021, the estimation of invoiced amount that have not yet been received for the electricity and gas fees, arising from the energy supplied but not yet invoiced, amounts to EUR 29,405 thousand (EUR 30,197 thousand as at 31 December 2020) and is included in the Consolidated Statement of Financial Position. Additionally, there is an estimate related to the invoices for energy purchase not yet received, amounting to EUR 54,891 thousand (EUR 45,404 thousand at the end of the year 2020).

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

	2021	2020
	Days	Days
Average period of payment to suppliers(1)	23	28
Paid transactions ratio	21	26
Transactions with outstanding payment ratio	23	28
	Amount in EUR thousands	
Total payments carried out	1,067,996	602,382
Total outstanding payments	66,139	46,788

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

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

Other current liabilities

The breakdown as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	At 31.12.2020
Public administrations and similar	52,360	75,849
Time adjustments of current liabilities	9,262	1,999
Advance payments from clients and other current payables	20,226	16,443
Other current liabilities	**81,848**	**94,291**

The main accounts payable to public administration entities and similar included under this heading correspond to liabilities arising from current transactions of the Dutch company of the Group, Main Energie. It consists mainly of taxes charged to the clients, not yet settled at the closing date of the year (value-added tax and special taxes), which were paid off in January 2022.

As at 31 December 2021, the increase in "Period adjustments of current liabilities" is due mainly to the advance payments from the Dutch company Main Energie.

As at 31 December 2021, the increase in "Advance payments from clients and other current payables" originates mainly from the reclassification of a non-current liability with the company Eryx Investments, S.L.U., for the purchase of shares of the company Unieléctrica Energía, S.A., which turns into current because of the maturity in 2022 of the last one of the payments established in the purchase agreement.

NOTE 17 – RISK MANAGEMENT

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

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

a) According to the above, any activity aimed to control and mitigate the risks will be subject to the following basic principles of procedure: Integrate the risk-opportunity vision in the management and strategy of the Company.

b) Ensure an appropriate separation of duties to guarantee an adequate level of independence.

c) Constant evaluation of the mechanisms for hedging, transfer and mitigation, in order to ensure their suitability and the implementation of the best market practices.

d) Guarantee the proper use of risk hedging instruments.

e) Inform about the risks for the Group and about the implemented systems to mitigate them.

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

g) Ensure the adequate compliance with the Corporate Governance rules.

h) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

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

Interest rate risk

Cash and bank accounts, as well as the Group's financial debt, are exposed to the interest rate risk, which might have adverse effect on the financial profit and loss and cash flows.

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

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

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

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

The structure of Obligations and amounts owed to credit institutions as at 31 December 2021 and 31 December 2020, taking into account the hedges through derivative contracts, is as follows:

	At 31.12.2021	**At 31.12.2020**
Fixed interest rate	681,789	554,772
Floating interest rate	90,407	97,128
Total	**772,196**	**651,900**

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

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2021	10%	(216)
	(10%)	216
2020	10%	(233)
	(10%)	233

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

Exchange rate risk

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

The main non-euro currencies with which the Audax Renovables Group operates in 2021 and 2020 are the US dollar, the Polish zloty and the Hungarian forint.

Commodity price of electricity and gas risk

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

Moreover, in certain countries where the Group operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk 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.

The Group's strategy to mitigate the price risk is based on the geographical diversification and, within each country, on offering different products (fixed and indexed (pool + margin), among others).

Regarding diversification at the country level, two main groups should be distinguished:

1. Countries where the Group participates directly in the purchase from the market: Spain, Portugal, Italy, Germany and Poland.

   With regard to electricity, the Group mitigates directly the market exposure through market-indexed contracts for sale of electricity, which provide a natural protection against the risk.

   When it is not possible to obtain a natural protection, the position is managed, within the reasonable risk parameters, by the means of derivatives and other instruments for the purpose of reducing the exposure to the risk of price disassociation, designed generally as hedge instruments (Note 9).

   Apart from buying derivatives, the Group manages the price risk through long-term power purchase agreements with the power plants of the Group and of third parties, and fixed-term power sale contracts with third parties.

   With regard to natural gas, the exposure to this risk is managed and mitigated through natural hedge by trying to balance the exposures to commodities through bilateral contracts with physical delivery (in the OTC market) based on the forecast regarding customers' consumption at fixed price.

2. Countries where Audax does not participate directly in the purchase from the market: Hungary and the Netherlands

   In these countries the Group has established fixed-price power purchase agreements in order to cover the expected consumption.

The sensitivity of net income and equity (Other equity components) to the variation in electricity and gas sale prices, taking as a reference the variation of the sale price in the daily electricity and gas market, is as follows:

	Energy price increase /(decrease)	Effect on profit and loss before tax	Effect on equity
2021	10%	(6,982)	953
	(10%)	6,982	(953)
2020	10%	(1,072)	1,730
	(10%)	1,072	(1,730)

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

Credit risk

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

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

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

As at 31 December 2021 the provision for bad debts reached the amount of EUR 30,631 thousand (EUR 27,540 thousand as at 31 December 2020).

The average matrix of provisions, arranged by the age of the trade receivables as at 31 December 2021 and 2020, is as follows:

At 31.12.2021	Not expired	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days
% not collected	0.02%	1.07%	6.66%	13.36%	20.38%	25.50%	87.33%

At 31.12.2020	Not expired	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days
% not collected	0.10%	1.18%	2.45%	2.98%	5.08%	7.44%	53.90%

The matrix, stated in EUR thousands, presents a summary of the average provision rates, distributed by age of trade receivables based on the information from the companies belonging to the Group. In this regard, the percentage specified indicates the volume of global provision existing over the entirety of the clients of this group.

The breakdown of trade receivables and its provision as at 31 December 2021 and 2020 by these categories is as follows:

At 31.12.2021	Not expired	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days	TOTAL
Clients and similar	238,269	58,917	6,246	3,241	2,512	3,078	31,848	**344,111**
Provision	39	633	416	433	512	785	27,813	**30,631**

At 31 December 2020 (*)	Not expired	0-30 days	31-60 days	61-90 days	91-120 days	121-180 days	> 180 days	TOTAL
Clients and similar	89,635	104,168	3,761	2,617	1,970	2,460	39,177	**243,788**
Provision	88	1,227	92	78	100	183	21,116	**22,884**

(*) Additionally, for the year 2020, an extraordinary provision has been created for COVID-19 in the amount of EUR 4,658 thousand.

The movement of the provision for expected losses is specified in Note 10.

In order to mitigate the credit risk arising from commercial positions, the Group holds bad debt insurance policies. As at 31 December 2021, the maximum sum insured is of EUR 203 million (EUR 130 million as at 31 December 2020).

Moreover, in order to mitigate the credit risk arising from financial positions, the Group allocates 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.

On 31 December 2021 and 2020 the Group did not have significant credit risk concentrations.

Liquidity risk

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

Debt financing is an important source of finance for the Audax Renovables Group. The Group's aim, whenever possible, is to carry out its financing activities in a centralised way. However, circumstances may arise, under which the Group may consider it essential or more beneficial to have the financing available at the subsidiary level. This means that the majority of financing is carried out at the level of Audax Renovables, S.A. or through instruments with irrevocable guarantee granted by Audax Renovables, S.A.

Exposure to unfavourable situations on the capital or debt markets or the Group's own adverse economic and financial situation could potentially hinder or impede its ability to meet the financial needs necessary to properly conduct its business activities. The Group's liquidity policy is focused on ensuring fulfilment of the obligations to pay entered into, without resorting to obtaining funds on burdensome conditions. This prudent liquidity risk management derives from the need for financing the Group’s activity by temporary differences between the needs and cash generation and is based on divers management measures such as maintaining sufficient cash and marketable securities, the availability of funding through a sufficient amount of committed credit facilities, diversifying the maturity dates of the issued debt, as well as sufficient ability to close out market positions at a given moment.

Management follows up the liquidity reserve forecasts of the Group (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note 14, to which the payments corresponding to Trade and other payables maturing in 2021 should also be added (Note 16).

As at 31 December 2021 available liquidity amounts to EUR 244,149 thousand, which entirely belong to cash and other cash equivalents (EUR 368,234 thousand as at 31 December 2020).

Capital management

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

The leverage ratio is as follows:

	At 31.12.2021	At 31.12.2020 *
Non-current financial liabilities		
Bonds and other negotiable securities	447,821	379,158
Financial liabilities to credit institutions	81,783	82,339
Lease liabilities	15,326	7,801
Other financial liabilities	208	4
Current financial liabilities		
Bonds and other negotiable securities	202,993	136,754
Financial liabilities to credit institutions	39,599	53,649
Lease liabilities	1,178	1,132
Other financial liabilities	623	554
Derivatives	(17,278)	2,451
Cash and other cash equivalents		
Other financial assets	(84,559)	(83,730)
Cash and other cash equivalents	(244,149)	(368,233)
Net financial debt:	**443,545**	**211,879**
Of the Parent Company (Note 12)	136,962	135,189
Of the minority interests (Note 12)	11,962	7,818
Net equity:	**148,924**	**143,007**
Leverage (Net financial debt / (Net financial debt + Net equity))	**74.9%**	**59.7%**

* Restated figures (Note 2.3)

Net financial debt includes lease liabilities as a consequence of applying IFRS 16 in the amount of EUR 16,504 thousand (EUR 8,933 thousand as at 31 December 2020). If these liabilities were to be omitted, as at 31 December 2021 the net financial debt would be reduced to EUR 419,006 thousand (EUR 194,911 thousand as at 31 December 2020) and the leverage would be of 72.8%(56.3% as at 31 December 2020).

The financial assets as well as financial liabilities to Group companies or related companies have been excluded from net financial debt.

Guarantee terms risk

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

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

As at 31 December 2021 and 2020, the Group does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

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

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

Climate change risk

The green taxonomy is a system established for the purpose of classifying economic activities and providing the businesses and investors with a clear definition of sustainable activity. The main goal of the system is to encourage capital investments for the purpose of financing sustainable development and mitigating the climate change under very clear denominations, aligned with the Paris Agreement and OECD objectives.

Successful implementation of the European taxonomy is fundamental for the continent to achieve the proposed climatic and environmental goals and for the future generations to be able to enjoy a healthy and habitable world. Under the EU Taxonomy Regulation (hereinafter, the "Regulation"), a "green" list has been created, which groups and classifies economic activities which are considered environmentally sustainable according to the recommendations of the Technical expert group on sustainable finance, who established and developed the technical criteria in order to classify these activities.

In this regard, Audax Renovables is deeply involved in fighting the climate change. Therefore, relevant decisions are made by the highest level of management within the Group, i.e. the Board of Directors.

For the Company, bearing in mind Delegated Regulation 2178, which implements the obligation for businesses to publish certain information regarding sustainability, it will signify immediate alignment with the sustainability goals set by the Group, with the aim of maintaining a significant portfolio of investments in photovoltaic and wind energy, as defined in its Strategic Plan 2021-2026, in order to generate and incorporate distribution of energy from 100% renewable sources. The Board of Directors intends to continue evaluating and implementing sustainability plans, as well as analysing risks and designing processes in response to climate change.

The objectives of the Paris Agreement aim to keep the increase of global temperatures at below 2ºC and achieve climate neutrality by 2050. The Group had in mind the potential effects of climate change while formulating the annual accounts for the year 2021. Therefore, the Group considered these effects while analysing the impairment of non-financial assets. The projections were based on the best available information about the future and include the planned investments in each CGU at the moment. Additionally, these projections consider the expected effect on the market prices of energy.

NOTE 18 – TAX SITUATION

As a result of the reduction of the shareholding of Electrica Nuriel, S.L.U. in Audax Renovables, S.A. (Note 12), the Parent Company, as well as its subsidiaries, have ceased to be subject to the consolidated tax system together with Excelsior Times, S.L. and, from 1 January 2021, they pay the corporate income tax as a part of their own consolidated tax group, Audax Renovables, S.A. being the head entity of the new tax group.

Companies belonging to the Audax Renovables, S.A. Tax Group:

Audax Renovables, S.A.
Generación Iberia, S.L.U.
Eólica El Pedregoso, S.L.
Eólica Del Pino, S.L.
Audax Solar SPV IV, S.L.U.
Audax Solar SPV VI, S.L.U.
Audax Solar SPV VII, S.L.U.
Audax Solar SPV IX, S.L.U.
Audax Solar SPV X, S.L.U.
Aznalcóllar Solar, S.A.U.
Solar Buaya Inversiones, S.L.U.
Audax Solar SPV XXVI, S.L.U.
Botey Solar, S.L.U.
Corot Energía, S.L.U.
Las Piedras Solar, S.L.U.
Da Vinci Energía, S.L.U.
Elogia Calañas, S.L.U.
Corinto Solar, S.L.U.
ADS Energy 8.0., S.L.U.
Masqluz 2020, S.L.
Alset Comercializadora, S.L.U.
By Energyc Energía Eficiente, S.L.
Love Energy, S.L.
Energía Ecológica Económica, S.L.
Feed Energía, S.L.
Eryx Investments 2017, S.L.U.
Unieléctrica Energía, S.A.
Explotación Eólica La Pedrera, S.L.U.
Fox Energía, S.A.

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

Deferred taxes

The following table reflects the movement throughout 2020 and 2021 in deferred taxes:

	Balance 31.12.20	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.21
Deferred tax assets	8,109	6,863	(1,606)	-	-	(8)	13,358
Deferred tax liabilities	(16,502)	(8,138)	3,180	-	-	5	(21,455)
Total	**(8,393)**	**(1,275)**	**1,574**	**-**	**-**	**(3)**	**(8,097)**

	Balance 31.12.2019	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.2020
Deferred tax assets	7,390	1,519	(1,861)	1,172	-	(111)	8,109
Deferred tax liabilities	(17,637)	(626)	2,356	(723)	-	128	(16,502)
Total	**(10,247)**	**893**	**495**	**449**	**-**	**17**	**(8,393)**

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

The main deferred tax assets correspond to the recognition of tax receivables from losses for previous years, as well as temporary differences from recognised expenses that have not yet become tax-deductible. The recognitions in the year 2021 correspond to the recording of deferred tax assets from the tax impact of hedge derivative liabilities. In 2020 deferred tax assets were incorporated in the amount of EUR 1,120 thousand from the business combination of Audax Hungría (Note 2).

Deferred tax liabilities include mainly the tax effect of the purchase price allocation to certain intangible assets in business combination transactions, the most important of them being the tax deferred liability connected with the business combinations of Audax Netherlands B.V. and of Unieléctrica Energía S.A. The recognitions in the year 2021 correspond to the recording of deferred tax liabilities from the tax impact of hedge derivative assets.

The amount of deferred tax assets and deferred tax liabilities charged or credited to equity refer to the record of hedge derivatives and are as follows:

	Balance 31.12.2021	Balance 31.12.2020
Deferred tax assets	3,417	709
Deferred tax liabilities	(7,722)	(273)
Total	**(4,305)**	**436**

Corporate Income Tax expenses

The reconciliation between the applicable tax rate and the effective tax rate for the year 2021 and 2020 is as follows:

	2021	%	2020	%
Income before tax	**4,457**		**34,049**	
Theoretical tax	**1,114**	**25%**	**8,512**	**25%**
Tax difference foreign subsidiaries	1,034		67	
Non-deductible cost and other permanent differences	(144)		1,818	
Divestment and other tax recoveries	-		(303)	
Reversal of non-deductible impairment	-		5	
Recovery of tax losses carried forward, deductions and similar	(1,632)		(1,093)	
Unrecognised tax credits	3,454		522	
Negative differences in business combinations	-		(4,085)	
Other deferred tax adjustments	(345)		(989)	
Other adjustments	(269)		(575)	
	3,212		**3,879**	

The main components of the income tax expenses are the following:

	At 31.12.2021	At 31.12.2020
Current expenses for the year	5,672	7,115
Income from use of tax credits and tax losses carried forward	(1,632)	(1,093)
Recognition of tax credits	-	-
Deferred tax and others	(828)	(2,143)
Total	**3,212**	**3,879**

Tax loss carry-forward and other tax credits

As at 31 December 2020 the Group has unrecognised tax loss carry-forwards available for offset, amounting to EUR 222,466 thousand, as well as a tax credit from deferred tax asset amounting to EUR 4,356 thousand (EUR 4,777 thousand at 31 December 2019). The breakdown of these unrecognised credits is as follows:

	At 31.12.2021	At 31.12.2020
Tax loss carry-forward	46,353	55,904
Deferred tax assets	4,356	4,777
Total	**50,709**	**60,681**

As at 31 December 2021, and in relation to these amounts, the Audax Renovables Group has recognised in the consolidated annual accounts a tax credit of EUR 3,139 thousand, corresponding to the tax credits whose recoverability has been considered probable.

The breakdown of these unrecognised tax credits according to their origin as at 31 December 2020 is as follows:

	EUR thousands
Spanish companies	35,104
Foreign companies	15,605
Total	**50,709**

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

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

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

NOTE 19 – INCOME AND EXPENSES

Ordinary Income

The breakdown of ordinary income is as follows:

	2021			2020		
	Spain and Portugal	Rest of World (1)	Total	Spain and Portugal	Rest of World (1)	Total
Total operating revenue	**1,052,180**	**632,462**	**1,684,642**	**645,827**	**321,611**	**967,438**

Rest of World (1) includes Italy, Poland, Germany, the Netherlands, France, Panama and Hungary

The amount of sales is recorded as income at the moment of delivery of the energy to the client, depending on the amounts supplied, and includes an estimation of the energy supplied not yet invoiced at the accounting closing date, because it has not been measured as a consequence of the normal process of meter reading cycle (Note 10).

Procurement

The breakdown of procurement is as follows:

	2021			2020		
	Spain and Portugal	Rest of World (1)	Total	Spain and Portugal	Rest of World (1)	Total
Total Procurement	**979,466**	**581,763**	**1,561,229**	**570,671**	**283,745**	**854,416**

Rest of World (1) includes Italy, Poland, Germany, the Netherlands, France, Panama and Hungary

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 Group makes an estimate relating to the not received invoices for electricity and gas toll costs, as well as to the purchase of the energy supplied to the client. The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the Balance Sheet (Note 16).

The Parent Company has signed several long-term power purchase agreements with diverse non-related companies. Under these agreements the Company will purchase directly an expected aggregated maximum of energy of approximately 2.04 TWh/ Year (2.5 TWh/year in 2020). These agreements have an expected validity period of between 10 and 20 years and are subject to certain conditions. Given the nature of these agreements, the Group does not consider them to be financial derivatives.

Staff costs

The breakdown of staff costs for the year 2021 and 2021 is as follows:

	2021	2020
Wages and salaries	21,603	17,630
Employer contributions	5,010	4,251
Other social expenses	1,119	614
Total	**27,732**	**22,495**

The average number of employees for the years 2021 and 2020 is as follows:

	2021	2020
Senior Management*	3	3
Management	17	18
Leadership	30	29
Middle Management	42	47
Others	688	509
Total	**780**	**606**

* Including internal auditor

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the Official State Gazette of 23 March 2007, the average number of employees of the Audax Renovables Group at the end of 2021 and 2020 broken down by category and gender is as follows:

	31.12.2021		31.12.2020	
	Women	**Men**	**Women**	**Men**
Senior Management*	1	2	1	2
Management	1	15	1	16
Leadership	16	16	12	16
Middle Management	24	20	22	18
Others	434	274	417	252
Total	**476**	**327**	**453**	**304**

* Including internal auditor

The average number of employees with a disability equal to or greater than 33% (or equivalent local qualification) during the years 2021 and 2020, by category, is as follows:

	Average number	
	2021	**2020**
Middle Management	1	-
Others	5	7
Total	**6**	**7**

Other operating expenses

The breakdown of Other operating expenses in the years 2021 and 2020 is as follows:

	2021	**2020**
Leases	336	220
Repairs and maintenance	2,867	2,917
Counselling services	10,268	8,201
Insurance premiums and commissions	2,943	2,641
Supplies and other services	3,498	2,090
Other operating expenses	10,648	7,775
Taxes	13,867	8,590
Loss, impairment and change in provisions	3,504	9,862
Total	**47,931**	**42,296**

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated profit and loss statement for the years 2021 and 2020 is as follows:

	2021	2020
Financial income from shareholding in third parties	-	10
Financial income from group companies receivables	126	3,894
Financial income from third party receivables	677	476
Financial expenses arising from bond issuing	(17,582)	(7,755)
Financial expenses from debt and other financial cost	(11,233)	(9,969)
Impairment and profit (loss) on disposal of financial instruments	1,669	227
Change in fair value of financial instruments	35	-
Exchange differences	(147)	431
Financial profit (loss)	**(26,455)**	**(12,686)**

NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2021 and 2020 is as follows:

	2021	*2020*
Cash flows from operating activities		
Profit (loss) for the year before tax	**4,457**	**34,049**
Adjustments to results	**47,358**	**19,085**
Amortisation and depreciation	21,968	19,654
Valuation adjustments due to impairment	3,091	7,723
Changes in provisions	2,308	210
Allocation of subsidies	(257)	(264)
Profit (loss) on derecognition and disposal of fixed assets	153	(7)
Profit (loss) on derecognition and disposal of financial instruments	(1,704)	(227)
Financial income	(803)	(4,380)
Financial expenses	28,815	17,724
Exchange differences	147	(431)
Changes in fair value of financial instruments	(6,417)	(4,628)
Negative consolidation difference	-	(16,341)
Other income and expenses	57	52
Changes in working capital	**(106,990)**	**35,842**
Inventory	(3,619)	354
Accounts receivable	(101,371)	3,517
Other current assets	(35,939)	(16,238)
Accounts payable	35,279	(6,638)
Other current liabilities	(10,226)	15,316
Other non-current assets and liabilities	8,886	39,531
Other cash flows from operating activities	**(18,870)**	**(13,388)**
Payments of interest	(19,546)	(13,874)
Collections of interest	676	486
Cash flows from operating activities	**(74,045)**	**75,588**

NOTE 22 – INFORMATION ON RELATED PARTY TRANSACTIONS

Related parties are:

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

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

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

c) All the companies belonging to the Excelsior Group.

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

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

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

The balances and transactions carried out in the years 2021 and 2020 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

a) Balances with related parties:

Accounts payable and receivable with related parties as at 31 December 2021 and 31 December 2020 are as follows:

2021	**Group companies**	**Other related parties**	**Total**
Loans and receivables			
Loans (Note 8)	38,822	11,471	50,293
Total non-current assets	38,822	11,471	50,293
Trade and other receivables			
Short-term receivables from group companies and associates	251	86	337
Total current assets	251	86	337
Total assets	**39,073**	**11,557**	**50,630**
Long-term payables to group companies and associates	-	523	523
Total non-current liabilities	-	523	523
Short-term payables to group companies and associates	49,354	(280)	49,074
Trade and other payables			
Short-term payables to suppliers, group companies and associates	3,530	121	3,651
Total current liabilities	52,884	(159)	52,725
Total liabilities	**52,884**	**364**	**53,248**

2020	**Group companies**	**Other related parties**	**Total**
Loans and receivables			
Loans (Note 8)	653	11,471	12,124
Total non-current assets	653	11,471	12,124
Trade and other receivables			
Short-term receivables from group companies and associates	95	-	95
Loans and receivables			
Loans (Note 8)	152	-	152
Total current assets	247	-	247
Total assets	**900**	**11,471**	**12,371**
Long-term payables to group companies and associates	-	525	525
Total non-current liabilities	-	525	525
Short-term payables to group companies and associates	44,253	(26)	44,227
Trade and other payables			
Short-term payables to suppliers, group companies and associates	196	-	196
Total current liabilities	44,449	(26)	44,423
Total liabilities	**44,449**	**499**	**44,948**

The amount of loans and non-current receivables in the year 2021 corresponds mainly to a loan granted to Eléctrica Nuriel, S.L.U. in the amount of EUR 38,468 thousand. The amount for the year 2020 related mainly to the loans granted by the subsidiaries of Audax Renovables, S.A. to Excelsior Times, S.L.U. in the amount of EUR 517 thousand. In 2021 this loan was repaid.

Loans and non-current receivables with other related parties for the year 2021 and 2020 include loans granted to the companies incorporated by the equity method and other investee companies which do not comprise the Group, in the amount of EUR 11,471 thousand.

The balance of current payables to group companies for the year 2021 corresponds mainly to the amount payable by Audax Renovables, S.A. to Excelsior Times, S.L.U. of EUR 44,892 thousand for the contributions that were made.

The balance of current payables to group companies for the year 2020 corresponded mainly to the amount payable by Audax Renovables, S.A. to Eléctrica Nuriel S.L.U. of EUR 39,781 thousand for the contributions made in the form of a loan, which were totally repaid in the year 2021.

The net cash flow shown in the Cash Flow Statement as collections and payments for financial liability instruments for the total amount of payables to group companies and associates is the negative amount of EUR 32,466 thousand, EUR 47,698 thousand of collections from acceptance of loans or repayment of the loans granted, and EUR 80,164 thousand of payments for the granting of loans, contributions or repayment of received loans.

b) Related party transactions

The amounts of the related party transactions are as follows:

2021	**Group companies**	**Other related parties**	**Total**
Income and similar			
Net sales	197	413	610
Services rendered	254	126	380
Financial instruments			
Financial income	126	-	126
Total income	**577**	**539**	**1,116**
Expenses and similar			
Purchases	690	-	690
Purchase of shares	43,011	-	43,011
Purchase of fixed assets	-	3,112	3,112
Other received services	2,705	136	2,841
Financial instruments			
Financial expenses	2,925	-	2,925
Total Expenses	**49,331**	**3,248**	**52,579**

2020	Group companies	Other related parties	Total
Income and similar			
Net sales	442	29	471
Sale of fixed assets	-	-	-
Services rendered	383	6	389
Financial instruments			
Financial income	3,894	-	3,894
Total income	**4,719**	**35**	**4,754**
Expenses and similar			
Purchases	190	-	190
Purchase of shares	105,233	-	105,233
Purchase of fixed assets	-	81	81
Other received services	2,542	-	2,542
Financial instruments			
Financial expenses	-	-	-
Total Expenses	**107,965**	**81**	**108,046**

Purchase of shares in 2021 refers to the acquisition of company shares by the Group from Rocío Servicios Fotovoltaicos, S.L.U. (formerly Audax Fotovoltaica, S.L.U.) and Audax Green, S.L.U., both companies belonging to the Excelsior Group, for a total amount of EUR 43,011) thousand (Note 2.5.b).

Purchase of shares in the year 2020 refers to the acquisition of company shares by Audax Renovables, S.A. from Audax Fotovoltaica, S.L.U. for the amount of EUR 66,225 thousand, as well as the purchase of non-controlling interests from Eléctrica Nuriel, S.L. for the total amount of EUR 39,008 thousand (Note 2.5.b).

Purchase of fixed assets in 2021 for the amount of EUR 3,112 thousand corresponds to the solar projects carried out by the related company DJL Renovables, S.L. from various companies of the Group.

During the year 2021, the company Excelsior Times, S.L.U., the parent company of the Excelsior Group, has rendered management services to Audax Renovables, S.A., the parent company of the Audax Renovables Group, for the amount of EUR 2,160 thousand (EUR 2,160 thousand in 2020).

Moreover, in the year 2021 the Group recorded financial expenses with Excelsior Times, S.L.U. for a commission for the assignment of receivables, in the amount of EUR 2,925 thousand. This transaction, carried out in the form of an agreement dated 31 December 2021 between Audax Renovables, S.A. (assignor company) and Excelsior Times, S.L.U. (assignee company), consists in the assignment of certain receivables from clients and is guaranteed by Eléctrica Nuriel, S.L.U., which grants a pledge on behalf of the Assignee to the Assignor with the shares of the company Audax Renovables, S.A. (assignor).

Moreover, in 2021, Audax Renovables, S.A. sustained some of the costs of Orus Renovables, S.L.U. (a company belonging to the Excelsior Group) amounting to EUR 458 thousand, for lease of office space (EUR 163 thousand in the year 2020).

All the transactions with related parties are carried out at market prices.

In the year 2021 and 2020 there were no transactions entered into with Directors and senior management.

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

Remuneration of the members of the Board of Directors

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

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

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

In the year 2021 the amount accrued by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 558 thousand (EUR 373 thousand in 2020) 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 2021 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 80 thousand (EUR 47 thousand in 2020).

As at 31 December 2021 the Board of Directors of the Parent Company is composed of 4 men and 2 women (5 men as at 31 December 2020).

Other information on Directors

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

In the years 2021 and 2020 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, it should be underlined that all the Directors have declared that they are not subject to any direct or indirect conflict of interest with the Parent Company and its subsidiaries.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2021 by the Senior Management amounted to EUR 490 thousand (EUR 328 thousand for the year 2020). Furthermore, there is one contract which establishes the right to receive a severance payment, higher than the legally established amount, in the event of termination of the employment relationship for certain reasons.

As at 31 December 2021 and 2020 the Senior Management of the Group is made up of one woman and two men, including the internal auditor.

NOTE 24 - AUDITORS' FEES

The professional fees for the services rendered by the audit company KPMG Auditores, S.L. in auditing the annual consolidated financial statements of the Group in the years ended on 31 December 2021 and 2020, regardless of the moment of invoicing, are as follows:

	EUR thousands	
	2021	**2020**
Audit services	319	308
Other services	102	151
Total	**421**	**459**

Furthermore, in the years ended on 31 December 2021 and 2020 the Group was invoiced for net professional fees of other entities associated to KPMG International, according to the following breakdown:

	EUR thousands	
	2021	**2020**
Audit services	224	149
Other services	73	320
Total	**297**	**469**

On the other hand, other auditors have not invoiced the Group for professional services in the year ended on 31 December 2021 (EUR 82 thousand as at 31 December 2020).

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

As at 31 December 2021 the Group has been given bank guarantees amounting to EUR 168,924 thousand (EUR 157,887 thousand as at 31 December 2020) to cover the relevant obligations with third parties. The guarantees have been granted mainly to cover the transactions of electricity purchase on the market.

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

Apart from the guarantees or bank guarantees which the Group provides in order to carry out its activity, there are pledges and limitations to the cash disposition, related to the existence of various deposits in the amount of EUR 25,898 thousand (EUR 59,616 thousand as at 31 December 2020), which are pledged to various financial institutions and are classified as current financial assets.

Contractual commitments

From the year 2019, the Group applies the new IFRS 16, which eliminates the classification between operating leases and finance leases, recognised in the balance sheet as the right-of-use assets and liabilities of the same amount at present value of the future payments to be made over the lease term (Note 14.).

Thus the future lease payments are recognised in the Balance sheet under the "Lease liabilities" heading.

Contingencies

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

NOTE 26 - ENVIRONMENT

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

In the year 2021 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 64 thousand, mainly for wildlife conservation purposes (EUR 71 thousand in 2020).

NOTE 27 – GREENHOUSE GAS EMISSIONS RIGHTS

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

The Group has not been assigned CO_2 emissions and has no expenses arising from the consumption of these rights. The Management of the Audax Renovables Group does not expect that any penalties or contingencies will arise from compliance with the requirements under Law 1/2005.

The wind farm of the Polish company Eólica Postolin Sp. z o.o. was endorsed to obtain Green Certificates. The volume of Green Certificates generated during the year 2021 by the company amounts to EUR 4,216 thousand (EUR 3,173 thousand in the previous year).

NOTE 28 - SUBSEQUENT EVENTS

There are no significant subsequent events.

APPENDIX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2021

a) Shareholdings in subsidiary companies

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

				Shareholding	
Company name	Registered address	Country	Objects	Direct	Indirect
Generación Iberia, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, Gmbh	Otto Franke Strabe, 97, 12489 Berlin, Germany	Germany	Retailing	100%	-
Audax Energía Sp. z o.o.	ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100%	-
Main Energie, B.V.	Stammerkamp 1 . 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	100%	-
Audax Renewables Kft.	Vaci ut 17, H1134 Budapest (Hungary)	Hungary	Retailing	100%	-
Audax Gas Trading Kft	4024 (postal code) Debrecen (city), Kossuth utca (street) 42.(street number)	Hungary	Retailing	100%	-
Eólica El Pedregoso, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (France)	France	Generation	80%	-
Eólica Postolin Sp. z o.o.	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	100%	-
Eolica Warblewo Sp. z o.o	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	65%	-
Audax Solar SPV IV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VII, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV IX, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV X, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Astendong, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Coral Perkins, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Aznalcóllar Solar, S.A.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Solar Buaya Inversiones, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV XXVI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV XV, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Merfonda Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	60%
Sarda Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	60%
Botey Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Corot Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Las Piedras Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Da Vinci Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Elogia Calañas, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Corinto Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-

				Shareholding	
Company name	Registered address	Country	Objects	Direct	Indirect
Centauro Energia Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Tohora Solar Inversión, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Tarakona Solar Inversión, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Zurván Gestión de Proyectos, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV XXIV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV XXV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Green Show, L.D.A.	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	95%	5%
ADX Fotovoltaico - Solar Da Luz, L.D.A	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	-	100%
ADX Fotovoltaico - Solar Do Ceu, L.D.A	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	-	100%
Clever Road, L.D.A.	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	100%	-
Audax Solar SPV Italia 1, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
Audax Solar SPV Italia 2, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
Audax Solar SPV Italia 3, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
Audax Solar SPV Italia 4, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
Audax Solar SPV Italia 5, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
Audax Solar SPV Italia 6, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100%	-
ADS Energy 8.0., S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Masqluz 2020, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Alset Comercializadora, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
By Energyc Energía Eficiente, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Love Energy, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Energía Ecológica Económica, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Feed Energía, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Eryx Investments 2017, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	100%
Explotación Eólica La Pedrera, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	100%
Fox Energía, S.A.	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	20%	69%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	58%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	63%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	63%
Iris Energía Eficiente, S.A.	Calle Castellón 4 Bajo, Local 1, Orihuela (Alicante)	Spain	Retailing	-	67%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	69%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	58%
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	58%

b) Shareholdings in associated companies and joint ventures

				Shareholding		
Company name	Registered address	Country	Objects	Direct	Indirect	Controlling relation
Audax Solar SPV XXVII, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50%	-	Significant influence
Audax Solar SPV XXVIII, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50%	-	Significant influence
Audax Solar SPV XXIX, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50%	-	Significant influence
Audax Solar SPV XXX, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50%	-	Significant influence
Audax Solar SPV XXXI, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50%	-	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, Panama	Panama	Generation	30%	-	Significant influence

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2020

a) Shareholdings in subsidiary companies

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

				Shareholding	
Company name	Registered address	Country	Objects	Direct	Indirect
Generación Iberia, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, Gmbh	Otto Franke Strabe, 97, 12489 Berlin, Germany	Germany	Retailing	100%	-
Audax Energía Sp. z o.o.	ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100%	-
Main Energie, B.V.	Stammerkamp 1 . 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	100%	-
Audax Renewables Kft.	Vaci ut 17, H1134 Budapest (Hungary)	Hungary	Retailing	100%	-
Eólica El Pedregoso, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (France)	France	Generation	80%	-
Eólica Postolin Sp. z o.o.	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	100%	-
Eolica Warblewo Sp. z o.o	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	65%	-
Audax Solar SPV IV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VII, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV IX, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV X, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV XXVI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Aznalcóllar Solar, S.A.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Solar Buaya Inversiones, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Corinto Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Botey Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Corot Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Las Piedras Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Da Vinci Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Elogia Calañas, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100%	-
ADS Energy 8.0., S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Masqluz 2020, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Alset Comercializadora, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
By Energyc Energía Eficiente, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Love Energy, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Energía Ecológica Económica, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Feed Energía, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75%	-
Eryx Investments 2017, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	100%
Explotación Eólica La Pedrera, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	100%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	20%	69%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	58%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	63%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	63%
Iris Energía Eficiente, S.A.	Calle Castellón 4 Bajo, Local 1, Orihuela (Alicante)	Spain	Retailing	-	67%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	68%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	58%
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	58%

b) Shareholdings in associated companies and joint ventures

				Shareholding		
Company name	Registered address	Country	Objects	Direct	Indirect	Controlling relation
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind	30.00%	-	Significant influence

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2021

The following Consolidated Directors' Report for the Year 2021 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: Calle Temple No. 25, 08911 Badalona (Barcelona).

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

Its principal objects include:

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

- 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.

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. From 23 March 2020 Audax Renovables, S.A. is included in the IBEX SMALL CAP ®.

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

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

The distribution of the share capital of Audax is as follows:

	Shareholding	
Shareholder	**31.12.2021**	**31.12.2020**
Eléctrica Nuriel, S.L.U. (*)	65.15%	72.09%
Free float	34.85%	27.91%
Total	**100.00%**	**100.00%**

*Moreover, Eléctrica Nuriel, S.L.U. has various rights to purchase 48 million shares of Audax Renovables, S.A., which represent 10.90% of the Parent Company, as well as 1.61% of direct share (7.1 million shares) from EXCELSIOR TIMES, S.L.U.

1.1 Organisational structure

The Group manages jointly the businesses of both generating renewable energy and retailing 100% renewable electricity, and gas, in order to optimise the vertical integration that has been carried out. This allows the governing bodies of the company to facilitate the decision-making process within the existing business lines.

The information on the entity's management structure, the functions and the different regulations of the Board of Directors' committees is available in the corporate governance report at the following link: https://www.audaxrenovables.com/informe-del-gobierno-corporativo/

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 65.15% of the shares, and the rest of shareholders hold 34.85%.

In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Calle Temple No. 25, 08911 Badalona (Barcelona).

The most significant shareholders of the Audax Group are the following:

Shareholder	**Total direct and indirect stake**	
	No. of shares	**% of share capital**
Eléctrica Nuriel, S.L.U.	286,863,783	65.15%
Purchase rights of Eléctrica Nuriel, S.L.U.	48,000,000	10.90%
Global Portfolio Investments, S.L.	29,820,656	6.77%
Excelsior Times, S.L.U.	7,100,000	1.61%
Free Float	68,506,615	15.56%
Total	**440,291,054**	**100.00%**

The information on the companies of the Audax Group as at 31 December 2021 is available in the Appendix I to the notes to the consolidated annual accounts.

1.3. Profile and strategy

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

(i). A strong process of internationalisation referred to the retailing activity by establishing the Group in different European countries: Portugal (2013), Italy (2014), Germany (2015), Poland (2016), the Netherlands (2017) and Hungary (2020).

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

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

The main lines of action are the following:

1. To become the benchmark in 100% renewable energy generation by bolstering our project portfolio.
2. Strengthen Audax's leadership as the top independent retailer in the SME segment in Spain.
3. Double the profitability covering 2/3 of the energy supplied under long-term PPA contracts based on own and third parties' power generation plants.
4. Replicate the success achieved in Spain on the international markets where we already operate.

2. Evolution and results of the business

2.1. Significant events of the period

This financial report is formulated in the situation of economic recovery which exceeds expectations, where the effects of the COVID-19 pandemic are constantly decreasing. The expectations for global recovery and growth have caused, among other factors, an increase in energy consumption among our clients and a surge in commodity prices, very pronounced in the last quarter of the year because of the political crisis in Eastern Europe.

The challenging context has created the greatest price volatility in recent history, resulting in one of the biggest challenges for the companies of the sector. The solid management measures adopted by Audax in the first quarter of the year, together with the vertical integration of the Group, have given as a result an excellent performance reinforcing an increase of 91% of the EBITDA* in the second half of the year as compared to the first half.

Due to the excellent results of the fourth quarter, with a profit of EUR 4.7 million*, the Group managed to reverse the losses accumulated throughout the year until the third quarter, closing the year with a profit of EUR 2.8 million.

In spite of the complexity of the year, and of the slow progress, which we still experience from some of the official bodies while carrying out the administrative procedures for project setup, Audax has continued its operations of development, construction and setup of its power generation project portfolio, increasing the installed capacity by 150%.

We should highlight within this period the outstanding increase of operating income, which was 74% higher than in the year 2020, establishing a record figure in the Group's history, and due mainly to the rising prices on the markets where the Group operates. Moreover, the Gross Margin of Audax grows to a double figure in the year 2021, by 12%.

The robust behaviour of the Group's EBITDA, which amounts to EUR 52.9 million. Bearing in mind that the figure for the previous year (EUR 66.4 million) included EUR 16.3 million as the effect of the purchase of the Hungarian subsidiary, and considering the changes of prices on the European market, the result of the present year 2021 is of extraordinary importance.

Among the most important events of the period we can point out the following:

- At the beginning of the year Audax reshaped its strategy in order to become the benchmark in 100% renewable energy generation by developing into an integral energy group.

- In the present year 2021 the Group incorporated into its generation portfolio a set of projects which together have a capacity of 1,980 MWp and which the Group will be developing and putting into operation over the next months. Thus the Group bolsters its total project portfolio so that it reaches **2,536 MW**. The acquired projects are located in Spain, Italy and Portugal, which are the Group's strategic markets, where some of its companies already carry out their retailing business.

- On 4 February 2021 the Company informed about having obtained the prior administrative approval and construction permit from the competent bodies for the project of "Los Arenales" located in Polán (in the province of Toledo) of 5 MWp capacity.

- On 16 March the notice convening the General Meeting of Shareholders for the days of 21 or 22 of April of 2020 was published, but considering the uncertainty and the extraordinary circumstances caused by the propagation of COVID-19, the Board of Directors decided to carry out the General Meeting solely by telematic means, without in-person attendance of the shareholders and their proxies, through the corporate website of the Company.

- On 8 April the Company informed of the confirmation of its corporate rating. Audax Renovables, S.A. was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.

- On 13 April the registration of a promissory note programme named "Audax 2021 Commercial Paper Note Programme" (Programa de Pagarés Audax 2021) on the Alternative Fixed-Income Market (MARF) was published, with a maximum outstanding balance of EUR 300,000,000 and maturity date on 13 April 2022.

- On 19 April Audax informed that it had acquired 194 bonds for the amount of EUR 19,400,000 related to the "First issue of bonds under the fixed income programme Audax 2017" issued on 2 June 2017. Upon this acquisition, the intention was made public of exercising the option to early redeem the remaining 72 bonds in circulation from the 2017 issue.

- In May Audax Renovables made public its incorporation to the MSCI Global Small Cap. This stock index presents the performance of listed companies of small capitalisation from developed countries on a global level.

- On 2 June the Provincial Commission for Sustainable Development (Delegación Provincial de Desarrollo Sostenible) of Guadalajara granted the authorisation for operation of the photovoltaic power plants Carolinas I and II in El Casar, in the province of Guadalajara (Castilla La Mancha), of 10 MWp of total capacity, which then began to transmit energy to the grid.

- In the first half of the year Anabel López Porta and Rosa González Sans have been appointed as new members of the Board of Directors of the Company, the former being later appointed new member of the Audit Committee and of the Appointments and Remuneration Committee.

- On 7 June 2021 the **Strategic Plan** was presented introducing the strategy and future perspectives of the Company for the period between 2021 and 2026. The presentation is available at the following link:
https://www.audaxrenovables.com/wp-content/uploads/2021/06/Presentaci%C3%B3n-Plan-Estrat%C3%A9gico-Audax-Renovables-2026.pdf

- In June the Group announced an increase of the issue named “Issue Number 2 of Senior Unsecured Notes of Audax Renovables, S.A. 2020” carried out within the Issuer programme named “EUR 400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2020” registered on 3 July 2020 on the Alternative Fixed-Income Market (MARF) at the interest rate of 4.20%. Given the great demand from the investors for the subscription of green bonds issued under the TAP of the 2020 issue, Audax increased the issue by the final amount of EUR 100 million.

- In July, in order to comply with the Company's commitment to the shareholders, and upon approval of the Ordinary General Meeting of Shareholders, Audax Renovables proceeded with the payment of EUR 10 million of dividends payable out of the profit for the year 2020.

- At the beginning of September, the El Toconal project, located in Los Navalmorales (in the province of Toledo), of 5 MWp capacity, obtained the prior administrative approval and the building permit from the competent authorities.

- At the end of October and beginning of November, the Company announced the commencement of operations of the photovoltaic plants La Zarzuela (in the province of Toledo) and Alberizas (in the province of Guadalajara), both plants comprising 4 independent facilities of 5 MWp each, and 40 MWp of total new installed capacity for the Group.

- On 16 December 2021 the acquisition of the photovoltaic project Zaratán of a total capacity of 12.36 MWp (in the province of Valladolid) was announced.

- In connection with the measures implemented by the government in order to mitigate the aforementioned price increase, the Royal Decree-law 12/2021, of 24 June, was approved, adopting urgent measures in the area of energy tax and energy generation, as well as on the management of the regulatory fee and of the charge for the use of water (which, among other aspects, introduced a temporary VAT reduction until the end of the year, from 21% to 10% in the electricity invoice).

  During the month of September 2021 in Spain the Royal Decree-Law 17/2021 was approved introducing urgent measures to mitigate the impact of the increase of the price of natural gas on the retail market of gas and electricity. Among the measures adopted there is the reduction of the tax rate of the Excise Duty on Electricity from 5.11% to 0.5%, an extension of the temporary suspension of the Electricity Production Value Tax (IVPEE) until 31 December 2021 (suspended since last July), as well as certain measures which contribute to the reduction of the electricity invoice.

  Moreover, on 27 October, the Royal Decree-laws 21/2021 and 23/2021 of 26 October were approved, extending the social protection measures in order to tackle social and economic vulnerability situations and adopting urgent measures in the energy sector for consumer protection and introduction of transparency in the electricity and natural gas wholesale and retail markets, respectively.

  These measures were extended by the Royal Decree-law 29/2021, prolonging until 30.04.2022 the VAT reduction under certain criteria, the reduction of the Excise Duty on Electricity to 0.5% during the first four months, and suspending the IVPEE in the first quarter of 2022.

2.2. Analysis of the results

The most significant figures for the year 2021 in comparison to 2020 are as follows:

Consolidated profit and loss	2021	2020	Var. (%)
Operating income (1)	1,689,982	969,300	74.4
Gross margin (2)	128,753	114,884	12.1
EBITDA(3)	52,937	66,441	-20.3
EBIT(4)	30,969	46,787	-33.8
Net profit or loss	**2,838**	**26,385**	**-89.2**

EUR thousand

(1) Operating income = Ordinary income + other operating income

(2) Gross margin = Operating income + procurement

(3) EBITDA (Gross operating profit and loss) = Gross margin + wages and salaries + other operating expenses + impairment and profit or loss from disposal of fixed assets + negative differences in business combinations

(4) EBIT (Operating profit or loss) = Gross operating profit or loss (EBITDA) + amortisation and depreciation

At the end of 2021 operating income amounted to EUR 1,690 million, 74% more than in the same period of the previous year.

Operating income was higher than in the year 2020, where it amounted to EUR 969 million. The increase of income by 74% mentioned before is due mainly to the following factors:

- The higher price of commodity in the markets where the Group operates
- The greater amount of supplied energy (+48%)
- The increase of supply points (+1%)
- The incorporation of the Hungarian subsidiary, incorporated to the scope beginning from the fourth quarter of 2020

There are various factors that have affected the direction of the prices in the wholesale markets during 2021, such as the economic recovery after the pandemic, the political conflict in the Eastern Europe, as well as the increase of the prices of CO_2 emission rights, among others. These factors have caused an average increase of 199% in electricity and 360% in natural gas in the markets where the Group operates.

The management measures implemented by the Group in order to adapt to the challenging economic context and bolster the Gross Margin have been as follows:

- Concentration of business efforts on adapting those transactions which do not comply with the Group's profitability policies.
- Change of the method of fixing prices and maturity terms, anticipating the current volatility in the wholesale market.
- Improvement of the control and management tools, which has allowed us to increase the precision of our predictive modelling.
- Alteration of the digital transformation in order to obtain a more efficient operating model, which has allowed us a better adaptation to the adverse market situations.

The generation activity mitigates (in its dimension) the impact of the current price volatility on the Group and, as it has been mentioned before, the vertical integration of the generation and retail activities continues to be a differential value from the strategic point of view.

The irregularity of the energy supply during the year 2021 under the PPAs has been balanced by the compensations established in those agreements, as well as by an improved portfolio management and the Group's own production.

During the present year the Group has proved its ability to adapt to situations of high volatility of prices in the commodity markets, ensuring the profitability of the operations.

In this context, the Group has consolidated an EBITDA of EUR 52.9 million, taking into account that the figure for the previous year included EUR 16.3 million as a consequence of the acquisition of the Hungarian subsidiary. Moreover, the gross margin of the operations has increased and the route to net profit has been resumed.

2.3. Profit and loss by segments

The overview of the results up to EBITDA of the main geographical regions is as follows:

2021	Spain and Portugal	Rest of Europe (1)	TOTAL CONSOLIDATED
Operating income	1,054,941	635,041	1,689,982
Procurement and others	-979,466	-581,763	-1,561,229
Gross margin	**75,475**	**53,278**	**128,753**
Operating expenses	-43,855	-31,808	-75,663
Impairment, reversal and profit (loss) on disposal	0	-153	-153
EBITDA	**31,620**	**21,317**	**52,937**

Rest of Europe (1) includes Italy, Poland, Germany, France, the Netherlands and Hungary.

EUR thousand

2020	Spain and Portugal	Rest of Europe (1)	TOTAL CONSOLIDATED
Operating income	647,363	321,937	969,300
Procurement and others	-570,671	-283,745	-854,416
Gross margin	**76,692**	**38,192**	**114,884**
Operating expenses	-39,415	-25,376	-64,791
Impairment, reversal and profit (loss) on disposal	-24	31	7
Differences in business combinations	0	16,341	16,341
EBITDA	**37,253**	**29,188**	**66,441**

Rest of Europe (1) includes Italy, Poland, Germany, France, the Netherlands and Hungary.

EUR thousand

At the end of 2021 operating income amounted to EUR 1,690 million, 74% more than in the same period of the previous year (EUR 969 million).

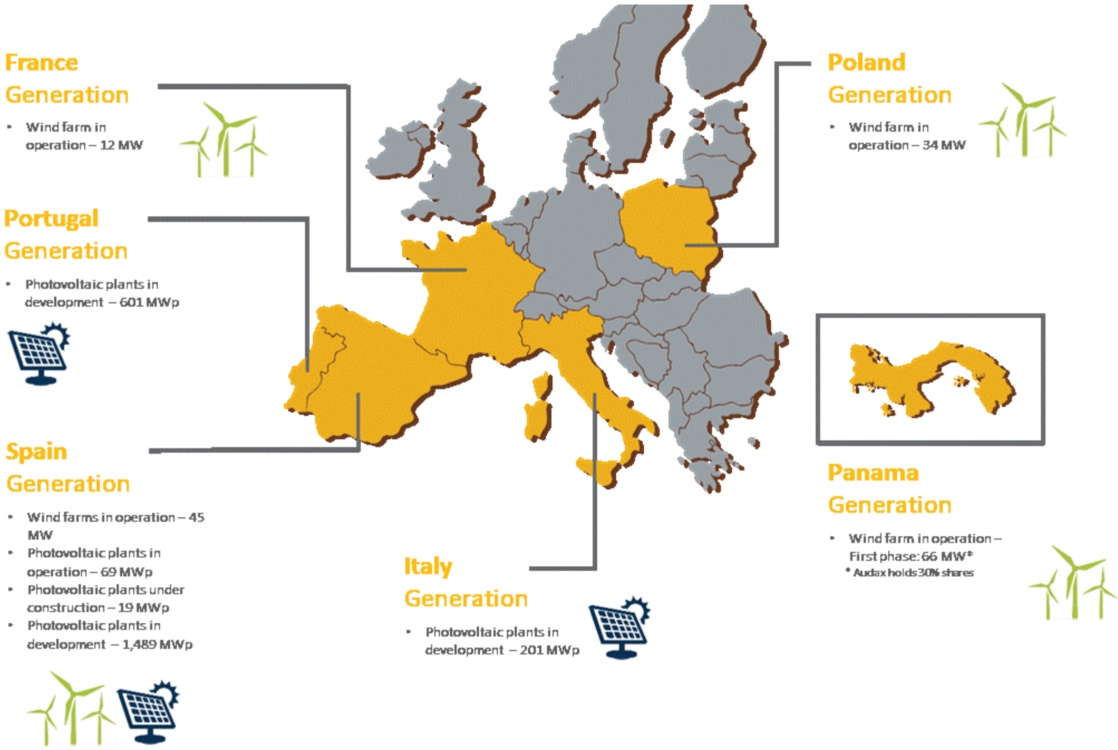
Regarding Spain and Portugal, the increase in income has been of 63% (+EUR 408 million), and in the rest of Europe it has been of 97% (+EUR 313 million), taking into account the incorporation of the Hungarian subsidiary, which contributed more than EUR 372 million in 2021 and EUR 105 million in 2020.

2.4. Principal operating figures

The principal figures are as follows:

Project portfolio:

During the present year 2021 the Group bolsters its total project portfolio so that it reaches 2,536 MW. The acquired projects are located in Spain, Italy and Portugal, which are the Group's strategic markets, where some of its companies already carry out their retailing business.



Early Stage	Grid Connection	Backlog	Under Construction	Operation	TOTAL
643 MW	402 MW	1.246 MW	19 MW	226 MW	2.536 MW

Early Stage	Son proyectos en los que se ha depositado aval para solicitud de punto de acceso y conexión, se ha procedido con la solicitud de conexión con la compañía distribuidora o en su caso REE y se cuenta con al menos un 50% de los contratos de alquiler de terrenos necesarios para donde está prevista ubicar la planta. La duración de esta fase suele ser de 3 meses.
Grid Connection	Son proyectos a los que se les ha otorgado permiso de acceso y conexión por parte de la compañía distribuidora o REE y se han firmado mínimo de un 50% de los contratos de alquiler de terrenos donde está prevista ubicar la planta. La duración de esta fase suele ser de 3 a 6 meses.
Backlog	Son proyectos que disponen ya de permisos de acceso y conexión, se han firmado la mayoría de los contratos de alquiler de terrenos donde está prevista ubicar la planta, se ha solicitado la Autorización Administrativa Previa, esta ha sido admitida a trámite, y la Autorización Administrativa de Construcción. En función del grado de avance del proyecto, es probable que se haya solicitado la Licencia de Construcción. En esta fase se habrá solicitado también, en su caso, la Declaración de Utilidad Pública. Esta fase es la más larga del proyecto, puede ser de 12 a 36 meses en función del proyecto.
Under Construction	Son proyectos que han obtenido todos los permisos necesarios para poder proceder con la construcción de los mismos, entre otros, declaración de impacto ambiental, autorización administrativa previa, autorización administrativa de construcción, licencia urbanística y licencia de construcción o licencia de obras.
Operation	Son proyectos ya construidos en su totalidad o en fase administrativa de solicitud de puesta en marcha. En esta fase, es en la que se pueden haber firmado contratos PPA que aseguren un precio de venta de energía. La duración de esta fase es la vida útil de la planta.

In the context of electricity prices volatility, it is even more convenient, from the strategic point of view, to proceed with the vertical integration of the branches of electricity generation and retail.

In this regard, Audax has continued its operations by developing, building and putting into operation its project portfolio, all this in spite of the slow progress which we still experience from certain official bodies while carrying out the administrative procedures for updating the projects and putting them into operation.

During the present year 35 MWp were connected to the grid in the plants of Cañamares, Carolinas I and II and Zarzuela I, II, III and IV, which are now operating at full capacity. Moreover, on 30 November 2021 the authorisation was obtained for operation of the power plants of Cañamares, Carolinas I and II and Zarzuela I, II, III and IV, which were electrified on 23 December 2021 and as at the date of this report are transmitting energy to the grid. Thus, the total of photovoltaic MW put into operation is now 55 MWp.

Moreover, the entire works of 14.5 MWp of the plants of Calañas, Los Arenales and El Toconal have been completed. The plants of Calañas and El Toconal have now obtained their respective authorisations for operation and continue the administrative procedures with various official bodies, including REE and the distribution company.

In December 2021 the photovoltaic projects Zaratán 1 and 2 of 12.36 MWp were acquired in the municipality of Ciguñuela (Valladolid), which already had obtained all the administrative permits to begin their construction. In this case, the technology is of single axis solar tracker, and it is the first power plant of these features which Audax is building in order to increment its energy efficiency. As at the date of this report, the permission for the commencement of the construction of the plant has been given, and its completion is planned for the second half of 2022.

Overall, the Group's CAPEX investment in generation assets throughout this year totalled EUR 77 million, within its clear commitment to produce photovoltaic energy in its own power plants. CAPEX investments for these projects have been carried out entirely with Audax Renovables, S.A. own resources.

In Panama, the entirety of the construction works of the wind farm of Toabré (an investee in which Audax owns 30%) has been completed, and the project has been connected to SIEPAC (the system of regional interconnection in Panama). The stage of the wind turbines generation test has begun, and the project is expected to enter the commercial operation stage this year.

Installed capacity and production:

Over the year 2020 and beginning of 2021 Audax reshapes its strategy to become the benchmark in 100% renewable energy generation by bolstering its total project portfolio so that it reaches **2,536 MW**.

The Group runs a portfolio of operating wind farms of 91 MW in Spain, France and Poland, and of photovoltaic plants of 55 MWp in Spain. The Group has also a wind project of 66 MW under construction in Panama, as well as photovoltaic projects of 34 MWp, which in total gives 100 MW under construction, and a photovoltaic portfolio of 2,291 MWp in various stages of development, located in Spain, Portugal and Italy.

In summary, at the end of the year 2021 there are projects in the following stages:

MW	Early Stage	Grid Connection	Backlog	Under construction	Operation	Total pipeline	%
Spain	246	0	1,243	19	114	**1,622**	**64%**
Italy	0	198	4	0	0	**201**	**8%**
Portugal	397	204	0	0	0	**601**	**24%**
France	0	0	0	0	12	**12**	**0%**
Poland	0	0	0	0	34	**34**	**1%**
Panama *	0	0	0	0	66	**66**	**3%**
TOTAL	**643**	**402**	**1,246**	**19**	**226**	**2,536**	**100%**

* Audax holds a 30% stake

The definition of the different stages is as follows:

Early Stage: These are the projects in which a guarantee has been deposited for applying for the access point and grid connection, the application for connection has been placed with the distribution company or the REE, and at least 50% of the necessary land lease agreements have been signed for the future location of the plant. This stage usually takes 3 months.

Grid Connection: These are the projects for which the permission for the access and grid connection has been granted by the distribution company or the REE, and at least 50% of the land lease agreements have been signed for the future location of the plant. This stage usually takes 3 to 6 months.

Backlog: These are the projects with the permission for the access and grid connection already granted, the majority of the land lease agreements for the future location of the plan already signed, the Prior Administrative Approval applied for and admitted for processing, and the application for Administrative Building Authorisation placed. Depending on the progress of the project, it is probable that the Building Permit has been applied for. In this stage, the Declaration of Public Interest may have been applied for, if necessary. This is the longest stage of the project, it may take 12 to 36 months, depending on the project.

Under construction: These are the projects that have obtained all the necessary permissions in order to proceed with their construction, such as the declaration of environmental impact, prior administrative authorisation, administrative building authorisation, urban permit and building permit or construction works permit.

Operation: These are the projects whose construction has been completed, or are in the administrative stage of the application for the operating permit. In this stage the PPAs may have been signed in order to ensure the energy sale price. The duration of this stage is the useful life of the plant.

The installed capacity by country is as follows:

Installed capacity (MW)	2021	%	2020	%
Spain	**114**	51%	**45**	49%
France	**12**	5%	**12**	13%
Poland	**34**	15%	**34**	38%
Panama*	**66**	29%	**0**	0%
Total	**226**	100%	**91**	100%

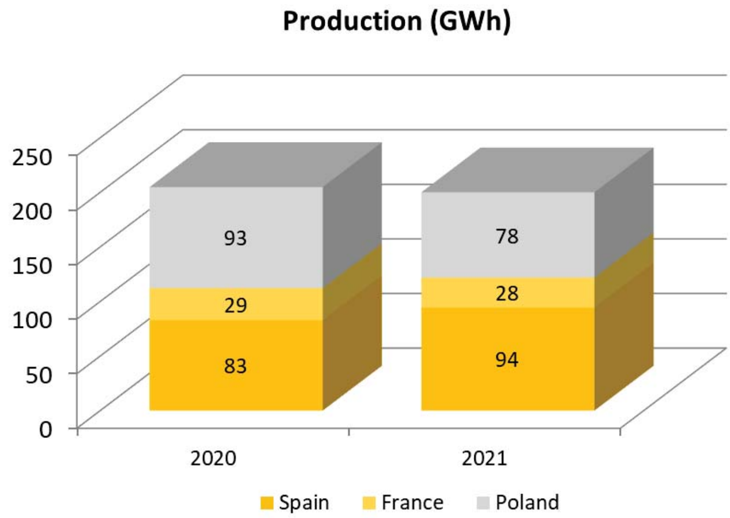
*Audax holds a 30% stake

The production in 2021 was of 200 GWh, being 2% lower than in the same period of the previous year.

The distribution of the production by country is as follows:

Production (GWh)	2021	%	2020	%	Var. (%)
Spain	**94.2**	47%	**82.6**	41%	14
France	**27.7**	14%	**29.5**	14%	-6
Poland	**78.1**	39%	**92.6**	45%	-16
Total	**200.0**	100%	**204.7**	100%	-2

At a global level, the production in 2021 was of 200 GWh, slightly less than in the previous year. The production in Spain (+14%) has been bigger than in the same period of the previous year due to higher wind resources and to the contribution of 14% of the production made by the new photovoltaic plants put into operation (+55 MWp). In Poland the production for this year has been consistent with the normal historical average, but lower due to the exceptional wind resources occurred in the same period of the previous year.



Wind Farms:

The Pedregoso A, B and D farms (Spain) in 2021 have had a slightly higher production than the historical average (+1%). This factor, together with the high prices in the pool market, resulted in sale income from energy retailing higher than in the previous year, especially in the last quarter and, due to the vertical integration implemented by Audax, contributed advantageously to the Group's price hedging.

The production of the wind farm Beausemblant (France) was slightly lower than the historical average of the last 15 years, and ended the period of remuneration in feed in tariff (regulated fixed tariff). In December 2021 the entirety of its debt to financial entities under the Project Finance modality was settled and, at the same time, taking advantage of the high prices in the electricity futures market in France, a two-year PPA was signed ensuring price stability.

The Postolin wind farm (Poland) produced 78 GWh, slightly below its historical average, due to lower wind resources. In spite of this circumstance, it contributed to the Group's price coverage in Poland and incremented its income through the increase of prices of the Green Certificates, which in 2021 exceeded the level of 300 PLN/MWh within the situation of the rising CO2 prices in Europe and associated markets.

Photovoltaic Plants:

In the photovoltaic plants Audax continually recognises the importance of the vertical integration, and the plants have contributed to the retail price coverage with a total production of 16.5 GWh.

Cañameres and Carolinas I and II (in the province of Guadalajara) have been put into operation and have successfully passed and largely exceeded the energy efficiency tests. The weather conditions have allowed a higher production than was expected, which in 2021 exceeded 14.6 GWh from its installed 15 MWp.

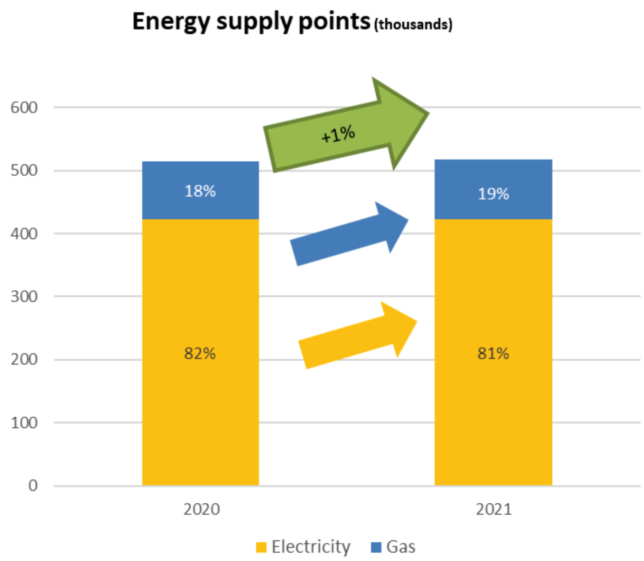
Zarzuela I, II, III and IV (Toledo) and Alberizas I, II, III and IV (Guadalajara) were affected by the delays in the administrative procedures, and thus did not obtain significant production over the year, generating 1.9 GWh out of the installed 40 MWp. However, as at the date of this report, we may confirm that the plants have begun the setup process and have passed correctly the energy efficiency tests.

Supply points:

Audax has 518 thousand active supply points, 1% more than at the end of the year 2020, taking into account that in both periods the supply points in Hungary were already included.

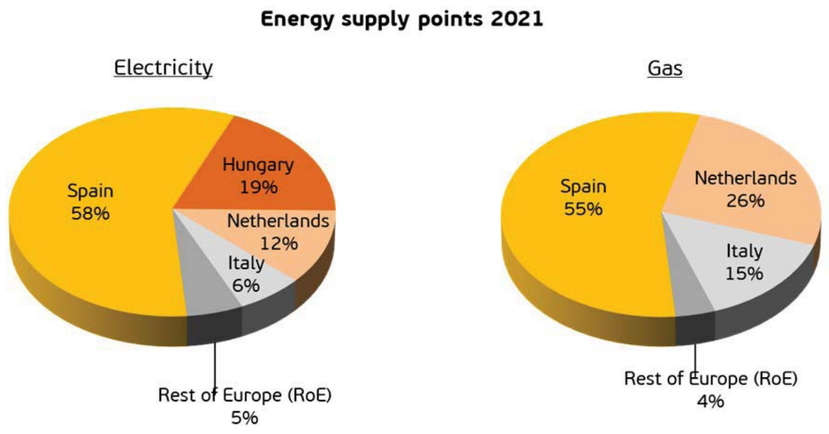
The countries with the greatest increase of supply points are, in this order, Italy, the Netherlands and Poland, in comparison to 2020.

The electricity supply points represent 81%, and the gas supply points represent 19%, of the total number of the Group's supply points, which is 3% more in comparison to the same period of the previous year.



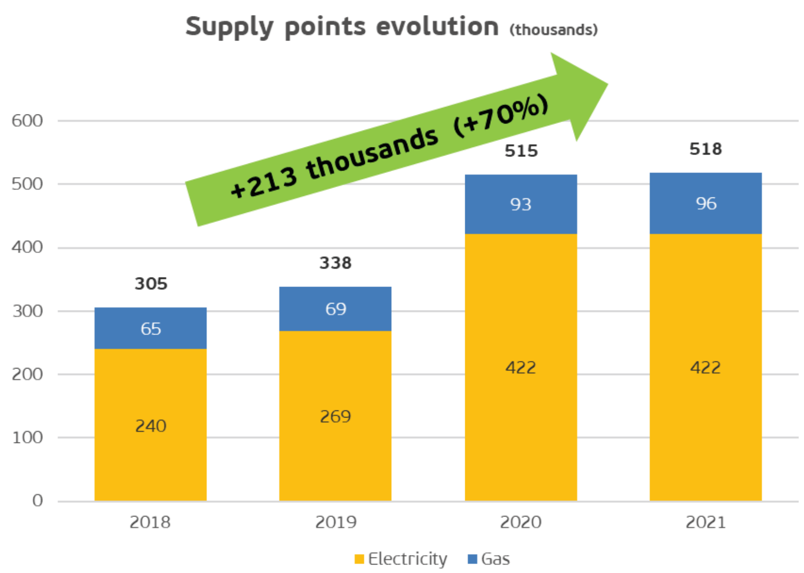
Although the Group had implemented the policy of prioritising the margin over the client portfolio growth in the Hungarian subsidiary, there was an increase of the number of active supply points in the year 2021.

The distribution of the supply points by geographical region and type of energy at the end of the year 2021 is as follows:

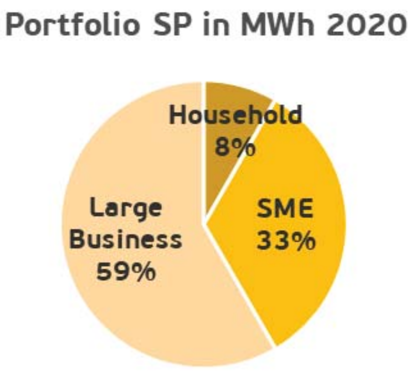


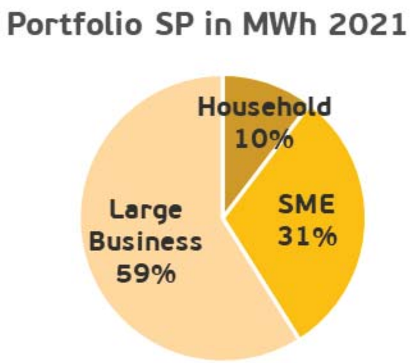
Under the policy of risk mitigation, the Group continues the geographical diversification strategy, and the most important markets where the Group operates are as follows: Spain, the Netherlands, Hungary and Italy. The Rest of Europe (RoE) correspond to Portugal, Poland and Germany.

Audax has 518 thousand active supply points at the end of the year 2021. Due to the incorporations in 2017 of the Netherlands, in 2018 of the Unieléctrica Group, and in the last quarter of 2020 of Hungary, as well as due to its own organic growth, the number of electricity and natural gas supply points has increased by 70% in the last four years.



The distribution of the MWh portfolio corresponding to the supply points owned by the Audax Group, itemised by type of client, is as follows:



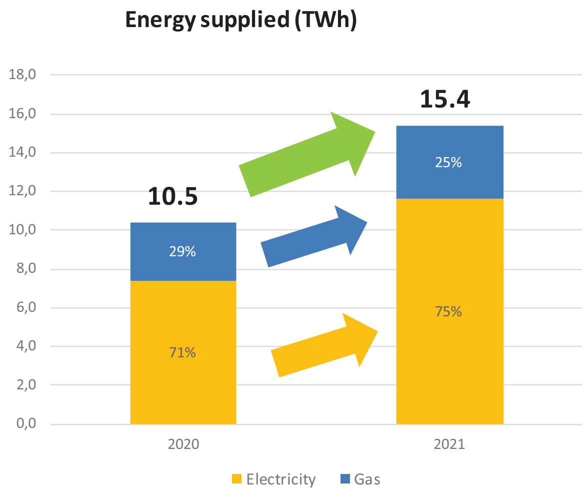


Audax continues its strategy of geographical and client portfolio diversification, as well as the prioritisation of the margin over the supply points growth.

Supplied energy:

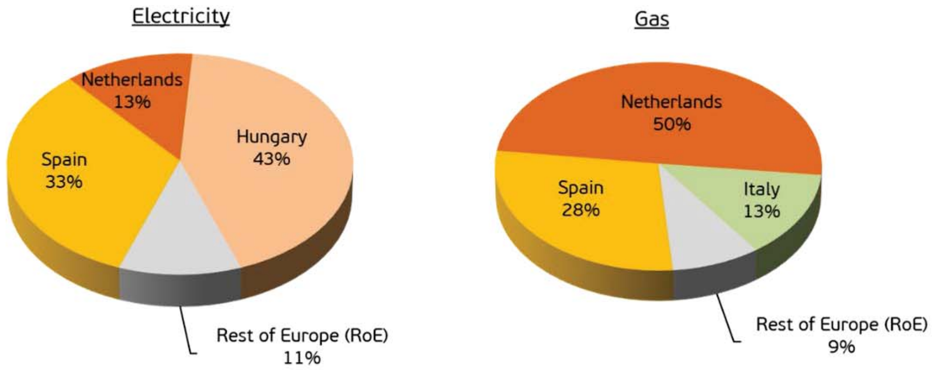
The total amount of energy supplied by Audax in the year 2021 is of 15.4 TWh, compared to 10.5 TWh of the previous year. This change is due mainly to the impact of the COVID-19 pandemic, related to the decrease of the electricity and gas demand in that period, apart from the addition of the energy supplied in Hungary throughout the 12 months of the present year.

Within the Group, supplied electricity represents 75%, whereas gas constitutes 25% of the total of this year, in comparison to 71% and 29% of the previous year, respectively.



The distribution of the supplied energy by geographical areas and types of energy at the end of 2021 is presented below, Spain being the market where the Group supplies most electricity, and the Netherlands being the principal market of the gas supply.

Energy supplied 2021



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec -21	Dec-20 *restated	Var.	%
Financial Debt (1)	772,196	651,900	120,296	18.5
Other financial liabilities	17,335	9,491	7,844	82.6
Assets and liabilities arising from derivatives	-17,278	2,451	-19,729	n.a.
Cash and other cash equivalents	-328,708	-451,963	123,255	-27.3
Net Financial Debt (2)	**443,545**	**211,879**	**231,666**	**109.3**
Net Equity(3)	**148,924**	**143,007**	**5,917**	**4.1**
Leverage (4)	**74.9%**	**59.7%**	**15.2**	**25.4**

(EUR thousands)

(1) Financial Debt = Debt from issued bonds and other negotiable securities + Amounts owed to credit institutions

(2) Net Financial Debt = Financial Debt + Other liabilities + Derivatives - Cash and other cash equivalents

(3) Net Equity = Net equity of the Parent Company + of the minority interests

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

**Dec-20 restated: the figures of the year 2020 have been restated according to the information provided in Note 2 3 of the consolidated annual accounts*

The Net Financial Debt amounts to EUR 444 million, compared to EUR 211 million as at 31 December 2020 (restated), with Cash and other cash equivalents amounting to EUR 329 million. Thus the Group's leverage is of 74.9%.

Owing to the implementation of IFRS 16 "Financial lease", the account of Other financial liabilities includes the amount of EUR 16,504 thousand. Without the application of IFRS 16 the Net Financial Debt would be of EUR 427 million and the Leverage of 74.1%.

In the previous year as well as in 2021 there was no impact on the Group's financing and investment strategies resulting from the situation of the COVID-19 pandemic. Therefore, with the financing transactions carried out in recent months, Audax may face with guarantees the investments in generation and any possible situation in which we may be affected by legislative changes.

Accordingly, the present, and predictably the future, situation of rising prices, which involves, among other consequences, an increase of current assets in the energy retailers, has been confronted with full guarantee due to the financing strategy of the present year. The net financial debt is expected to decrease while the market prices will return to the historical levels.

The Group has a solid and comfortable financial position, which will allow it to follow its roadmap for the development and construction of the Group's portfolio of photovoltaic projects.

3.2. Rating management

On 8 April the rating agency AXESOR confirmed the "BBB-" stable outlook rating awarded to Audax Renovables, S.A.

3.3. Financial Debt structure

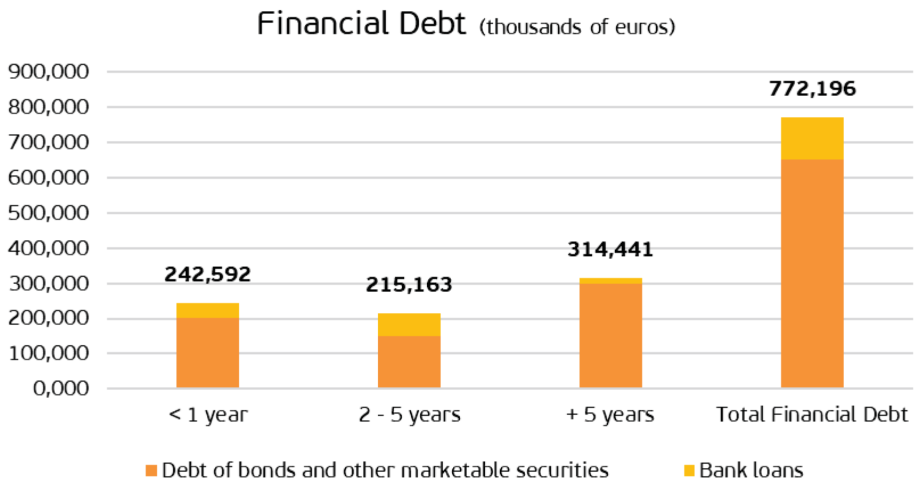
With regard to the Financial Debt described before as Debt from issue of bonds and other negotiable securities + Amounts owed to credit institutions, its structure by type of debt is the following:

Financial Debt structure	Dec -21	% of total	Dec-20 *restated	% of total
Bonds	430,532	56%	359,786	55%
Promissory notes	220,283	29%	156,804	24%
Loans	79,506	10%	89,434	14%
Project Finance	21,926	3%	27,227	4%
Reverse factoring and similar	20,098	3%	18,385	3%
Lines of credit	-148	0%	264	0%
Total Financial Debt	**772,196**	**100%**	**651,900**	**100%**

(EUR thousands)

**Dec-20 restated: the figures of the year 2020 have been restated according to the information provided in Note 2 3 of the consolidated annual accounts*

The maturity dates of the Financial Debt are as follows:



4. Main risks and uncertainties

<u>The Company's Risk Control and Management System</u>

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

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

a) Corporate governance risks.

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

c) Risks related to the activity sector
- i. Macroeconomic risks
- ii. Market concentration risks

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

e) Competition risk

f) Operational risks
- i. Cost of deviation of demand for energy

ii. Risk of malfunction

g) Risk of exposition to the Spanish market

h) Litigation and reclamation risk

i) Dependence and concentration of qualified providers

j) Risk related to the meteorological conditions

k) Risk related to insurance

l) Dismantling of facilities

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

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

5. R+D+i activities

As at 31 December 2021 the Group has allocated EUR 1,035 thousand to the R+D+i activities, while as at 31 December 2020 the amount allocated to this purpose was of EUR 551 thousand.

6. Staff

As at 31 December 2021 the number of the Group's employees is 803, while as at 31 December 2020 there were 757 employees.

7. Natural environment

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

In the year 2021 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 64 thousand, mainly for wildlife conservation purposes (EUR 71 thousand in 2020).

8. Acquisition and disposal of treasury shares

As at 31 December 2021 and as at 31 December 2020 the Company did not own treasury shares.

9. Other important information

9.1. Stock market information

The majority shareholder of Audax Renovables is Eléctrica Nuriel, S.L., which holds 65.15% of the shares, and the rest of shareholders hold 34.85%. The most significant shareholders of the Group are as follows:

Shareholder	Total direct and indirect	
	Nº shares	% equity
Eléctrica Nuriel, S.L.U.	286,863,783	65.15%
Purchasing rights of Eléctrica Nuriel, S.L.U.	480,00,000	10.90%
Global Portfolio Investments, S.L.	29,820,656	6.77%
Excelsior Times, S.L.U.	7,100,000	1,61%
Free Float	68,506,615	15.56%
Total	**440,291,054**	**100%**

From 23 March 2020 Audax Renovables, S.A. is included in the IBEX SMALL CAP ®.

The stock market evolution of Audax during 2021 was as follows:

The following table shows the main trading data:

Audax Renovables - ADX.MC	2021	Units
Number of shares admitted to trading	440,291,054	Num.
Share price at the beginning of the period	1 944	€ / share
Share price at the end of the period	1 260	€ / share
Maximum trading price	2 360	€ / share
Minimum trading price	1 193	€ / share
Trading price fluctuation during the period	-35.19	%
Capitalisation at the end of the period	554,766,728	€
Number of traded shares	381,183,434	Num.
Effective volume	721,033,903	€
Daily volume of traded shares (average)	1,488,998	Num.
Effective daily volume (average)	2,816,539	€

9.2. Dividend policy

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

Audax endeavours to ensure the dividend payout, providing that pertinent factors are fulfilled regarding cash generation and distributable reserves availability. Due to these determinants, it is not possible to guarantee the amount of the dividend nor the year in which the distribution is going to take place.

9.3. Other information

Alternative Performance Measures (APM)

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) Audax reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures, in addition to the financial ones, are used for the purpose of establishing budgets and goals and of managing business, assessing its financial and operating performance and comparing it with previous periods and with the performance of the competitors. The presentation of such measures is assumed to be helpful because they can be used for analysis and comparison of profitability between companies and industries, as the impact of the financial structure of the accounting effects other than cash flows are excluded.

Non-financial measures are also presented, because these and other similar measures are generally used by investors, securities analysts and other brokers as complementary performance measures.

The APM included in this management report have been calculated and presented according to the same methodology applied to all the periods.

The APM that the Group considers most important are set out below:

Consolidated profit and loss	2021	2020	Var. (%)
Operating income	1,689,982	969,300	74.4
Gross margin	128,753	114,884	12.1
EBITDA	52,937	66,441	-20.3
EBIT	30,969	46,787	-33.8

(EUR thousands)

The **operating income** corresponds to the sum of ordinary operating income plus other operating income.

The **Gross Margin** corresponds to the operating income less procurement. The Gross Margin is considered by Audax as a performance measure of its activity, because it provides information concerning net turnover, less the expenses incurred for obtaining the turnover.

The **EBITDA** corresponds to Gross Margin plus wages and salaries plus other operating expenses plus impairment and profit or loss from disposal of fixed assets plus negative differences in business combinations. It is an indicator that Audax uses in order to determine its production profitability and that the investors use to evaluate businesses.

The **EBIT** corresponds to EBITDA plus amortisation and depreciation. It is an indicator that Audax uses in order to determine its production profitability taking into account Amortisation, depreciation and provisions, and that the investors use to evaluate businesses.

The reconciliation between the EBITDA and the Consolidated profit and loss for the year is as follows:

	2021	2020
EBITDA	**52,937**	**66,441**
Amortisation, depreciation and provisions	-21,968	-19,654
EBIT	**30,969**	**46,787**
Financial income	803	4,380
Financial expenses	-28,815	-17,724
Exchange differences	-147	431
Profit (loss) on disposal and change in value of financial instruments	1,704	227
Financial profit (loss)	**-26,455**	**-12,686**
Profit (loss) of companies consolidated by equity accounting	-57	-52
Profit (loss) before tax from continuing operations	**4,457**	**34,049**
Income tax expense	-3,212	-3,879
Profit (loss) after tax from continuing operations	**1,245**	**30,170**
Profit (loss) attributable to non-controlling interests	1,593	-3,785
Profit (loss) attributable to the parent company	**2,838**	**26,385**

(EUR thousands)

The main operating figures are as follows:

Production (GWh)	2021	%	2020	%	Var. (%)
Spain	94.2	47%	82.6	40%	14
France	27.7	14%	29.5	14%	-6
Poland	78.1	39%	92.6	45%	-16
Total	**200.0**	100%	**204.7**	100%	-2

Supply Points	2021	2020	% Var.
Spain	**296,802**	**303,691**	**-2**
Electricity	243,772	251,376	-3
Gas	53,030	52,315	1
Hungary	**79,500**	**82,055**	**n.a.**
Electricity	79,500	82,055	n.a.
Gas	0	0	n.a.
the Netherlands	**73,639**	**68,988**	**7**
Electricity	48,488	44,402	9
Gas	25,151	24,586	2
Italy	**40,835**	**29,748**	**37**
Electricity	27,022	18,068	50
Gas	13,813	11,680	18
Rest of Europe (RoE)	**26,736**	**30,449**	**-12**
Electricity	22,951	26,163	-12
Gas	3,785	4,286	-12
TOTAL SUPPLY POINTS	**517,512**	**514,931**	**1**
Total Electricity	**421,733**	**422,064**	**0**
Total Gas	**95,779**	**92,867**	**3**

Supplied Energy (GWh)	2021	2020	% Var.
Spain	**4,936**	**4,311**	**14**
Electricity	3,851	3,496	10
Gas	1,085	815	33
the Netherlands	**3,356**	**3,217**	**4**
Electricity	1,454	1,453	0
Gas	1,902	1,764	8
Hungary	**5,027**	**1,476**	**n.a.**
Electricity	5,027	1,476	n.a.
Gas	0	0	n.a.
Rest of Europe (RoE)	**2,130**	**1,468**	**45**
Electricity	1,294	1,006	29
Gas	836	462	81
TOTAL SUPPLIED ENERGY	**15,449**	**10,472**	**48**
Total Electricity	**11,626**	**7,431**	**56**
Total Gas	**3,823**	**3,041**	**26**

The Net Financial Debt is as follows:

Net Financial Debt	Dec -21	Dec-20 *restated	Var.	%
Non-current financial liabilities	**545,138**	**469,302**	**75,836**	**16.2**
Debt from issue of bonds and other negotiable securities	447,821	379,158	68,663	18.1
Amounts owed to credit institutions	81,783	82,339	-556	-0.7
Financial lease liabilities (IFRS 16)	15,326	7,801	7,525	96.5
Other financial liabilities	208	4	204	0.0
Current financial liabilities	**244,393**	**192,089**	**52,304**	**27.2**
Debt from issue of bonds and other negotiable securities	202,993	136,754	66,239	48.4
Amounts owed to credit institutions	39,599	53,649	-14,050	-26.2
Financial lease liabilities (IFRS 16)	1,178	1,132	46	4.1
Other financial liabilities	623	554	69	12.5
Derivatives	**-17,278**	**2,451**	**-19,729**	**0**
Cash and other cash equivalents	**-328,708**	**-451,963**	**123,255**	**-27.3**
Other current financial assets	-84,559	-83,730	-829	1.0
Cash and other cash equivalents	-244,149	-368,233	124,084	-33.7
Net Financial Debt *	**443,545**	**211,879**	**231,666**	**109.3**
Of the Parent Company	136,962	135,189	1,773	1.3
Of minority interests	11,962	7,818	4,144	53.0
Net Equity **	**148,924**	**143,007**	**5,917**	**4.1**
Leverage ***	**74.9%**	**59.7%**	**15.2**	**25.4**

(EUR thousands)

* Net Financial Debt = Amounts owed to credit institutions + Other liabilities (derivatives) - Cash and other current financial assets

** Net Equity = Net equity of the Parent Company + of the minority interests

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

**Dec-20 restated: the figures of the year 2020 have been restated according to the information provided in Note 2 3 of the consolidated annual accounts*

Net Financial Debt (without IFRS 16 effect)	Dec -21	Dec-20 *restated	Var.	%
Net Financial Debt	**427,041**	**202,946**	**224,095**	**110.4**
Net Equity	**148,924**	**143,007**	**5,917**	**4.1**
Leverage	**74.1%**	**58.7%**	**15.5**	**26.4**

(EUR thousands)

**Dec-20 restated: the figures of the year 2020 have been restated according to the information provided in Note 2 3 of the consolidated annual accounts*

The **net financial debt** is a financial indicator widely used for the measurement of the net debt of the companies.

The **net financial debt without IFRS 16 effect** is a financial indicator which measures the net debt of the companies without the effect of the financial lease liabilities**.**

The **leverage** is a financial indicator widely used for the measurement of the ratio between the net debt and the shareholders' equity of the group.

The **leverage without IFRS 16 effect** is a financial indicator used for the measurement the ratio of the net debt without IFRS 16 effect to the shareholders' equity of the group.

The following table shows the main stock market data:

Audax Renovables - ADX.MC			
Stock market data	**2021**	**2020**	**Units**
Number of shares admitted to trading	440,291,054	440,291,054	No.
Share price at the beginning of the period	1.944	2.140	€ / share
Share price at the end of the period	1.260	1.944	€ / share
Maximum trading price	2.360	2.720	€ / share
Minimum trading price	1.193	1.358	€ / share
Trading price fluctuation during the period	-35.19	-9.16	%
Capitalisation at the end of the period	554,766,728	855,925,809	€
Number of traded shares	381,183,434	411,665,648	No.
Effective volume	721,033,903	818,130,934	€
Daily volume of traded shares (average)	1,488,998	1,601,812	No.
Effective daily volume (average)	2,816,539	3,183,389	€
Number of shares	440,291,054	440,291,054	No.
Profit (loss) attributable to the Parent Company	2,838,073	26,385,301	€

10. Significant events subsequent to the balance sheet date

There are no significant events subsequent to the balance sheet date.

11. Non-financial information statement

The Consolidated Non-Financial Information Statement has been prepared in accordance with the standards of the Global Reporting Initiative (Grey), constitutes part of the Directors' Report and is presented in the following separate document.

Audax Renovables, S.A. and its subsidiaries

Independent Auditor’s report on the Consolidated Non-financial Information Statement for the year ended 31 December 2021

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Audax Renovables, S.A.:

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the non-financial information included in the Consolidated Non-financial Information Statement (hereinafter CNFIS) of Audax Renovables S.A., and subsidiaries (hereinafter Audax Renovables), for the year ended December 31, 2021.

The CNFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in the Annex "Index of contents required by and GRI Content Index".

Responsibilities of the Directors

The preparation and content of the Audax Renovables' CNFIS is the responsibility of the Board of Directors of Audax Renovables. The CNFIS was prepared in accordance with the content specified in current Spanish corporate legislation, in accordance with the criteria of Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) in their core option.

This responsibility of the Board of Directors also includes the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CNFIS to be free from material misstatement, whether due to fraud or error.

The Directors of Audax Renovables are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CNFIS is obtained.

Our Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Deloitte.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work consisted in requesting information from management and the various units of Audax Renovables that participated in the preparation of the CNFIS, reviewing the processes used to compile and validate the information presented in the CNFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Audax Renovables personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.

- Analysis of the scope, relevance and completeness of the contents included in the CNFIS based on the materiality analysis performed by Audax Renovables and described in the "About this report" section of the CNFIS, also taking into account the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the data presented in the CNFIS for the year ended 31 December 2021.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters identified in the 2021st materiality analysis, described in the “About this report” section in the Appendix of the CNFIS.

- Verification, by means of sample-based review tests, of the information relating to the non-financial information contents included in the 2021 CNFIS, and the appropriate compilation thereof based on the data furnished by Audax Renovables’ information sources.

- Obtainment of a representation letter from the directors and management.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and to what extent the activities of the business are associated with economic activities considered environmentally sustainable in relation to the objectives of climate change mitigation and climate change adaptation for the first time for year 2021 provided that the CNFIS is published after 1 January 2022. Consequently, the CNFIS does not include comparative information. Additionally, certain information has been incorporated for which Audax Renovables Directors have chosen to apply the criteria that, in their opinion, best allow compliance with the new obligation and that are defined in the annex “Methodology for the Calculation of the Taxonomy” of the herein attached CNFIS. Our conclusion has not been modified in relation to this issue.

Conclusion

Based on the procedures performed and the evidence obtained no matter has come to our attention that causes us to believe that the Consolidated Non-financial Information Statement of Audax Renovables, S.A. and its subsidiaries for the year ended 31 December 2021, was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and following the criteria of the GRI standards in their core version.

Use and distribution

This report was prepared in accordance with the content specified in current Spanish corporate legislation, so it may not be suitable for other purposes and jurisdictions.

DELOITTE, S.L.

Xavier Angrill Vallés
24th February 2021

Non-Financial Information Statement 2021 AUDAX RENOVABLES and subsidiaries

for the year ended on
31 December 2021

NON-FINANCIAL INFORMATION STATEMENT

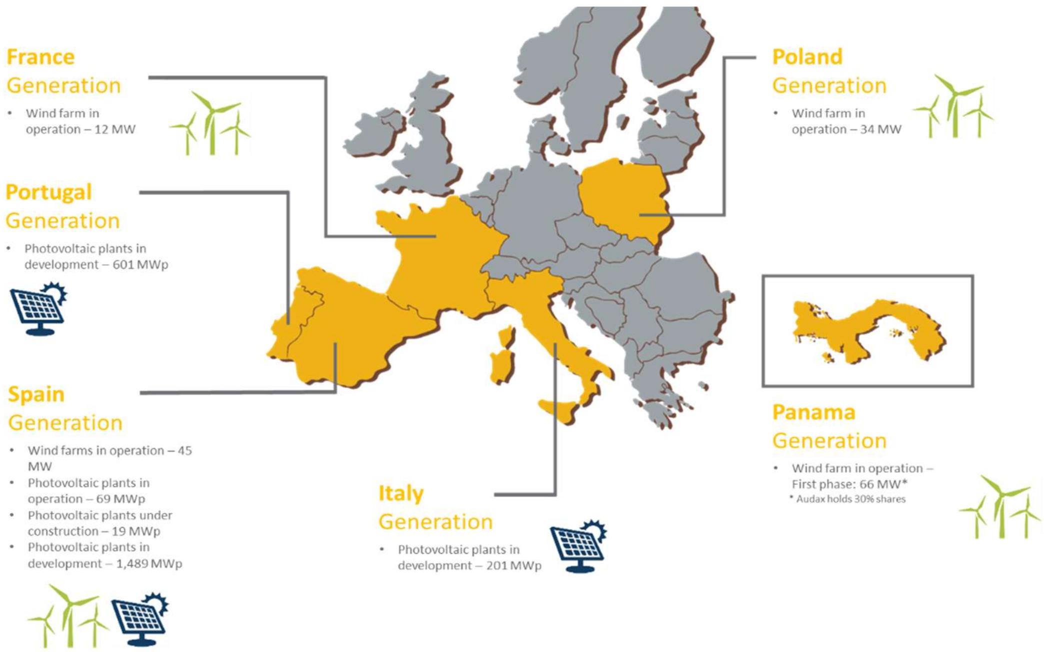
1. Business Model

1.1. Introduction to Audax Renovables

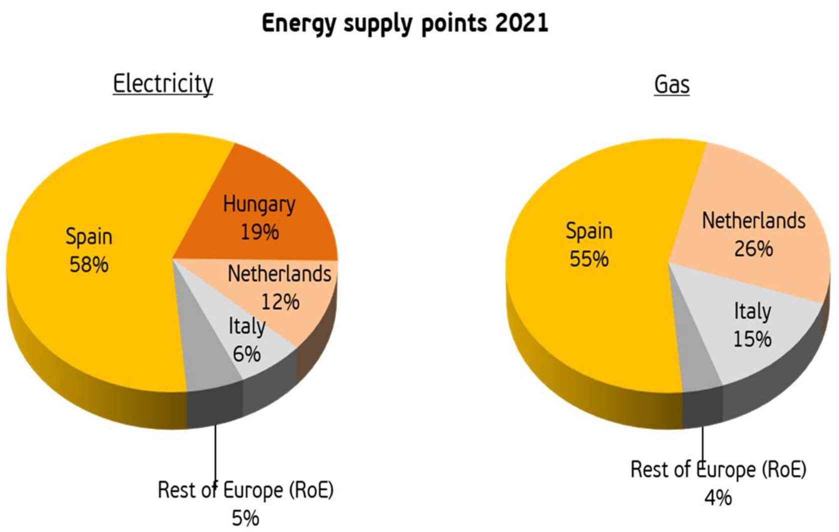
Audax Renovables is an energy group with leading position in the SME segment in Spain, providing efficient supply of retailed energy (electricity and natural gas) through a process of vertical integration with the segment of renewable energy generation. The Group is undergoing the expansion process, is comprised of around 80 subsidiary companies, has 803 employees, caters for 518 thousand clients, and operates in 8 European countries as well as in Panama. Its objective is to offer energy at competitive prices while delivering products that adapt to the clients' needs and providing high-quality customer service.

The Group's main activities involve:

- Developing all kinds of activity connected with electricity generation from 100% renewable sources, primarily wind and solar energy. The generation activity runs a portfolio of operating wind farms of 91 MW in Spain, France and Poland, and of photovoltaic plants of 69 MWp in Spain. It has also an operating wind farm of 66 MW in Panama, as well as photovoltaic projects of 19 MWp, which in total give 85 MW under construction, and a photovoltaic portfolio of 2,291 MWp in various stages of development, located in Spain, Portugal and Italy.
- The Group has incorporated into its generation portfolio a set of projects, which together have a capacity of 1,968 MWp, and which it will be developing and putting into operation at the beginning of 2022 in Spain, Italy and Portugal, in whose markets various companies of the Group are already present through their retailing activity. Thus the Group bolsters its total generation project portfolio so that it reaches 2,536 MW.



- Providing electricity and gas to individual clients as well as to companies through the retailing activity, which is present in many European countries: Spain, Portugal, Italy, Germany, Poland, the Netherlands and Hungary. Over the year 2021 the Group supplied 15.4 TWh, in comparison to 10.5 TWh of the previous year. This change is due mainly to the impact of the COVID-19 pandemic, related to the decrease of the electricity and gas demand in that period, apart from the addition of the energy supplied in Hungary throughout the 12 months of the present year.



The most important markets where the Audax Group operates are: Spain, the Netherlands, Hungary and Italy.
Resto of Europe (RoE) corresponds to Portugal, Poland and Germany.

Established in the year 2000, Audax Renovables is a vertically integrated Spanish energy group, generating 100% renewable energy and supplying electricity and natural gas to its clients in seven European countries. It is mainly engaged in "*promoting 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*".

Some of the main milestones and key dates of Audax Renovables, from its beginning to the present day, are outlined below:

- In 2003 the shares of Audax Renovables were admitted to trading on the secondary market of the Barcelona Stock Exchange, and Audax became the first independent company dedicated exclusively to produce renewable energy, listed on the Spanish stock exchange.

- Audax commenced the operation of its first wind farm in the year 2006. Today, Audax has international presence with its operating wind farms also in France, Poland, and Panama.

- In 2007 the company was included in the Spanish Stock Exchange Interconnection System (SIBE) of the Madrid Stock Exchange.

- Between the years 2013 and 2017 the company enters gradually the following countries (by order or entry): Portugal, Italy, Poland, the Netherlands and Germany.

- Audax becomes the first Catalan SME to issue bonds on the Alternative Fixed-Income Market (MARF) in 2014.

- In 2016 Audax Energía acquires Fersa Energías Renovables through a takeover bid (OPA).

- In 2017 the Company changes its name for "Audax Renovables", formerly Fersa Energías Renovables.

- In 2018 a joint project of merger is presented and completed, by which Audax Renovables absorbs its parent company, Audax Energía. The Group continues to work towards making progress in offering clean energy and developing activities within this scope.

- In 2018 Audax Renovables commences construction works of the wind farm Toabré in Panama.

- The same year the energy retailer Unieléctrica Energía, from Córdoba, joins the Group.

- Since the end of 2018 the company has been focusing its efforts on signing PPAs (Power Purchase Agreements).

- In September 2020 the company proceeded to close the agreement on purchase of 100% of share capital of the Hungarian retailer E.ON Energiakereskedelmi Kft.

- In 2020 the Group continued its expansion and achieved 515 thousand supply points and 10.5 TWh of supplied energy.

- In 2021 Audax Renovables put into operation the photovoltaic plants of Cañamares, Carolinas I and II, La Zarzuela I, II, III and IV and Alberizas I, II, III and IV, and acquired its first project in Castilla y León.

- At the end of 2021, the wind farm project Toabré in Panama and the photovoltaic plants of Calañas, Arenales and Toconal achieved 100% completion and most of them began the procedures for beginning operation.

In 2021 ordinary income of Audax Renovables increased by 74% in comparison to 2020 and amounted to EUR 1,690 million.

Gross operating income (EBITDA) of Audax Renovables amounted to EUR 52.9 million in 2021.

Due to its internationalisation strategy, Audax Renovables ended the year 2021 with net profit of EUR 2.8 million, 89% less than in the year 2020.

The economic recovery of 2021 exceeded expectations, with the effects of the COVID-19 pandemic constantly decreasing. The expectations for global recovery and growth have caused, among other factors, a very pronounced increase in energy consumption among the clients and a surge in commodity prices.

This has brought the biggest crisis in energy prices in recent history, and the consequence was that it has been one of the most difficult years for the management of electricity and gas retailers, but the vertical integration of the electricity generation and retail activities of Audax proved to be a differential value. Therefore, the Group's reaction to the crisis was very effective, thanks to the commitment of its whole team, and consequently, after several unsteady months, the Group ended the year with a profit of EUR 2.8 million.

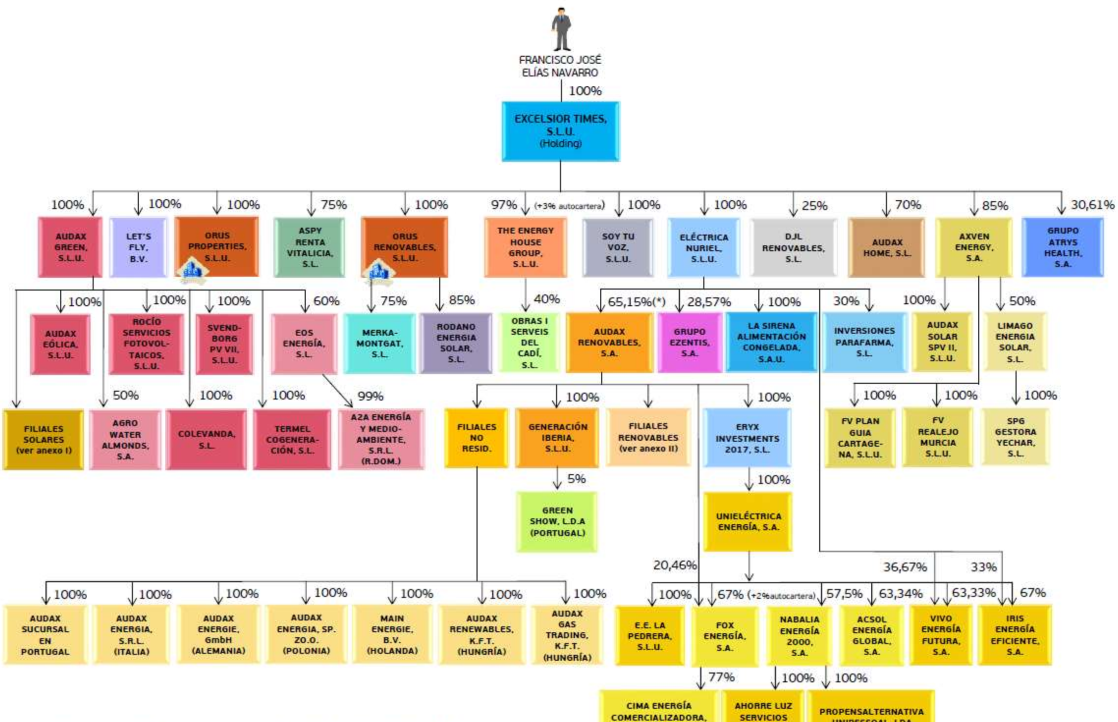
Regarding power generation, Audax has continued its operations by developing, building and putting into operation its portfolio, all this in spite of the slow progress which we still experience from certain official bodies while carrying out the administrative procedures for project launch.

In the next years the Group will continue its commitment to the generation of energy from 100% renewable sources by building new, mainly photovoltaic, power plants and thus contributing to a sustainable energy transition.

1.2. Main activities and services

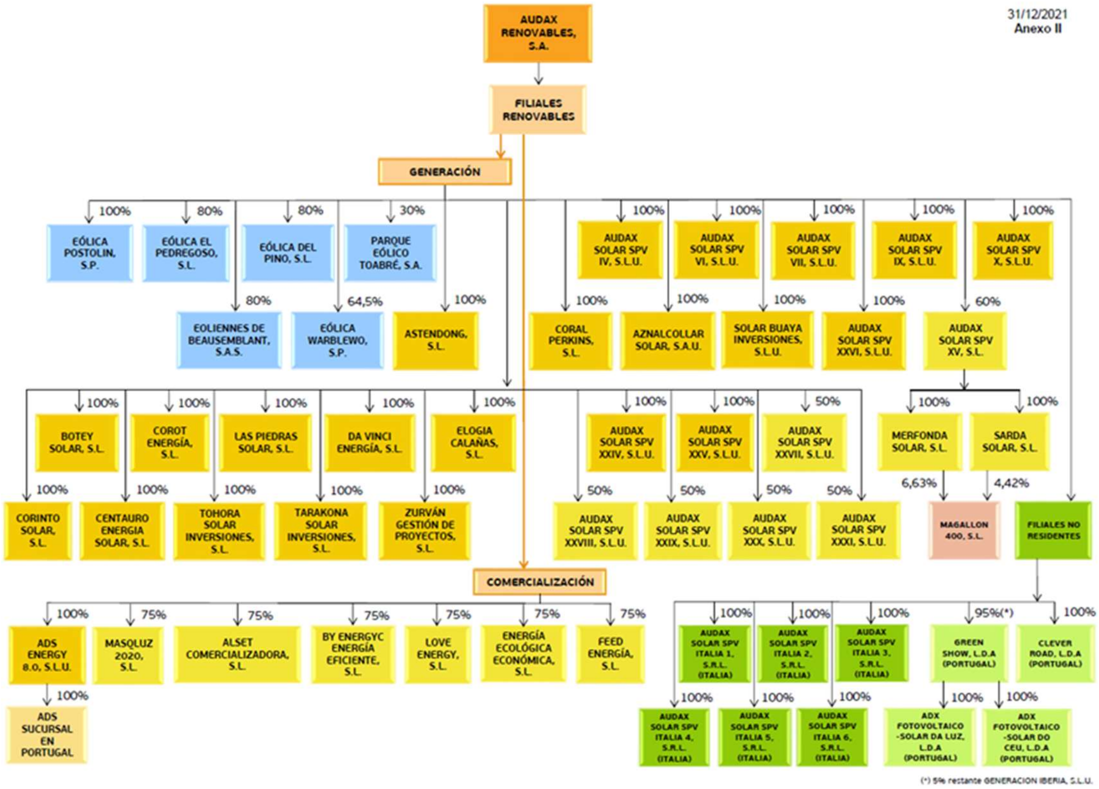
Currently, Eléctrica Nuriel is the majority shareholder of Audax Renovables, comprising various subsidiary companies, joint ventures and associated businesses, which are included within the scope of this report and add up to an energy group whose business involves generating energy from 100% renewable sources as well as supplying 100% renewable electricity, and gas.

The graphic below shows the corporate structure as at 31 December 2021. It should be noted that neither Excelsior Times nor Eléctrica Nuriel are featured within the scope of this report.



(*) Adicionalmente existen diferentes derechos de compra de acciones del 10,90%, así como un 1,61% de participación directa desde EXCELSIOR TIMES, SLU.

The following companies are featured within the "renewable subsidiaries", categorised as companies dedicated either to generating or retailing activity:



1.3. Important events during the year 2021

2021

JANUARY

The Company acquires two photovoltaic projects of 10 MWp in the province of Toledo, and closes a purchase agreement for the incorporation of projects of up to 69 MWp.

The Group moves forward on its roadmap to set a benchmark in renewable energy generation and boosts its project portfolio by incorporating 1,942 MWp of photovoltaic projects so that it reaches 2,498 MW.

FEBRUARY

Audax Renovables obtains construction approval for its project Los Arenales (Toledo) of 5 MWp of capacity.

MARCH

Audax Renovables obtains the hand-over for operation protocol of the photovoltaic plant of Cañamares in the province of Guadalajara (Castilla – La Mancha) of 5 MWp of capacity.

In order to reinforce the supreme governing body of the Group, two women are included in the Management Board, which is comprised of a total of 6 members.

APRIL

The Group succeeds again at maintaining its Investment Grade Rating (BBB-) with stable outlook assigned by Axesor, despite the continuing situation caused by the COVID-19 pandemic.

JUNE

The Group presents its 2021-2026 Strategic Plan.

The Group announces an increase of the Green Bond Issue carried out in 2020 for a final amount of EUR 100 milion.

Audax Renovables puts into operation the photovoltaic plants Carolinas I and II in El Casar in the province of Guadalajara (Castilla-La Mancha) and commences the construction works of its project El Toconal (Toledo).

OCTOBER

Audax Renovables puts into operation the photovoltaic plants of La Zarzuela I, II, III and IV located in Escalonilla, in the province of Toledo (Castilla-La Mancha), of a total capacity of 20 MWp

NOVEMBER

Audax puts into operation four new photovoltaic plants (Alberizas I, II, III and IV) of a total capacity of 20 MWp located in Torija (Guadalajara, Castilla-La Mancha)

DECEMBER

The Group acquires its first project in Castilla y León. The project of Zaratán in the municipality of Ciguñuela, Valladolid, will produce 12.36 MWp.

1.4. Corporate Governance

Audax Renovables is committed to achieve solid and clearly defined corporate governance, which will allow the company to act with transparency and create long term value for all the stakeholders belonging to the organisation.

As a listed company, we have a governance model which is comprised of the following bodies:

- BOARD OF DIRECTORS

The principal mission of the Board of Directors is to guide, manage and represent the Company within the scope of activities featured in its objects, to define the general strategy and indicate the guidelines for its management, while being committed to the transparency and veracity of the information of the Company in its relations with the shareholders and the markets in general.

The Board of Directors of Audax Renovables is comprised of the chairman, five members (two of those women) and a non-member female secretary.

- AUDIT COMMITTEE

Among others, the Audit Committee is dedicated to supervise the efficacy of the Company's internal control, internal audit and risk management systems; to refer to the General Meeting of Shareholders the issues raised by the shareholders; to oversee the preparation and submission of the required financial information; and to refer proposals to the Board of Directors.

This committee is comprised of a chairman and two members (one of which female).

- APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee's principal responsibilities involve evaluation of the skills, knowledge and experience necessary for the Board of Directors, to suggest to the Board of Directors the directors and senior management's remuneration policy, and to submit to the Board the proposals to appoint directors.

Currently, this committee is comprised of a chairman and two members (one of which female).

All the information related to the functioning, responsibilities and conduct rules of the governing bodies can be found in the Regulations of the Board of Directors published on our website.

For the purpose of everyday operation there are various corporate departments, such as internal audit, human resources, finance, risks, operations, commercial, invoicing, suppliers, customer service or system support, among the main ones. All these departments have specific functions and report directly to the management of the organisation.

1.5. Corporate Social Responsibility of the Group

The endeavour to generate long term value has encouraged the Group to integrate Corporate Social Responsibility (CSR) into its own business model. For this reason, the company's main object is to produce electricity from 100% renewable sources respecting the environment and bringing to the highest level our commitment to the sustainable development.

In addition to this direct contribution to the care for the environment, the organisation contributes to several CSR pillars through various strategic lines. The contribution to each of them is presented below:

Environment

Through the activity of electricity generation from 100% renewable sources the Group directly contributes to combating climate change, supporting the increase of the clean energy offer within the Spanish energy mix. Moreover, many companies integrate environmental efficiency concepts into their own buildings. For example, Unieléctrica has the ISO 50001 energy management certification, having adapted its head office building (by the use of insulating materials for its construction) to protect it from heat and thus optimise the use of air conditioning.

Labour

Creating quality work environment and ensuring health and safety of people, especially at work, are some of the Group's fundamental principles. The Group also endeavours to ensure the employees' personal and professional development, and bolster the emotional well-being of all the staff.

Company

In connection with the previously mentioned aspect, as well as with the aspect of Community, the Group contributes to creating quality employment through all its activities. This effect is especially noticeable in the regions where wind farms and photovoltaic power stations are being installed, which usually are rural areas, away from the most important towns, and employment there is created first in the construction and then in the maintenance of the power plants. We also raise public awareness of the importance of renewable energy.

Moreover, the business model of the Group has direct positive impacts on the community and on the environment, because, with its diverse businesses, it contributes to the achievement of Sustainable Development Goal[1] number 7 "Affordable and Clean Energy" and number 13 “Climate action”, supporting the energy transition.

[1] Sustainable Development Goals (SDG) overall comprise 17 goals and 169 targets inspired by the United Nations as a part of its 2030 Agenda.

Within these Goals the organisation contributes specifically to achieving the following goals:

- Target 7.1: "By 2030, ensure universal access to affordable, reliable and modern energy services".
- Target 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix".
- Target 7.3: "By 2030, double the global rate of improvement in energy efficiency".
- Target 13.2: "The improvement of education, awareness-raising and institutional capacity on climate change mitigation, adaptation, impact reduction and early warnings".

Economy:

At the economy level the Group generates wealth in its surroundings through diverse means, such as the payment of levies and taxes to the local government, the payment of lease fees to the owners of the land, and financial contributions. An indirect impact is made on the local economy through the increase of consumption in the areas where the Group operates.

Another proof of the Group's commitment to Corporate Social Responsibility is the fact that it has been a member of the United Nations Global Compact for 9 years now. It is an initiative of ethical commitment aimed at encouraging the businesses from all the countries to implement as an integral part of their operations and strategies the 10 principles of conduct and action in the areas of human rights, labour, environment and anti-corruption.

This way the Group actively supports the 10 principles of the Global Compact, especially those related to the Natural Environment, continually endeavouring to improve the integration of its principles, as well as the Sustainable Development Goals into our business strategy, culture and everyday operations, implementing measures and actions of Corporate Social Responsibility which reinforce our commitment to the environment, to the persons and to the community.

Moreover, in June 2020 the Group approved its Reference Regulatory Framework for Green Financing (available on the website), an effort towards sustainable growth in the area of the environment and development, which influences sustainability policies and practices with the aim of optimising the cost of its debt, diversifying its finance sources and aligning its finance strategy with its sustainability mission and values.

By aligning with the Principles established by the International Capital Market Association (ICMA) the Group has set itself the goal to assign the funds obtained through issue of Green Bonds to be invested in those projects which would meet the criteria concerning natural environment and sustainable development.

In 2020 the Group registered a fixed income bond programme on the Alternative Fixed-Income Market (MARF) considered as green bonds under the Group's Reference Regulatory Framework for Green Financing. The first issue of green bonds of a total amount of EUR 20 million will be used for the construction of 8 photovoltaic plants, and the second issue of green bonds of EUR 200 million will be assigned to the restructuring of the Group's debt maturities. The use of the obtained funds will consist in financing or refinancing green projects.

In addition to the issue of green bonds carried out in 2020, referred to in the previous paragraph, and given the keen interest demonstrated by the investors, in June 2021 the Group announced an extension of this 2020 Issue, increasing it eventually by the amount of EUR 100 million.

Regarding the set of aspects outlined before, the activities are carried out within the framework of mission, vision and values of the companies that comprise the Group. Below we present the mission, vision and values related to Audax Renovables[2], the parent company of the Group, which fosters these corporate principles in all its subsidiaries

AUDAX RENOVABLES

THE MISSION OF AUDAX RENOVABLES:

"Every day we strive to build our growth strategy based on sustainability, economic development, internationalisation and respect for our business environment, and in addition to all that we offer convenient proximity to our clients."

THE VISION OF AUDAX RENOVABLES:

"We want to be a private and independent listed company which brings to its clients, employees and partners differential value within the energy sector, while promoting innovation and transparency."

THE VALUES OF AUDAX RENOVABLES:

- *Ethics and trust: we believe in fostering an honest relationship with our clients and partners.*
- *Customer orientation: focused on the customer satisfaction.*
- *Innovation: bringing new products and services in order to cater to the needs of the customers.*
- *Excellence: working every day in order to improve our processes.*
- *Respect for the natural environment and for the community, contributing to the growth and development of our surroundings.*
- *Professional and personal development: because the staff is the key to the company's success.*
- *Focus on the results: good economic results and financial soundness.*

[2] The Mission, Vision and Values of Audax Renovables refer to the parent company as well as to all the subsidiary companies belonging to the Group, which is traded on the four Spanish stock markets.

1.6. Relations with stakeholders

Being aware of how important it is to know the needs and expectations of our stakeholders, we have been working towards identifying them:

TYPOLOGY OF STAKEHOLDERS		IDENTIFIED STAKEHOLDERS
Internal	The persons whose relationship with the Group stems from a direct link	Employees
External	The persons or groups that do not work directly with the Group, but are affected by its actions and its business results	Shareholders and investors
		Clients
		Institutions (authorities, regulatory bodies and public administrations)
		Providers and business partners
		Local community
Indirect	The groups which may affect the business indirectly	Financial analysts
		The media
		Competitors
		Sectoral business associations

In this regard, we have defined efficient communication channels, working in a continuous and bidirectional way with each and every one of the stakeholders. These channels are accessible by telephone, the website which additionally has a personalised chat, the email, the Intranet, the postal mail, or personally in the offices. Moreover, in 2021 the instant messaging service was made available through WhatsApp as a new communication channel[3].

Due to our raison d'être, we also have specific communication channels designed to ensure constant communication with our clients. For this reason Audax Renovables and all its subsidiaries have a department dedicated to the Client Service where they can resolve any possible concern or issue. In order to guarantee high quality customer service, in 2021 the Group developed a new Customer Service Handbook.

The Polish subsidiary also has a direct communication channel for its clients, and the communication with the employees is carried out through the person in charge of each department. The persons in charge are responsible for ensuring that the employees' concerns and inquiries are processed correctly.

Unieléctrica offers a communication channel for its clients and suppliers on the company's website, letterbox and complaint form, email and postal mail. There is also a telephone number for customer service. In order to maintain fluent communication with the employees, the persons in charge of departments of Unieléctrica are responsible for transmitting the employees' concerns to the management; for example, in matters of training, they organise

[3]Besides the communication channels mentioned above, there are also other ways of incorporating stakeholders. These are specified in section 5.3 - "Commitments to the community and stakeholders" of this report.

periodic meetings to talk about their training needs and suggest them to the Human Resources department.

The Italian subsidiary makes available to its clients a website, an email address and a customer service phone number for the clients for the purpose of making enquiries, complaints or requests.

In this regard, the Hungarian subsidiary, apart from making available to its clients several communication channels by telephone, email, postal mail or online customer service, carries out quarterly surveys of customer satisfaction, or even personal visits to its clients, besides the NPS surveys.

Main Energie (the Dutch subsidiary), also makes various channels available to its clients in order to ensure high quality communication. It has a postal mail address and an email address, besides indicating on its website the address of its customer service offices for the purpose of personal communication, and an online messenger service accessible also from its website.

The Customer Service Department of the German subsidiary of the Group has a telephone number, an email address and a contact form and a chat accessible through its website, as well as a WhatsApp number, for the purpose of attending to its clients. Moreover, a mobile application has been developed for iOs and Android, which comprises all the services offered by this subsidiary to its clients, in order to ensure their satisfaction and fluent, high-quality communication.

Both Main Energie (the Dutch subsidiary) and the Hungarian subsidiary ensure the quality of the customer service by aligning their quality management systems with the ISO 9001 standard.

1.7. Materiality analysis

Thanks to having identified our stakeholders, each year we are able to identify their needs and expectations in sustainability matters. This year, additionally, the materiality analysis carried out the previous year was reviewed in order to align it with all the challenges, opportunities, needs and expectations relating to the business sector as well as to the ESG matters. The following methodology has been used:

1. Identification of the risks and aspects that are important to the Group and its stakeholders, consisting in:

- Preparing a business analysis based on an internal analysis of the Group, bearing in mind the information and documents regarding the organisation's commitment to sustainability, which was calibrated during the meetings with the relevant departments.

- Preparing an environment analysis based on:
    - The analysis of the material aspects in the ESG of other comparable businesses operating in the sector.
    - The identification of the important matters in sustainability within the business sector according to the main analysts. In this context, the following standards and regulations have been taken into account:
        - GRI Standards

- SASB Standards
- Dow Jones Sustainability Index
- Contents of the Law 11/2018 on Non-financial Information
- Principles of the Global Compact and the contribution of the sector to the SDGs.

2. After obtaining an exhaustive list of the important aspects, the work concentrated on prioritising them according to their **materiality** and **impact**.

As a result of the 2021 review, the following materiality template was obtained[4]:

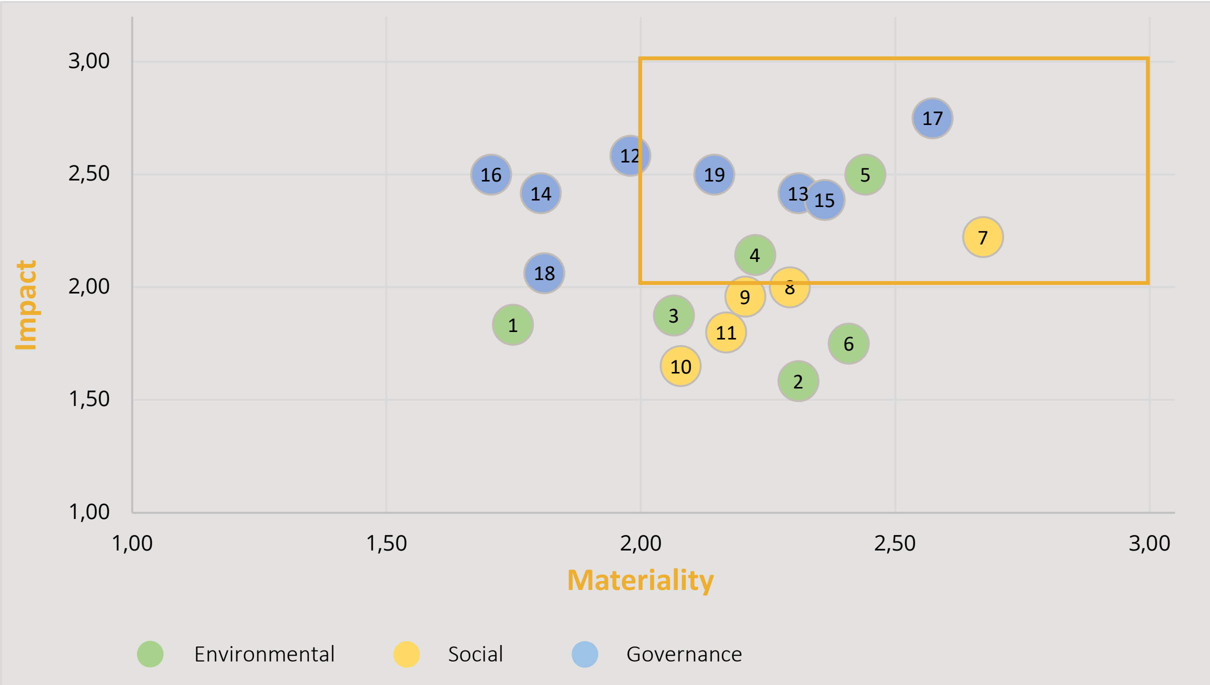


Chart 1: Results of the 2021 materiality analysis review

[4]The review of the current year has concentrated on the reassessment and reclassification of the material subjects and on the publication of the materiality template. We work towards incorporating the perspective of double materiality in the future reports.

Material subjects

4	Climate change
5	Energy transition
7	Gainful employment, diversity and equal opportunities
13	Economic performance and green financing
15	Compliance and risk management
17	Ethics and integrity
19	Transparency and stakeholders

Other aspects

1	Environmental commitment
2	Efficient use of resources
3	Circular economy and waste management
6	Biodiversity
8	Future outlines
9	Staff health and well-being
10	Community impact
11	Energy vulnerability
12	Customer and user satisfaction
14	Connectivity and digitalisation
16	Data protection
18	Responsible supply chain

The identified material aspects have been restructured into 3 areas, in line with the ESG pillars (environmental, social and governance).

Below we present a brief description of each of the material subjects resulting from the materiality analysis review, indicating also on which page of this report each of them is addressed.

MATERIAL ASPECT	DESCRIPTION
Environmental	
Climate Change	In order to tackle the climate crisis, the Group works towards reducing its carbon footprint by implementing multiple initiatives. Furthermore, Audax Renovables continues endeavouring to integrate the risks and opportunities derived from the climate change into the company's strategy.
Energy transition	Due to the nature of the Group's business, its contribution to the energy transition and decarbonisation is a central aspect of the environmental group of topics.
Social	
Gainful employment, diversity and equal opportunities	Quality job creation, adequate management and organisation of working time, and employment growth constitute significant matters in all the Group. This material aspect has gained even more importance in the face of the current situation of COVID-19 pandemic. It is also essential to develop adequate measures in order to boost diversity, ensure equal opportunities and inclusion, as well as to guarantee fair pay to all the employees.
Governance	
Economic performance and green financing	In order to address new trends, it is essential that the organisation ensure its economic liquidity while adapting its business model to sustainability investments, for example through green bonds.

Compliance and risk management	Establishing policies and procedures which guarantee full compliance with applicable regulations by constantly monitoring any amendments made to said regulations. As well as working steadily on the development of internal control systems, policies and procedures in order to ensure adequate risk management.
Ethics and integrity	Being a socially responsible organisation, the Group shall be provided with necessary policies and procedures in order to ensure the ethics and integrity of the operations of all its companies.
Transparency and stakeholders	For an organisation committed to its stakeholders it is essential that it should operate in a transparent way and establish adequate communication channels for each of the stakeholders. It should likewise constantly bear in mind the expectations of the stakeholders.

Table 1: Presentation of the material aspects of the Group

2. Information on environmental issues

As it was mentioned in the previous section, the activity of the Group fosters protection and respect for the natural environment. The Group promotes policies which reinforce this commitment to the environment.

It should be noted that Unieléctrica obtained in 2016 the Energy Management System Certification 50001 which involved its whole production chain and confirmed its compliance with international regulations developed by ISO (International Standard Organisation), with the aim to maintain and improve the system of energy management within the organisation. Therefore, the activity of the organisation and the operation of all its facilities complies with this internationally-recognised European quality standard. The achievement of the certification is a proof of the Group's commitment to energy efficiency regarding the services rendered to the customers, as well as a commitment to the customers themselves.

The Hungarian subsidiary has obtained the ISO 14001, which leads to the definition of environmental goals, specific indicators and constant monitoring of the organisation's energy consumption. For this purpose the Hungarian subsidiary has an employee in charge of supervising the continuous implementation of the ISO.

Thanks to the implemented policies and procedures, during 2021 no breach of applicable laws or regulations took place.

2.1. Sustainable use of resources

The Group strives to ensure responsible use of the natural resources, as far as its operation and activities allow it.

Due to the company's activity, the information on the use of natural resources comes mainly from those companies which have employees and report the use related to their offices.

The year 2021, as well as 2020, was atypical regarding physical presence in the office, due to the situation caused by the COVID-19 pandemic. Therefore, the comparison within the last three years gives results where *business as usual* is affected regarding the use of water, energy and materials, and the generation of waste.

WATER CONSUMPTION

There is no significant water consumption in any of the Group's activities, because water is consumed only in the offices where business is managed.

The water consumed comes from own providers, except for the case of the wind farm el Pedregoso (located in Spain) where water is obtained from a well situated on the plot where the wind farm facilities are installed, and of the wind farm Postolin (located in Poland) where rainwater is collected for consumption, accounted for as recycled water consumption.

In the year 2021 total water consumption of the Group was of 962 m^3. Due to the situation of prolonged remote working, the decrease of water consumption is evident in comparison to the levels observed before the pandemic.

	WATER CONSUMPTION		
	2019	2020[5]	2021[6]
Total water consumption	2,224 m^3	1,238 m^3	962 m^3

Table 2: Water consumption

It should be noted that the Polish subsidiary uses filtered drinking fountains for water consumption in the office.

ENERGY CONSUMPTION

Energy consumption of the Group takes place mainly in its diverse facilities, such as head offices and buildings where various subsidiary companies are located, as well as in the power plants of 100% renewable energy generation.

Due to the nature of the organisation, no energy consumption is reported outside of it, as it is immaterial.

In the year 2021 electricity consumption amounted to 590.17 MWh, of which 57% was generated from renewable sources. The Group's own consumption of natural gas amounted to 127.84 MWh. The sum of both consumptions translates into energy intensity of 0.08 kWh per profit obtained. Moreover, the wind farms of Audax Renovables produced a total of 200 GWh in 2021.

	ENERGY CONSUMPTION		
	2019	2020	2021
Total electricity consumption[7]	392.89 MWh	345.32 MWh	607.51 MWh
Total gas consumption[8]	47.10 MWh	41.90 MWh	127.84 MWh
Total energy intensity on the basis of the profit obtained	0.02 KWh	0.01 KWh	0.26 KWh

Table 3: Energy consumption

An example of good practice regarding energy management may be found in the Hungarian subsidiary, which has the reports on quarterly consumption made by external experts. The air conditioning system of the Polish subsidiary has an "*economy*" setting for increasing its energy

[5]The water consumption reported in 2019 corresponded to Unieléctrica and Audax Renovables. In 2020 to these two companies the data was added from the Polish subsidiary, Eólica el Pedregoso, Eólica Postolin. The figures regarding water consumption of the wind farms come from an estimation.

[6]In the year 2021, the subsidiaries that report water consumption are Audax Renovables, Unieléctrica, Masqluz, By Energyc, the Dutch and Polish subsidiaries and the wind farms of Postolin (Poland) and the wind farms El Pino and El Pedregoso (Spain). In the case of the Dutch subsidiary and the wind farms del Pino and El Pedregoso, the information about water consumption was based on estimates.

[7] In the year 2021 the subsidiaries which report electricity consumption are Audax Renovables, Unieléctrica, the Portuguese, Dutch, Italian Polish subsidiaries, and, unlike in the previous year, also the Hungarian subsidiary, Masqluz y By Energyc. The increase of the figure is due to the integration of new companies and the physical presence in the offices. In the case of the Dutch subsidiary the electricity consumption is estimated based on the office rent invoice and the consumption of the Hungarian subsidiary was estimated based on the electricity consumption from August.

[8] In the previous year (2020), this figure refers only to the Italian subsidiary of the Group, because the rest of the companies did not have gas consumption. In the year 2021 the companies which report natural gas consumption are the Italian, Dutch and Hungarian subsidiaries. In the case of the Hungarian and the Dutch subsidiary, the information about natural gas consumption was based on estimates.

savings, while the German subsidiary promotes the use of the energy saving mode in all of its PCs.

On the other hand, the Dutch subsidiary has a special policy for its fleet of vehicles, under which electric or hybrid cars are favoured.

MATERIAL CONSUMPTION

Due to the type of activity of the Group, the consumption of materials refers mainly to those materials which are typically used in office daily activities, such as shown in the following table. Due to the situation of teleworking implemented in various subsidiaries over the year, the consumption of materials in 2020 and 2021 decreased significantly in comparison to the levels observed before the pandemic.

	USED MATERIAL CONSUMPTION[9]		
	2019	2020	2021
Paper	23.59 tonnes	17.55 tonnes	15.13 tonnes
Toner	0.06 tonnes	0.008 tonnes	0.02 tonnes

Table 4: Used material consumption

Regarding the efficient and sustainable use of resources, the Polish subsidiary promotes the use of electronic invoices and other documents in order to reduce the use of paper and toner. Likewise, the German subsidiary, has implemented various measures in its offices in order to increase the efficiency in the use of materials. For example, it is ensured that all the printers should be programmed to print double-sided and in black and white by default, in order to reduce the paper and toner expenses to what is strictly necessary.

2.2. Climate change

The Group is committed to fighting climate change, developing year after year its activity of electricity generation from 100% renewable sources. The Group has been making efforts to integrate into its business the risks and opportunities connected with climate change[10], offering the opportunity of innovation in the products and services which allow our customers to reduce progressively their consumption of gas and electricity.

Moreover, the Group strives to contribute to the emissions reduction through initiatives and good practices in each of the subsidiary companies.

One of the initiatives has been carried out since 2018 by Unieléctrica, in accordance with the 2012/27/EU[11] Energy Efficiency Directive, by which the Group endeavours to reduce by 1.5% the

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[9] In the year 2019 the subsidiaries which reported material consumption were Audax Renovables, Unieléctrica and the Italian subsidiary. In 2020, apart from those three, also the Polish subsidiary reported material consumption. In the year 2021 the companies which reported material consumption were Audax Renovables, Unieléctrica, Masqluz, By Energyc and the Portuguese, Polish and Italian subsidiaries.

[10]The organisation has not carried out a specific analysis of financial implications and other risks and opportunities of the climate change.

[11] The Energy Efficiency Directive, published on 25 October 2012 in the Official Journal of the European Union (OJ), sets out a series of goals for energy saving and efficiency at a global and sectoral level. It also includes a target of new annual savings of 1.5%. The updated information on energy savings will be provided in the report for the year 2022 considering the wide variability of the consumption caused by the pandemic situation.

total annual energy consumption. To this purpose, the Group has implemented diverse energy efficiency measures which at present continue to bring savings. Some of these measures are presented below:

- The lights in the rooms which are not in use shall be turned off.
- The air conditioning in the buildings shall be adjusted by smart thermostats.
- External lighting shall be controlled by a timer in order to reduce its operating hours and avoid failing to turn it off.
- Use of LED lighting.

Through these measures in the year 2020 it was possible to make savings of 3.05% in comparison to the previous year.

It should be noted also that the cladding of the building of that subsidiary is made of diverse insulating materials which help optimise the use of air-conditioning and heating systems.

The final objective of all these initiatives is to reduce the environmental impact made by the emission of greenhouse gases (GHG).

In 2021 the total scope 1 emissions (emissions directly related to the core business of the company) were of 12.79 tonnes of CO_2 and included emissions related to the consumption of natural gas. In the case of scope 2 emissions (indirect emissions), the result was of 69.09 tonnes of CO_2, including emissions related to the electricity consumption.

The organisation's activity does not involve the emission of any other significant particles.

	GREENHOUSE GAS (GHG) EMISSIONS[12]		
	2019	2020	2021[13]
Scope 1[14]	9.62 teq CO_2	8.53 teq CO_2	25.82 teq CO_2
Scope 2[15]	21.63 teq CO_2	24.46 teq CO_2	69.09 teq CO_2
Total GHG emission intensity per revenue	0.0001 kg eq CO_2	0.0012 kg eq CO_2	0.03 kg eq CO_2

Table 5: Greenhouse gas emissions

[12] For the purpose of calculation the GHG emissions, the MITECO 2020 emission factors were used for calculating the scope 1 emissions of natural gas, and for scope 2 emissions from electricity consumption the IEA 2020 factor was used, specific for Italy and Hungary, and for the rest of countries - the factor of Spain.
[13] The electricity consumption report for 2021 was extended to more subsidiaries, which currently do not have renewable electricity supply, therefore these additional consumptions are included within the emissions of GHG associated to scope 2.
[14] The calculation of Scope 1 emissions is based in 30% on consumption estimates.
[15] The calculation of Scope 2 emissions is based in 50% on consumption estimates.

2.3. Circular economy and waste management

Similarly to what has been said about material consumption, the Group's activity as such contributes to the transition towards circular economy and reuse of waste materials generated.

In the case of waste management, due to the fact that the activities are carried out mainly in the offices, the Group strives to reduce to a minimum the environmental impact of the waste that is generated. For instance, the head offices of Audax Renovables have been provided with recycling bins.

The main waste materials generated in the year 2021 are specified below:

	HAZARDOUS WASTE		
	2019	2020[16]	2021[17]
Oils (used or mineral)	1,100 litres	1,697.6 litres	150 litres[18]
Fluids (washer fluid and refrigerant)	-	142.92 litres	-
Grease	-	6.8 litres	-
Absorbents	-	4.6 tonnes	2.06 tonnes
Contaminated packaging and dirty material	0.32 tonnes	1.02 tonnes	1.31 tonnes
Grease	-	0.40 tonnes	-
Contaminated filters	0.20 tonnes	0.20 tonnes	0.24 tonnes

Table 6: Hazardous waste

The methods of waste management and elimination have been mainly those of recycling, disposal in landfill or energy recovery.

	NON-HAZARDOUS WASTE		
	2019	2020[19]	2021[20]
Destruction of confidential material	4.30 tonnes	8.61 tonnes	0.9 tonnes
Waste (plastic packaging)	0.8 tonnes	0.08 tonnes	-
Toner	-	-	0.02 tonnes
Computer materials	-	-	0.26 tonnes

Table 7: Non-hazardous waste

It should be noted that due to the low physical presence in the offices of the Group following the implementation of remote working in 2020, which continued throughout the year 2021, there was a significant decrease in generation of plastic waste. Consequently, in 2021 plastic waste collection was discontinued, therefore it was impossible to report the relevant data.

[16]The figures for the year 2020 correspond to hazardous waste generated in the wind farms Eólica Postolin, Eólica del Pino, Eólica el Pedregoso and Eoliennes de Beausemblant. The previous year only the figures related to the wind farms Hinojal and Mudéfer (sold in 2019) were reported.

[17] The figures for the year 2021 correspond to waste generated in the wind farms of El Pino, El Pedregoso and Eoliennes Beausemblant. Unlike in the previous year, it was impossible to obtain data from the wind farm of Postolin.

[18] The decrease of oils in 2021 in comparison to the previous year was due to the fact that in the current year no oil change was carried out in the multiplier.

[19]The figures for the years 2019 and 2020 refer to non-hazardous waste generated in the offices of Audax Renovables. The increase in confidential paper destruction is the result of moving the premises.

[20] In 2021 the reported waste correspond to Audax Renovables, Masqluz, ByEnergyc and the Portuguese, Polish and Italian subsidiaries. As a new addition this year waste toner and computer materials are also reported.

Additionally, the considerable decrease of confidential material destruction is due to the relocation of the offices of Audax Renovables from 2020 to 2021, when many physical documents were sent to recycling. The company is working towards the digitalisation of documents in order to avoid greater amounts of paper waste.

The Italian subsidiary, though it does not generate significant amounts of waste, establishes some measures in order to raise the awareness among its employees and promote selective waste collection in its offices. Likewise, recycling initiatives have been implemented in the Polish, German, Hungarian and Dutch subsidiaries.

2.4. Biodiversity protection

Biodiversity protection is a topic applicable only to the energy generating activity of Audax Renovables and, particularly, to the areas where its wind photovoltaic plants are located. While a wind farm is undergoing the construction process, research is carried out into local avian fauna for the purpose of understanding the behaviours of the species dwelling in the area as well as their flight paths. When carrying out the research, special attention is paid to the species of conservation concern, included in the Annex I to Directive 79/409, the Legislative Decree 2/2008 and the IUCN. Once the construction is completed and the wind farm is in operation, an exhaustive process of monitoring and tracking the birds is put in place as an integral part of the everyday operation of the facility.

This research helps identify the species which may be vulnerable to being affected in the areas where the Group's wind farms are situated. These analyses also take under consideration the meteorological conditions which may cause particularly high numbers of accidents and collisions. This way the Group is prepared for the necessity to stop the turbines whenever they pose a danger to birds.

For example, in the wind farms located in the province of Cádiz (Parque de Pedregoso (A, B and D)) the Environmental Monitoring Plan was launched in 2010, which meets the requirements of Environmental Impact Declaration issued by the Delegación Provincial de Medio Ambiente of Cádiz[21]. Overseen and coordinated by Fundación Migres, this Plan includes information concerning birds dwelling in the area of these wind farms. In order to reduce the number of accidents involving birds, constant surveillance is carried out throughout all hours of the day (24 hours, 7 days a week) all year round, which allows to determine the circumstances in which these accidents occur. This way, as explained above, whenever the surveillance team detects a threat, they demand the turbines involved be stopped.

Likewise, in the construction of solar photovoltaic plants of Las Carolinas I and II and Cañamares local environmental requirements were complied with, by implementing the Environmental Surveillance and Monitoring Plan, including a Plan for the restoration at the completion of construction works of both plants, applying the measures for the protection of the fauna, flora and the land of the area. Both plants have been completed in compliance with the Declaration of Environmental Impact issued by the Provincial Office of Agriculture, Environment and Rural Development of Guadalajara[22].

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[21] This Environmental Impact Declaration was processed in accordance with the Law 7/1994 on Environment Protection and the Decree 292/1995 on Environmental Impact Assessment as well as according to the protocol "Guidelines for the Environmental Monitoring Programmes in the Wind Farms of the Province of Cádiz".

[22] The Declarations of Environmental Impact of both solar photovoltaic plants have been processed in accordance with the provisions of the Resolution of 05/02/2019 of the Provincial Office of Agriculture, Environment and Rural Development of Guadalajara, and in compliance with Law 4/2007 of 8 March on Environmental Evaluation in Castilla-La Mancha.

Another clear example of the Group's exhaustive work on biodiversity protection is the construction of the wind farm located in Panama. The farm's construction has been carried out in compliance with the Equator Principles for managing social and environmental risk and health and safety. Subsequently, a *Plan for Environmental Management* was developed, which includes a plan for rescue and relocation of flora and fauna as well as environmental education plan for local communities. As part of the rescue and relocation plan, reports are made concerning the rescues carried out in the area, which exhaustively describe the procedure implemented. This way a list is compiled of all operations conducted and it is ensured that the method implemented is appropriate for the protection of the specimens of the species in question.

At the end of the year 2021 this plant is completed in 95%, and as at December 2021 the first tests of the wind turbines began, the rest of them being planned to be put into operation gradually throughout the beginning of 2022.

2.5. European Taxonomy

The green taxonomy is a system established for the purpose of classifying economic activities and providing the businesses and investors with a clear definition of sustainable activity. The main goal of the system is to encourage capital investments for the purpose of financing sustainable development and mitigating the climate change under very clear denominations, aligned with the Paris Agreement and OECD objectives.

Successful implementation of the European taxonomy is fundamental for the continent to achieve the proposed climatic and environmental goals and for the future generations to be able to enjoy a healthy and habitable world.

In order to implement it, in January 2022 and under Delegated Regulation 2178, the requirement is established for the non-financial businesses to publish information on eligible and non-eligible economic activities according to the applicable regulations. For the Audax Group this implementation of the taxonomy involved an immediate alignment because of the sustainable goals set by the Group, aiming to create a portfolio of investments in photovoltaic and wind energy in order to generate and add to its distribution the energy from 100% renewable sources.

Under the EU Taxonomy Regulation (hereinafter, the "Regulation"), a "green" list has been created, which groups and classifies economic activities which are considered environmentally sustainable according to the recommendations of the Technical expert group on sustainable finance, who established and developed the technical criteria in order to classify these activities.

Eligibility Analysis

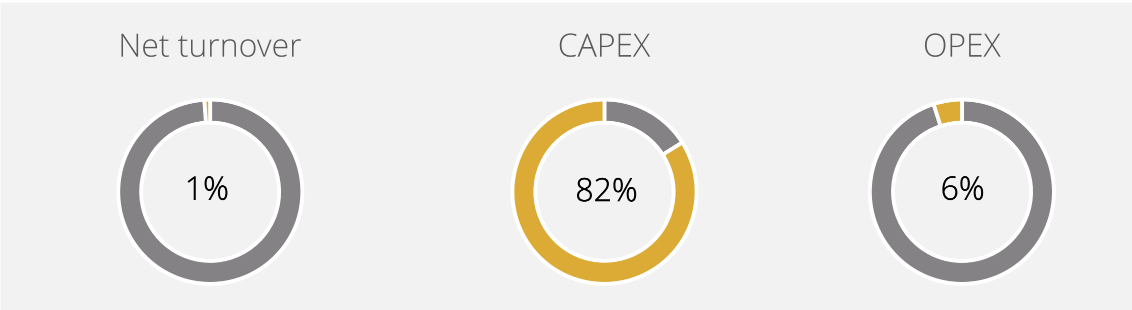
For the purpose of determining the eligibility of these activities and their subsequent analysis, they need to comply, in the first place, with the technical selection criteria and not contradict the goals established by the Regulation. Once the activities have been selected, it will be necessary to specify the percentage of these eligible activities which fits the taxonomy with regard to three indicators: total turnover (Income), in the investments in fixed assets (CAPEX) and in their operating expenses (OPEX).

According to the analysis, the Group's activity which is an eligible activity under the guidelines of the European Taxonomy Regulation is the generation of electricity from 100% renewable sources, such as photovoltaic and wind technologies.

The Group conducted an analysis of each of the activities carried out by all the companies which comprise it and which gave results in the three key indicators mentioned above. The main reference framework was the Regulation (EU) 2020/852, which in its article 3 defines the criteria applicable to the economic activities to be considered environmentally sustainable and, on the other hand, the Delegated Regulation (UE) 2021/2139, which in its Annex I provides taxonomic classification of the technical criteria in order to determine the conditions under which an economic activity contributes in a sustainable way to mitigate the climate change and does not cause significant damage to any of the environmental goals.

Results of the analysis of alignment with the EU Taxonomy

As a result of the analysis, the activity of electricity generation from wind and photovoltaic sources was determined to be eligible.



It has been determined that in 2021 Audax Renovables presents 1% of net turnover, 84% of CAPEX and 5.7% of OPEX of alignment with the objectives of Climate Change Adaptation and Mitigation according to the provisions of the EU Taxonomy[23].

It should be noted that the other main activity carried out by the Group is the activity of electricity and natural gas retailing, which, although integrated in the business, was not considered adjusted to the classification criteria of the EU Taxonomy.

This segregation of activities was obtained for the purpose of showing in a clear way how Audax Renovables contributes to the fulfilment of the environmental goals of climate change mitigation and adaptation. As a Group, it endeavours to meet the integral goal of its activities of generation as well as retail of renewable energy, with projections of growth in the installed capacity in the next years, with the aim of not only contributing to the mitigation of climate change by generating energy, but also of supplying the energy to all kinds of users in various countries where the Group operates.

As may be observed through the CAPEX indicator mentioned above, Audax financing is practically entirely assigned to develop its plan of constructing its plants, on which the principal goal is set, which is to have 2,524 MW of installed capacity by the year 2026. It should be noted

[23]For more details on the methodology used for the calculation of the itemised KPIs see the information contained in the Appendix II TAXONOMY CALCULATION METHODOLOGY to this document.

that all the projects of this portfolio have been commenced and are in various stages of development.

Audax Renovables has set a goal of project portfolio which involves the development of renewable energy generation plants and the increase of supply points of renewable energy, which has an impact that is positive basically from the environmental and social perspective, with projects and plants in six different countries. Moreover, endeavours are made to ensure the access to energy, with a positive impact on various communities, and to improve the standard of living in remote areas by providing energy security from renewable sources.

3. Information on social issues and concerning personnel

3.1. The Group's personnel

The Group is aware that its team is the essential asset and the one who allows all the activities to be carried out and will make it possible to tackle all the future plans with success.

Therefore, the Group strives to offer high quality training programmes, promote measures concerning equality and non-discrimination, guarantee safe and healthy working environment as well as ensure the reconciliation of work, private and family life. There are also programmes for training needs analysis and the Group makes sure to attend and listen to the employees' requests in order to respond and cater to their needs.

- Audax Renovables provides all new employees with a Welcome Pack comprised of the Corporate Code of Ethics and Conduct, a handbook about occupational risk prevention, the main internal rules and procedures, rules for regulation compliance, rules and procedures of entrance to and exit from the buildings, as well as the employment contract documents, the relevant authorisation for payroll management and user registration pursuant to data protection regulations. These documents set out the guidelines to be followed in connection with various topics, such as the ethics and confidentiality of information concerning clients, and outline all the responsibilities of the employees of Audax Renovables. The documents included in the Welcome Pack are made available through the internal Employee Portal, operating since December 2020.
- In addition to the Welcome Pack, Audax Renovables puts effort into raising awareness among its employees of the importance of equality and non-discrimination. Therefore the staff has been provided with the Internal Equality Plan, Harassment Protocol and Whistleblowing Channel, which are the tools made available to the employees in order to prevent, report, investigate and punish any kind of discriminatory conduct which may occur in the workplace.
- Audax Renovables also implements policies of reconciliation of work, private and family life and adopts various measures to guarantee the health and safety of the working environment.
- As mentioned before, the Employee Portal is available, which allows: to read and accept the mandatory documents as well as other formal documents of the organisation, to check the information related to the Group, the Internal Equality Plan, to access the suggestion box and the Whistleblowing Channel in a totally confidential and anonymous manner, and to check the internal job bank, set up with the aim of boosting promotion within the company.

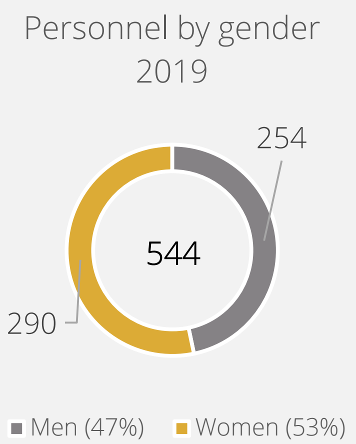
Accordingly, in all subsidiaries of the Group new policies and procedures have been drawn up, for example:

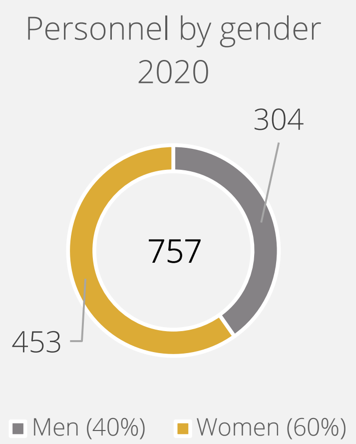
- Each new employee of the Polish subsidiary receives a document of internal regulations, which should be signed and returned, specifying, among other issues, the company obligations, the regulations concerning work organisation, confidentiality of information and financial responsibility of the employees.

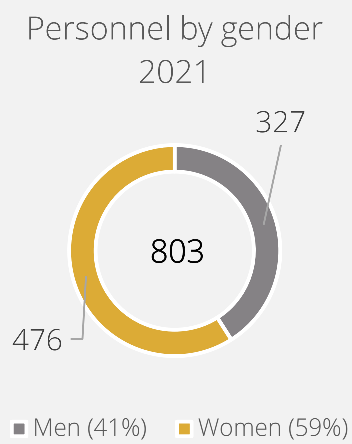
- Unieléctrica has a welcome book for new employees, which explains all the key aspects of the company and the advantages of working in it. Moreover, Unieléctrica has signed a Protocol with ASPY (a company operating in the field of Occupational Hazard Prevention), which outlines the objectives related to occupational hazard prevention, such as employee health and safety improvement, workplace atmosphere improvement, visibility and efficacy increase (in terms of success rate of undertaken preventative actions). The Protocol aims to establish the course of action and common policy of occupational hazard prevention. Lastly, Unieléctrica's Human Resources department and Labour department are working towards developing the Equality Plan which is designed to support equal opportunities in the workplace for men and women and which is scheduled to be approved in 2022.

Personnel data as at 2021[24]:

The Group has ended the year 2021 with a total of 803 employees, of which 59% are women and 40% are men, with employment contracts in the subsidiaries covered by this document. Audax Renovables encourages gender diversity in the workplace, therefore in 2021 gender representation in the Group is very balanced:



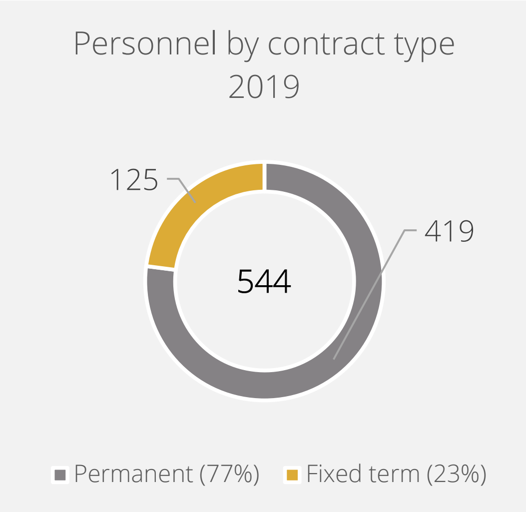


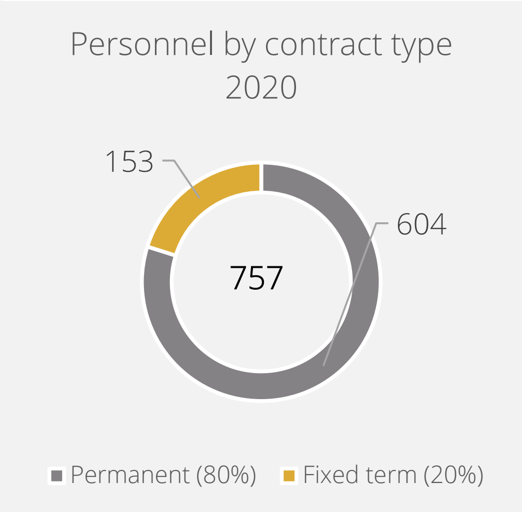


In 2021 the distribution of the professional staff of the Group has been as follows:

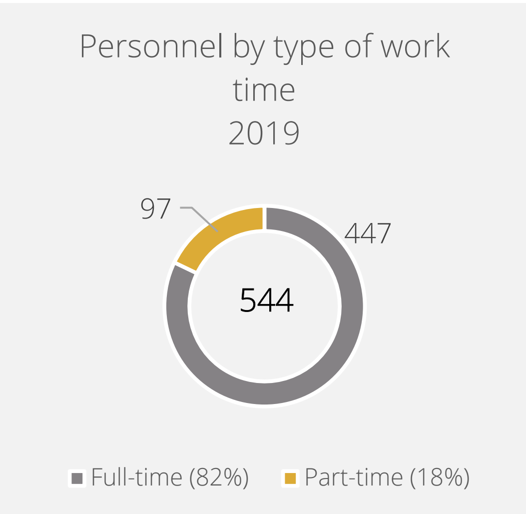
[24]The Group reports information on all its employees, covering the scope of all the companies which have active employees as at 31 December 2021.

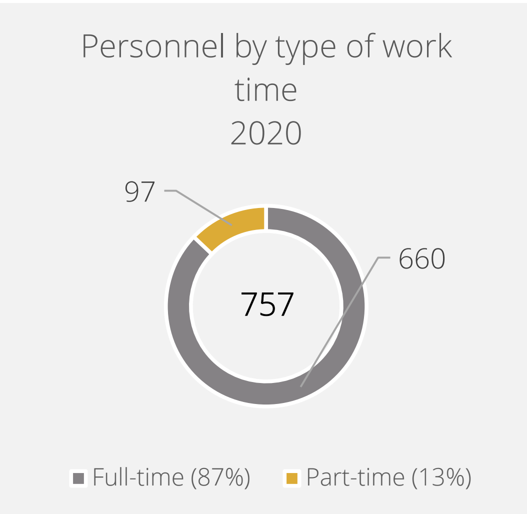
In line with the commitment to create stable and quality employment, the Group encourages indefinite employment contracts for professionals. Therefore, as at 31 December 2021, 76% of the employees had indefinite contracts.

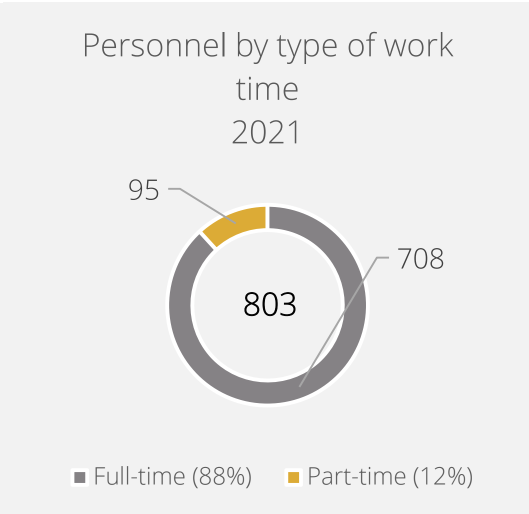




In 2021, 88% of the employees had a full-time contract, and a minority had a part-time contract. The Group is aware of the importance of the ability to offer diverse employment options in order to adjust to the personal needs of its employees as well as to the Group's activity.







The following table shows the distribution of staff by country, gender, age and professional category:

		SENIOR MANAGEMENT		MANAGEMENT		LEADERSHIP		MIDDLE MANAGEMENT		OTHERS	
	Age bracket	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
SPAIN	<30	0	0	1	0	0	0	1	0	44	30
	30-50	2	1	4	0	8	8	6	10	103	169
	>50	0	0	1	0	0	1	1	2	8	23
	Total	2	1	6	0	8	9	8	12	155	222
	Total Spain	3		6		17		20		377	
THE NETHERLANDS	<30	0	0	0	0	0	0	1	0	14	2
	30-50	0	0	0	0	2	0	6	1	36	11
	>50	0	0	2	0	0	0	2	0	15	4
	Total	0	0	2	0	2	0	9	1	65	17
	Total the Netherlands	0		2		2		10		82	
ITALY	<30	0	0	0	0	0	0	1	1	1	5
	30-50	0	0	1	0	1	3	1	1	6	15
	>50	0	0	0	0	0	1	0	0	0	0
	Total	0	0	1	0	1	4	2	2	7	20
	Total Italy	0		1		5		4		27	
GERMANY	<30	0	0	0	0	0	0	0	0		0
	30-50	0	0	1	0	0	0	0	2	1	0
	>50	0	0	0	0	0	0	0	0	2	0
	Total	0	0	1	0	0	0	0	2	3	0
	Total Germany	0		1		0		2		3	
PORTUGAL	<30	0	0	0	0	0	0	0	1	2	0
	30-50	0	0	0	0	0	0	0	1	5	17
	>50	0	0	0	0	0	0	1	0	0	1
	Total	0	0	0	0	0	0	1	2	7	18
	Total Portugal	0		0		0		3		25	
POLAND	<30	0	0	0	0	0	0	0	0	0	1
	30-50	0	0	0	1	0	1	0	2	3	8
	>50	0	0	2	0	0	0	0	0	0	1
	Total	0	0	2	1	0	1	0	2	3	10
	Total Poland	0		3		1		2		13	
HUNGARY	<30	0	0	0	0	0	0	0	0	4	16
	30-50	0	0	4	0	2	2	0	3	24	123
	>50	0	0	0	0	2	0	0	0	6	8
	Total	0	0	4	0	4	2	0	3	34	147
	Total Hungary	0		4		6		3		181	
Total employees by professional category		SENIOR MANAGEMENT		MANAGEMENT		LEADERSHIP		MIDDLE MANAGEMENT		OTHERS	
		3		17		31		44		708	
Total		803									

Table 8: Breakdown of staff by country, gender, age and professional category:

The following table shows the total number of employees with indefinite and fixed term contracts by gender, age and professional category:

	EMPLOYEES BY CONTRACT TYPE					
	2019		2020		2021	
	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract
Women	230	60	360	93	373	103
Men	189	64	244	60	240	87
Total	419	125	604	153	613	190
Percentage	77%	23%	80%	20%	76%	24%

Table 9: Total number of employees by contract type and gender

	EMPLOYEES BY CONTRACT TYPE					
	2019		2020		2021	
	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract
< 30 years	61	47	82	51	69	56
30-50 years	308	71	459	94	473	122
>50 years	50	7	63	8	71	12
Total	419	125	604	153	613	190
Percentage	77%	23%	80%	20%	76%	24%

Table 10: Total number of employees by contract type and age

	EMPLOYEES BY CONTRACT TYPE					
	2019		2020		2021	
	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract	Indefinite contract	Fixed-term contract
Senior Management	3	-	3	-	3	-
Management	20	-	17	-	16	1
Leadership	30	-	27	1	31	-
Middle Management	51	6	38	2	41	3
Others	315	19	519	150	522	186
Total	419	125	604	153	613	190
Percentage	77%	23%	80%	20%	76%	24%

Table 11: Total number of employees by contract type and professional category

In 2021 a total number of 20 dismissals took place in the organisation (15 men and 5 women), of which 2 persons were in the age range of <30, 12 in 30-50, and 6 in >50. 0 persons belonged to the category of Senior Management, 3 persons to the category of Management, 0 person to the category of Leadership, 1 person to the category of Middle Management, and 16 to Others.

REMUNERATION POLICY

According to the remuneration policy, the remuneration is generally comprised of a fixed element and a variable part. The Group strives to ensure a remuneration based on the equality principle, as it is stated in individual human resource policies of the subsidiary companies of the Group.

This commitment is also noticeable in the Code of Ethics and Conduct of Audax Renovables, where it is explicitly stated that the Group "*promotes equal opportunities between men and women in recruitment, training and promotion of professionals en their working conditions*".

The following table shows the average remuneration of the staff by age, gender and professional category All the reported salaries, including those of Senior Management and Directors, have been equated to full time and full year and include basic salary and bonuses, comprised of annual bonuses and other wage and salary payments made to the employees. The changes observed in comparison to the previous year are due to the integration of two new companies (Masqluz and ByEnergyc) or to the turnover of staff.

	AVERAGE REMUNERATION	
	2020	2021
Women	€24,910.24	€22,767.34
Men	€33,088.12	€31,944.46

Table 12 Average remuneration by gender.

	AVERAGE REMUNERATION	
	2020	2021
< 30 years	€23,024.93	€18,941.53
30-50 years	€29,115.68	€28,087.83
>50 years	€29,613.31	€31,949.94

Table 13: Average remuneration by age

	AVERAGE REMUNERATION			
	2020		2021	
	Women	Men	Women	Men
Management[25]	-	€105,171.65	-	€122,167.87
Leadership	€35,299.08	€72,074.28	€39,502.04	€86,254.85
Middle Management	€26,093.83	€39,800.81	€31,306.44	€38,555.87
Others	€22,949.13	€25,478.60	€19,555.06	€23,732.22

Table 14: Average remuneration by professional category and gender

[25] The average remuneration of women in the Management category is not shown due to confidentiality reasons, because there two or fewer persons in such position, therefore showing their salary would amount to making explicitly public their annual remuneration.

	AVERAGE REMUNERATION OF DIRECTORS AND MANAGERS	
	2020	2021[26]
Senior Management	€109,256	€163,377.67
Directors[27]	€74,600	€92,000

Table 15: Average remuneration of Senior Management and Directors

Furthermore, there is also a flexible remuneration with the purchase of health and dental insurance, and there are certain additional benefits such as special tariffs on electricity and natural gas for the employees. Currently, the Group does not have its own pension plan.

The Group is committed to offering better salary conditions to its employees. The average ratio of standard entry level wage compared to local minimum wage for the Group is 1.27[28] In Spain the ratio is 1.02, in the Netherlands it is 1.35, in Portugal it is 1.24, in Germany it is 1.47, in Hungary it is 1 and in Poland it is 1.22.

PAY GAP

Beyond gathering the remuneration data, the Group has calculated its pay gap in order to ensure better monitoring of its commitment to the pay equity, as established in the human resources policies and other documents mentioned before.

The calculation of the pay gap is carried out based on the annual remuneration of the active staff at the end of the fiscal year, according to the following formula:

$$\text{Pay gap} = \frac{\text{Average remuneration of Men} - \text{Average remuneration of Women}}{\text{Average remuneration of Men}}$$

According to the methodology indicated before, the global pay gap of the Group is of 29% (54% in leadership, 19% in middle management, and 18% in the category of others)[29]

[26] The information on average remuneration of Senior Management and Directors is not itemised by gender, as there are two or fewer women in both categories.
[27] The information concerning directors refers to the year 2021, thus it includes the remuneration of those Directors who were active as at 31 December 2021. Two of the Directors are executive. Regarding the Non-executive Directors (3 of them being men and 2 women), the report shows the amounts received by them for their attendance to the meetings and committees during the fiscal year of the report. For more information see the Annual Report on the Remuneration of Directors.
[28] The ratio of Italy is not included in this calculation, because in Italy there is no local minimum wage.
[29] The information on pay gap in the category of Senior Management and Management is not presented due to confidentiality reasons, because in such categories the number of women is 2 or fewer, therefore showing the pay gap in conjunction with the data on the salaries of men (previous table) would allow to get to know their annual remuneration.

TRAINING

As previously mentioned, the Group is aware that success is the result of the work, commitment and professional skills of its team. Therefore, the Group is committed to promote policies and schemes of talent retention and professional development directed to its employees.

Audax Renovables strives to detect and provide effective solutions to the needs of its clients. Accordingly, Audax Renovables decided to carry out various training courses in Excel (both basic and advanced level) and languages. Audax Renovables is aware that the employees are the company's paramount value and, therefore, evaluates and tries to cater for their needs. Apart from these courses, in the year 2021 there were English courses and seminars on visualisation tools and data analysis (Qlik Sense), in addition to specialised courses related directly to the Group's activity, such as the course on electricity market or "gas pricing".

In 2021 the Group continued offering a programme of continuing training in order to ensure that the staff had the opportunity of personal and professional development. The programme of continuing training in the subsidiaries is not limited to the obligatory training, but is aimed at including the specific needs of the employees.

For example, the Polish subsidiary provides quality active training organising internal courses on updated information about the company's products and activities, as well as courses on occupational risk prevention, courses on data protection law, on how to work with confidential documents, among others. In addition to the obligatory courses, there are language courses during work hours in the same company.

The Hungarian subsidiary has an annual budget assigned to the training and development of its employees, which covers the obligatory training as well as the courses designed to develop new professional skills. In this regard, it should be mentioned that training in this subsidiary includes subjects such as team working or special courses for sales representatives.

The Italian subsidiary, in turn, assigns a fixed budget for training in order to provide its employees with new professional skills and acquired knowledge about regulatory and legislative changes. There are also seminars on subjects related to compliance, privacy, audit and finance.

Another good practice which should be pointed out has been implemented in the Unieléctrica subsidiary, where they prepare an annual plan of training needs taking into account corporate strategic training, career plans and the evaluation of needs. The employees' concerns are also taken into account. This subsidiary works towards catering for the educational needs of the employees through loans granted by Fundación Tripartita. During the present year in Unieléctrica there were internal and external courses focused on developing the expertise in the electric market, occupational risk prevention and improvement of sales efficiency.

In 2021 the Group invested a total amount of €100,749.64 in training.

The following table shows the total number of hours of training of the Group's employees by professional category:

	HOURS OF TRAINING		
	2019	2020[30]	2021[31]
Senior Management	0	43	55
Management	261	250	166
Leadership	174	437	318
Middle Management	167	713	221
Others	1,221	3,733	5,916
Total	1,823	5,176	6,676

Table 16: Total number of hours of training by professional category

As specified above, among the subjects of the courses offered this year, the following stand out:

- Languages
- Customer service
- Data protection
- Occupational risk prevention
- Workshops and webinars on the tools used within the organisation, Qlick
- Expert course on electricity market
- Gas pricing

RECONCILIATION OF PERSONAL, PROFESSIONAL AND FAMILY LIFE

The Group is strongly committed to respect the personal and family life of all persons who are part of the Group. Consequently, it implements reconciliation programmes, which support the distribution between professional and personal time, such as flexible working hours (whenever it is possible according to the type of work) and working time reduction (at the employees' request).

The following table shows the typology of working day according to gender, age group and professional category, which confirms the flexibility as the Group's differential value.

	EMPLOYEES BY TYPE OF WORK TIME					
	2019		2020		2021	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Women	225	65	384	69	402	74
Men	222	32	276	28	306	21
Total	447	97	660	97	708	95
Percentage	82%	18%	87%	13%	88%	12%

[30] This figure refers to Audax Renovables, Unieléctrica, and the Portuguese, Italian, Dutch, German and Hungarian subsidiaries. The increase in hours of training is the result of the commitment to online training as well as the improvement of the reporting system.
[31] This data refers to Audax Renovables, Unieléctrica, Masqluz, the Dutch, Hungarian and Italian subsidiaries

Table 17: Total number of employees by workday type and gender

	EMPLOYEES BY TYPE OF WORK TIME					
	2019		2020		2021	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
< 30 years	88	21	111	22	112	13
30-50 years	316	62	490	63	525	70
>50 years	43	14	59	12	71	12
Total	447	97	660	97	708	95
Percentage	82%	18%	87%	13%	88%	12%

Table 17: Total number of employees by workday type and age

	EMPLOYEES BY TYPE OF WORK TIME					
	2019		2020		2021	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Senior Management	3	-	3	-	3	-
Management	15	3	17	-	17	-
Leadership	29	1	27	1	29	2
Middle Management	51	6	36	4	38	6
Others	347	87	577	92	621	87
Total	447	97	660	97	708	95
Percentage	82%	18%	87%	13%	88%	12%

Table 18: Total number of employees by workday type and professional category

As an illustration of the Group's commitment to reconciliation and flexibility, and beyond compliance with applicable local regulations, working hours in the Group are established according to the season. For example, in the Dutch, Polish and German subsidiaries, the organisation offers flexible hours schedule, which allows employees to start the workday between 07:30 and 09:00 a.m. and finish between 4 and 5:30 p.m. In the Hungarian subsidiary the schedule is flexible between 6:00 a.m. and 6:00 p.m., with five fixed hours between 9:00 a.m. and 2:00 p.m.

In the case of Audax Renovables, the working hours are usually from 8:30 a.m. to 5:30 p.m., except for the SAC (Customer Service), which has different schedule in order to cover the time range between 9:00 a.m. and 7:00 p.m. In Unieléctrica, the working hours from Monday to Thursday is 8:30 a.m. to 2:30 p.m. and 4:15 p.m. to 6:30 p.m. and Friday afternoons are free of work on a rotation basis. The organisation also sets summer working hours in July and August by promoting intensive work day.

As in the previous year, due to the consequences of the pandemic, the organisation continued promoting flexible hours in order to improve work-life balance of its employees in this extraordinary situation.

On the other hand, in all companies the rest time is determined by the specific collective agreement subject to the local applicable regulations.

Lastly, in regard to switching off from work, the organisation has implemented various measures in this regard, such as not calling meetings at certain hours, and, in the specific case of Unieléctrica, sales coaches are not obliged to answer phone calls outside their working hours.

In conclusion, it should be noted that 100% of employees in Spain, Italy and Portugal are covered by collective agreements. In Hungary this figure is 98%. On the other hand, the Netherlands, Poland and Germany do not have these collective bargaining agreements.

The minimum term for operational changes continues to be the one established in applicable law.

3.2. Diversity, equal opportunities and non-discrimination

The Audax Group is firmly committed to equality of treatment and opportunities, as well as to diversity. As an illustration of this commitment, there are various schemes and procedures, whose objective is to prevent and mitigate any discriminatory situation or a threat to the dignity of the persons who comprise the Group.

Together with the introduction in 2020 of the first Internal Equality Plan, an analysis was carried out and action plan was prepared to achieve equality of opportunities for men and women, and based on those documents specific actions were designed to be implemented in the following areas:

- Organizational culture and management
- Working conditions
- Access to the organisation
- Internal and/or continuous learning
- Promotion and/or career development
- First-aid measures
- Remuneration
- Working time and co-responsibility
- Gender-neutral communication
- Health and safety in the workplace
- Prevention of and reaction to sexual and gender harassment

The priority measures, of which some have already been implemented and appear in the Group's structure at the end of 2021, are as follows:

- An internal labour market on the Employee Portal, which provides the same opportunities for both genders, implemented in 2020.
- Promotion of equality of women and men in all departments. In this regard, at the management level, the company integrated in 2021 two women into its superior governing body. Therefore, the incorporation of female talent, which is in line with the best practices of good governance, is reflected in the composition of the Board of Directors and places the female participation at 33% of the total number of members of the Board.
- A plan for the improvement of the internal communication, which highlights the importance of using non-sexist and inclusive language.

Also, in accordance with the Equality Plan, the Equality Committee has been set up, comprised of 6 persons from the staff, and is responsible for supervising the compliance with the equality of treatment and opportunities principle within the organisation, ensuring the fulfilment of the plan and its actions within the proposed deadlines, organising follow-up meetings and encouraging new awareness-raising actions and measures. All these functions are outlined in the Regulations of the Equal Opportunities Committee.
According to the Group's commitment to bolster equality within the organisation, during the employment procedures the inclusion of diverse collectives is promoted. With this regard, in 2021 the total number of employees with disability is 12.

Moreover, as a part of the Equality Plan, and given that the Group explicitly rejects any forms of harassment, it has drawn up the Harassment Protocol. Apart from the definition applied within Audax Renovables of the term of workplace harassment, the document specifies also a procedure for complaints which may be received through the Group's Whistleblowing Channel. In this regard, the Group promotes the use of the Whistleblowing Channel as a means of secure and confidential communication available to all the employees of the Group, and works towards ensuring compliance with its policies of conduct.

During 2021 the Group received a complaint through the Whistleblowing Channel of Audax which, upon due examination by the Criminal Compliance Committee (CCP) and consultation with an external advisor in order to guarantee the utmost independence and impartiality of the investigation, was dismissed and consequently filed. Notwithstanding the filed procedure, the CCP will monitor and publish pertinent informational actions in 2022, emphasising and promoting the compliance culture within the organisation.

All the documents mentioned before are made available to the employees on the Employee Portal, and relevant information has been sent by email.

Notably, the Dutch subsidiary has implemented various measures designed to prevent any possible discriminatory conduct: the organisation has designated two employees as "Confidential Advisers". Their role is to offer advice to the employees who experience undesirable behaviour from others, such as bullying, discrimination, aggression, violence or sexual harassment. All conversations between the employees and the advisers are entirely confidential and private. The confidant shall advise and guide the employee offering an explanation of every possible option, so that the employee may adopt the best measure based on the advice received.

It is also worth mentioning that Unieléctrica has information cards with the descriptions of work posts, aiming to promote equality in the organisation in all its dimensions, and helping to reduce the possibility of any kind of biased approach. At the same time, the Human Resources and Labour department of that subsidiary coordinates its work in order to draw up formal documents regarding this matter.

Another means of equality promotion was implemented in the Hungarian subsidiary in the form of the so called maternity coordination task. It has been designed in response to the reality of the country, where mothers have the possibility of staying at home with the child for up to three years. Coordination tasks were implemented in order to allow these women to stay in touch with the team and get up-to-date information on the changes and/or news in the organisation.

Lastly, the Group strives to guarantee workspace accessible for disabled persons, in compliance with current legislation, and has entrance ramps, lifts and other facilities. Since 2020 Audax

Renovables has the new headquarters in Badalona, which also has all the accessibility measures implemented in order to ensure universal access to all its facilities.

3.3. Workplace health and safety conditions

Paying utmost attention to the health and safety of all staff members is another essential aspect of the Group's management.

In 2021 the use of those necessary measures - implemented in 2020 - has continued in order to guarantee security, health and work-life balance of all the staff during the lockdown periods, and were adapted to the needs arising from the situation of the pandemic.

Some of the implemented measures, which confirm the Group's commitment to continuing improvement of the staff's health and safety, are specified below:

- The organisation offers training on the subject of occupational risk prevention.
- Each year an analysis is conducted of accidents at work occurred in the Group, if there are any, in order to enable the implementation of prevention programmes. Moreover, as many of the jobs in the Group are office jobs, the main risks identified are of postural nature; for this reason, the Group works in close cooperation with ASPY in order to publish documents and leaflets explaining those risks to the employees and advising appropriate precautionary measures in order to prevent them. Additionally, Audax Renovables carries out specific health surveillance for Senior Management, including a complete yearly medical check-up.
- With the support of the Occupational Risk Prevention services of Aspy Prevención, Audax Renovables and Unieléctrica have been able to evaluate the occupational risks to which the employees are exposed (both in general and in their work stations). On the grounds of that study, necessary preventive measures have been established in order to eliminate or control each and every identified risk.
- The Dutch subsidiary, together with Preventix (a company hired for the purpose of Occupational Risk Prevention), draws up a document containing a checklist of various inspections carried out throughout the year and their result.
- Furthermore, Audax Energia, the Italian subsidiary, has another prevention service at its disposal and has implemented a formal protocol of occupational risk management, where the role of every individual participant involved in the prevention system is specified. There are management guidelines for emergency situations as well as for identification and evaluation of the risks to which members of the staff are exposed. Moreover, there is an external consultant providing assistance in the management of the health and safety in the workplace matters.
- The Hungarian subsidiary has an ISO 45001 certificate of occupational health and safety.
- Lastly, in various subsidiaries the employees are offered the option of purchasing health and dental insurance as part of their flexible remuneration.

- In addition to that, information cards have been drawn up describing work posts[32] and detailing technical and personal requirements to be met in order to assume a particular work post within the Group.

Additionally, and as a consequence of the COVID-19 pandemic, the Group has endeavoured to raise the widest awareness and sensitivity to the importance of a good workstation while working from home, assisting the employees with ensuring the health and comfort measures in their workstations.

MAIN FIGURES RELATED TO ACCIDENT RATES

The aim of the implementation of all these measures is to reduce to the minimum the accidents at work. In the year 2020 in particular these figures increased, because the cases of COVID-19 were considered as accidents at work, pursuant to the current legislation. In the current year, among the reported accidents at work, there were 18 corresponding to the cases of COVID-19 (13 in women and 5 in men).

	ACCIDENT RATES[33]					
	2019		2020		2021	
	Women	Men	Women	Men	Women	Men
No. of work accidents with sick leave[34]	5	2	17	3	17	8
No. of days lost due to work accidents with sick leave	196	48	359	11	244	34
Frequency rate	8.24	3.09	38.94	10.19	37.13	25.14
Severity rate	0.32	0.07	0.82	0.03	0.53	0.11
Hours of absenteeism[35]	32,948		50,944		58,073	

Table 19: Number of work accidents, days lost, frequency rate and severity rate and hours of absenteeism

The calculation of accident rates by gender is done using the following formulas:

$$\text{Frequency Rate} = \frac{\text{Number of work accidents with sick leave} \times 10^6}{\text{Actual hours worked}}$$

$$\text{Severity rate} = \frac{\text{Days lost due to work accidents with sick leave} \times 10^3}{\text{Actual hours worked}}$$

32 Unieléctrica was the subsidiary which prepared these information cards describing work posts. The Dutch subsidiary has a document with the vacancies and specifications of each of them.

33 There were no occupational diseases during the three years disclosed in the accident rates table.

34 The criteria for work accidents reporting include commuting *(in itinere)* accidents and the cases of COVID-19 with leave reported to Seguridad Social (national health system in Spain) for the years 2020 and 2021, therefore the frequency and severity rates for the years 2020 and 2021 are higher than those for the year 2019. The main part of the text contains a breakdown of the COVID-19 cases considered as work accidents.

35 The reported hours of absenteeism include the hours or work lost because of sick leaves due to work accidents and common contingencies.

3.4. Respect for human rights

The Group strives to promote respect for human rights,

It was not considered critical to bring the company's operations to an evaluation regarding human rights during the year 2021. However, in line with its commitment to guaranteeing respect for human rights in all the Group's activities, there are several documents, which comply with the Ten Principles of the United Nations Global Compact as well as with the Universal Declaration of Human Rights and the fundamental conventions of the International Labour Organisation.

For example, Audax Renovables, has promoted various actions in order to ensure compliance with Principle 1[36] of the Guiding Principles:

- Update of the Corporate Code of Ethics and Conduct, whose acceptance is obligatory for each and every employee, to whom the Code is applicable[37]. This document outlines, for example, the organisation's commitment to the respect for fundamental rights, equal opportunities, diversity and non-discrimination, the right to privacy, harassment prevention and matters related to health and safety in the workplace. This way the organisation ensures compliance with the fundamental human and labour rights in all its activities.

  It should be mentioned that all employees must declare their commitment to the principles of the Corporate Code of Ethics and Conduct, which is a part of the *Welcome Pack* received by each employee at onboarding in the company.

- The existence of the Whistleblowing Channel, a mechanism designed for the purpose of reporting types of conduct which might entail human rights violation.
- The harassment protocol of the organisation is aimed to keep the work environment free of any conduct susceptible of being considered as harassment or bullying in the workplace. The document also suggests measures which can be taken to prevent such types of conduct.
- Policy promoting reconciliation of work, private and family life.
- Measures implemented in order to ensure safe and healthy work environment.
- Lastly, Audax Renovables focuses its attention on Principle 2[38] of the Guiding Principles, extending its commitment to promote human rights among the suppliers. In this respect, the company makes explicit reference in its Code of Ethics and Conduct to the ethical commitments of the suppliers, to which special attention was paid during the construction of the wind farm in Panama. However, it should be mentioned that, due to the Group's activity, usually there is no direct risk related to human rights abuse by its suppliers.

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[36]Principle 1: "Businesses should support and respect the protection of internationally proclaimed human rights within their scope of influence".

[37] The scope of the Corporate Code of Ethics and Conduct includes, by now, Audax Renovables and subsidiary companies (listed company).

[38]Principle 2: "Businesses should make sure that they are not complicit in human rights abuses".

The subsidiary company Unieléctrica has implemented a code of criminal conduct, which contains a section on human rights and makes reference to the integrity, honesty, respect for the persons and objectivity in business operations.

The Group is committed to the following labour principles in accordance with the fundamental conventions of the International Labour Organisation:

- Support freedom of association and effective recognition of the right to collective bargaining.
- Support elimination of all forms of forced or obligatory labour.
- Support effective abolition of child labour.
- Support elimination of discrimination in employment and occupation.

As mentioned before, in 2020 a new whistleblowing channel was implemented and made available to the employees and suppliers in order to enable communication of any irregularity and/or consultation on compliance matters and regarding human rights of company employees and stakeholders.

In 2021 a complaint was received through the channel, which, upon due examination by the Criminal Compliance Committee and consultation with an external advisor on terms of confidentiality, utmost independence and impartiality with respect to the provisions of the Whistleblowing Channel Regulations, was dismissed and consequently filed. The Group's commitment is to tackle any complaint by reviewing the pertinent measures and possible corrective actions in order to ensure due compliance by the stakeholders.

In 2021 the Group did not carry out special training on Human Rights issues. These training sessions will be developed within the framework of special training on Compliance Model from the year 2022.

4. System of Regulatory Compliance of Audax Renovables

The activity of the Group is founded on the culture based on its values and is carried out in strict compliance with applicable law and with the highest compliance standards. In order to go a step further, the organisation is working towards drawing up and implementing a Compliance and Criminal Risk Prevention Model, which will allow it to prevent, detect and punish possible offences. For this purpose the organisation applies the following policies and mechanisms:

- Corporate Code of Ethics and Conduct of Audax Renovables and its subsidiary companies: updated in 2020, this document's purpose is to make known to all employees of the Group the values and principles which ought to govern their work and professional activity. Another objective of the document is to help the Group attain the goals set in its mission, vision and values.
  - The Code of Ethics addresses, among other issues, the respect for fundamental rights, the aspects related to the Group's employees and the ethical commitments to the environment and to the suppliers.
- Disciplinary Rules and Sanctions – Corporate Code of Ethics and Conduct of Audax Renovables and its subsidiary companies: a supplement to the Code of Ethics and Conduct, the document sets out the penalties for non-compliance with the principles and actions outlined in these documents.
- Criminal Compliance Committee. It is the body responsible for criminal compliance within the organisation. Its duties include mapping out the risks, developing the process for identification of specific risk areas, periodic analysis of identified risks and assistance to the Senior Management in the case of new risk scenarios. The Committee is also responsible for managing the Whistleblowing Channel. The Committee, set up this year, is comprised of the managers of various departments within the organisation.
- Compliance Officer. As a result of the implemented Compliance Model, the post of Compliance Officer has been defined and created in various subsidiary companies of the Group.
- Regulations of the Criminal Compliance Committee. Developed by the Criminal Compliance Committee itself and approved by the Audit Committee and the Board of Directors, the regulations determine the principles governing the Committee's activity and its internal organisation.
- Compliance and Criminal Risk Prevention Handbook of Audax Renovables and its subsidiary companies: this document constitutes a strong commitment to maintain compliance with the Criminal Code and the principles of ethics and good corporate governance. For this purpose it is structured around 4 principles: Prevention, Detection, Reaction and Follow-up.
- Compliance and Criminal Risk Prevention Policy. Within the framework of the Compliance Handbook mentioned before and in line with the Code of Ethics, the policy informs Audax personnel and third parties of the organisation's opposition to the commitment of any illicit, criminal or unlawful act.

- Whistleblowing Channel. The access to the whistleblowing channel platform, designed for the employees and suppliers, will be possible through the Employees Portal or a special website set up for this purpose. It is a means of reporting irregularities and/or making queries about the matter.
- Whistleblowing Channel Regulations. The regulations govern the activities and steps to be taken by the Criminal Compliance Committee as the body in charge of the Whistleblowing Channel. The anonymity of the informants and confidentiality of the information are guaranteed.

For the purpose of overseeing the implementation of and compliance with all these documents, among other objectives, the Group has established the Audit Committee, a delegated body of the Board of Directors. Moreover, the Internal Audit Department of Audax Renovables draws up annually the Audit Plan, detailing the tasks to be carried out throughout the year.

Likewise, within the framework of the regulatory compliance process, the Group will endeavour to establish the basis of special training on the Compliance Model, which will start in January 2022. The training capsules will cover, among others, the topics related to corruption, bribery, money laundering, the whistleblowing channel and offences against natural resources and against workers' rights.

The Group continues developing the Compliance Model in the parent company as well as in its subsidiaries, and will be organising subsequent informational meetings in order to implement it in all the Group's subsidiaries.

Additionally to the application of those documents, Unieléctrica has its own Code of Good Practice and Code of Criminal Conduct. The following obligations defined in the Code of Conduct should be emphasised: compliance with applicable law and internal regulations; integrity, honesty and objectivity in business operations; respect for persons and protection of health and physical integrity.

The Hungarian subsidiary currently pursues various policies on access to financial systems.

In 2021 Audax Renovables did not receive any fines for non-compliance with the law or regulations in social and economic field.

4.1. Risk management

The organisation applies also a formal process of risk identification[39] developed by the Internal Audit Department. Within the framework of the new compliance governance model, a new Risk Map was drawn up at the end of 2020, which was reviewed with regard to probability and impact in May 2021. Thus, many of the relevant risks have been included in the Audit Plan for 2022.

Additionally, for the purpose of drawing up the Non-financial Information Report a general risk analysis was carried out.

Below is presented a summary of the main identified criminal risks as well as other recognised risks addressed in this report.

- Major risks identified in the area of Environment: due to the nature of its business activity, the Group is exposed to environmental risks, such as weather conditions of the

[39]The organisation understands risk management to be any future event or contingency which could hamper the Company's ability to successfully meet its business objectives.

places where the facilities are located. Another issue considered as risk is the fauna conservation and management as well as appropriate management of the environment and natural resources.

- Major risks identified in the area of Labour: this refers to all kinds of risk related to the work post and the activities of all the persons working in the Group. At the same time, specialisation, training, talent retention and succession planning are some of the issues to which special weight is attached, because the knowledge and skills of the employees are of the utmost importance for the Group. Therefore it is necessary to identify professional needs and establish clear requirements for each work post, as well as to have available a portfolio of candidates whose profiles are potentially suitable for the most popular posts.

- Major risks identified in the area of Human Rights: to respect and guarantee compliance with the principal human rights of all persons is a key subject for the Group.

- Major risks identified in the area of Fight against Corruption and Bribery[40]: risks related to violation of Criminal Code, with special attention given to corruption and bribery offences, as well as the risks related to the possible changes to legislation. In this context, Audax Renovables identifies three materialisation variants in the area of public corruption (bribery, influence peddling and corruption of public officials) and corruption in business.

  In order to prevent any form of corruption and bribery, Audax Renovables has the following documents and measures available: client acquisition procedures, contract validation handbook, bank reconciliation, delivery contract model, dissemination of public administrations delivery contract terms, public administrations proceedings, cash and bank accounts management, digital certificates of electricity and gas purchases, forecasts of income from energy retailing and price hedging contracts. Those documents establish the company's key procedures for mitigating risk of bad conduct of its employees.

  Due to a case of professional negligence in the Polish subsidiary, the Group's Management decided in 2021 to appoint a new person in charge of that subsidiary. Moreover, and as a measure to improve the control environment, the Group decided to accelerate the process of implementation of the Internal Control over Financial Reporting System, in line with the rest of the subsidiaries of the Group.

  Accordingly, in the Hungarian, German and Polish subsidiaries the system of internal control of the group was implemented. The Internal Control for Financial Information (ICFR) systems serve to mitigate the risk of fraud, operational and financial risks, and help prevent corruption and bad conduct of the employees and middle management executives. The internal control system was validated and tested by an external expert, in this case Deloitte, and involved all the Group's subsidiaries with effective results.

  The Hungarian subsidiary has also a detailed financial process and a set of policies available (submission policies, invoice compensation policies) which define the access to the financial systems of the company. The activities identified as vulnerable to corruption and bribery risks are subject to control procedures such as payment processes

[40] This aspect is immaterial to the company, as it is not directly subject to the law. However, the organisation has implemented some simplified measures of due diligence based on the law 10/2010.

controlled by SAP, reviewing of providers' ratings prior to placing orders, procedures for standardised purchases, closed management processes for collection of payments, commission payment policies, acceptance of electronic only payments and avoidance of cash payments, among others.

Moreover, the Corporate Code of Ethics an Conduct outlines the basic standards of conduct in third party relations (for example, with the suppliers).

- Major risks identified in the area of Community: refers to all those risks which may have direct impact on the community, on the supply chain and on the clients.
- Major risks identified in the area of Economy: these are risks connected with prices, accounting requirements, money laundering and others.

5. Information on social matters

5.1. Company commitment to sustainable development

The Group's commitment to sustainable development has made it understand that its business activity is in constant relation with the environment and requires responsible behaviour.

For this purpose, the Group cooperates with various non-profit organisation, which promote protection of children at risk of social exclusion, research, respect for animals, sport or combating diseases.

The Group encourages the employees to take part in various activities carried out within the framework outlined before. Therefore, since 2017, internal mechanisms have been implemented in order to allow all the employees to suggest and vote for the organisations which which they want to cooperate.

The mechanism works in the following way: the employees of the Group can suggest any non-profit association or NGO which operates on national or local level within the scope of issues such as assistance and help to marginalised communities or groups at risk, defence of human rights, defence and protection of animals or the natural environment, as well as others. Subsequently, the employees of the Group can vote to choose three entities with which they want to cooperate throughout the year.

In 2021 the organisation made donations in the amount of €10,304. This amount includes purchase of charity products from associations and other non-profit entities.

Audax Renovables has contributed to the following entities:

- SPAM - La Societat Protectora d'Animals de Mataró,
- Fundación de Oncología Infantil Enriqueta Villavecchia,
- Fundación Pequeño Deseo, SJD Pediatric Cancer Center Barcelona
- Els Petits Valents – initiative of Sant Joan de Déu)
- Cris contra el cancer

In 2021 the Italian subsidiary of Audax Renovables made the following donations:

- La Fondazione Pangea Onlus
- La Associazione Italiana Sclerosi Multipla Onlus - AISM
- La Associazione Italiana per la Ricerca sul Cancro - AIRC
- Huntington Onlus.

As regards Unieléctrica, in 2021 the subsidiary cooperated with the foundation Fundación Privada Catalana Comptal Cáritas y FEPAMIC

The organisation's Code of Ethics and Conduct states specifically that any connection, affiliation or cooperation of the employees with political parties must be carried out in such a way as to highlight its personal character and avoid any connection with the Group.

Another example of the Group's commitment in this area is its affiliation to such entities, as:

Audax Renovables:

- AEE (Association of Wind Energy Companies)
- UNEF (Spanish Photovoltaic Union)
- EOLICCAT (Catalan Wind Energy Association)

- ASNEF (National Association of Credit Finance Institutions)

Unieléctrica:

- ASNEF (National Association of Credit Finance Institutions)
- ANESE (Association of Energy Services Companies)
- A3E (Association of Energy Efficiency Companies)
- CECO (Confederation of Companies of Córdoba)

Dutch subsidiary:

- Energie Nederland
- NEDU (Nederlandse EnergieDataUitwisseling)

Italian subsidiary:

- Camera di Commercio di Spagna in Italia

Hungarian subsidiary:

- MEKSZ / HETA (Hungarian Energy Traders' Association)

The Group has not identified transactions of significant impact on local communities, nor has it quantified the indirect economic impact derived from its activity.

However, the organisation is highly aware of a possible impact which its activities may have on local communities and areas. An example of this awareness is the construction of the wind farm in Panama, commenced in 2018, which has been carried out in compliance with the Equator Principles for strict managing of social and environmental risk and health and safety. Although the plant is not located in an indigenous population area, but it is in a region of biodiversity. Therefore, the company is conducting research on bird migration and has a plan for environmental, social and water monitoring, which outlines the means of wildlife rescues, if necessary, among others. The entire construction of the wind farm has been carried out under the supervision of an external consultant.

5.2. Supply Chain

Audax wants its supplying companies to operate on the basis of the same ethics commitments which it has defined for its own activities. No specific evaluations are made regarding environmental or social matters, but the Group pursues the compliance of the Code of Ethics and Conduct throughout its supply chain.

For this reason, the updated Code of Ethics and Conduct features a again section dedicated exclusively to the Ethical Commitment of the Suppliers. The section contains the following statements:

- "The relations with the suppliers shall be governed by the principles of integrity and fairness".
- "The Group and its employees shall extend their own values to the suppliers of goods and services".
- "Confidentiality of the suppliers' data shall be protected and legal provisions on personal data protection shall be complied with".

- "The relations with clients and providers shall be based on the highest standards of professionality and transparency".
- "The employees shall avoid any kind of interference or influence of the clients, providers or third parties, which might alter their professional impartiality and objectivity".

In regard to the application of the criteria of social responsibility in the supplying companies, the Group endeavours to work with companies of recognised standing.

Audax evaluates the possible risks associated with its supply chain, and in 2021 no negative social impacts have been identified within the Group's supply chain, and no transactions or suppliers have been identified whose freedom of association or collective bargaining could be at risk. Also, no operations or suppliers have been identified with significant risk of forced labour.

Moreover, the Group prioritises contracting local suppliers[41]. Proof of it is that 90.52% of its annual expense for the year 2021 was spent on that type of suppliers.

5.3. Commitments to the community and stakeholders

The Group undertakes to maintain fluent and transparent relations with stakeholders, considering it as essential to understand their main concerns related to the Group's activity and the risks to which they might be exposed.

An example of this commitment may be found in the Code of Ethics and Conduct of Audax Renovables, which contains an explicit reference to the obligations towards the stakeholders, and constitutes a key pillar of ethical conduct of the employees. Some of these commitments are presented below:

- In regard to the shareholders, the document highlights that these relations shall be governed by the general principle of transparency and confidentiality. Consequently, there are various channels made available for the purpose of communication and inquiry, such as the Shareholders' Corner on the corporate website.

- In regard to the investors and financial analysts, since Audax Renovables is a listed company, it has implemented the Internal Regulations for Conduct in the Securities Markets. The objective of that document is to protect the investor by promoting transparency rules.

  In order to ensure communication with these stakeholders, apart from other established communication channels, the organisation has created the Investor Relations Management and has an email address for shareholders and investors.

- Regarding authorities, regulatory bodies and public administration, the Code of Ethics and Conduct states that these relations shall follow the principles of lawfulness, fidelity, reliability, professionalism, cooperation, reciprocity and good faith. Contractual obligations that have been undertaken shall also be fulfilled.

[41]The organisation uses local suppliers such as supplying companies located in the country where it operates. The calculation of the supplies expense includes all those suppliers registered in the system.

- Lastly, in regard to the **clients**, the Group assures that it shall continue working towards guaranteeing high quality personalised services.

Accordingly, in various subsidiary companies there are communication channels made available to the clients in order to fulfil this commitment.

Commitment to our clients

The Group is aware that its clients are its most valuable asset, and consequently according to annex GRI 417 – 1 (requirements for information and labelling of products and services) makes available to them various communication mechanisms (website "www.audaxrenovables.com", postal address, telephone number, generic mail and specific mail for the investors) for the purpose of resolving any issue or complaint. Upon receiving a complaint, the systems puts in operation a procedure[42] designed to resolve any issue which may have arisen in the customer service:

- The request/complaint is registered on the Intranet.
- If the request/complaint is resolved online, it is closed automatically.
- Otherwise, it stays open and the complaints department receives a signal and starts investigating the issue and, when appropriate, takes the necessary measures in order to resolve it.

The following table shows the total number of complaints and/or requests received over the year, resolved and remedied (complaints resolved by offering a solution or alternative option to the client).

	COMPLAINTS AND/OR REQUESTS		
	2019	2020[43]	2021[44]
No. of complaints and/or requests received	14,330	26,388	25,888
No. of complaints and/or requests handled	13,315	23,164	20,483
No. of complaints and/or requests resolved and remedied	13,306	23,017	18,433

Table 20: Number of complaints and/or requests received and resolved

The satisfaction of the clients is a priority, therefore the Group considers it to be opportune to focus on those risks which, given its activity, are the most probable to materialise. In this regard, due to the activity of the company, those risks which could be associated with the products and services offered are not considered as applicable. The fact that no claim has been received deriving from the health and safety of the services of the company confirms this approach.

[42] This procedure refers to Audax Renovables.
[43] In 2020 the figure includes the complaints and/or requests received by Audax Renovables, Unieléctrica, the Polish subsidiary, the Dutch subsidiary and the Portuguese subsidiary. In comparison to the previous year, the scope of the two latter companies was increased.
[44] All the complaints specified in the table for the current year refer to the companies Audax Renovables, Unieléctrica and the Portuguese, Polish and Hungarian subsidiaries.

The company considers it to be of the highest importance for its activity to focus the efforts on ensuring the security of information of its clients. Therefore, the appropriate measures are adopted in order to ensure the protection and confidentiality of sensitive data provided by the clients for the purpose of using products and services offered to them.

During the year 2021 no complaint was received in relation to a data privacy breach. Of the four communications received, two were rejected as inadmissible. Regarding the remaining two, processed by the Spanish Agency for Data Protection, one was dismissed upon due investigation, and the other is being processed and was not considered as relevant as at the closing of 2021.

The procedure is comprised of two instances, the first being when the interested party places its query about their data with Audax, and if the response is considered insufficient, then they refer to the controlling authority, the Spanish Agency for Data Protection. There each case is examined, and the Agency may not accept it, or accept it and ask for documentary evidence from Audax. Concerning the filed case, all the requested evidence was submitted, and the authority decided to dismiss and file the case upon analysing the evidence. Therefore we can confirm that there were no relevant problems in this area.

Therefore, the subsidiary Unieléctrica has commissioned a specialised firm (Fepamic) to carry out destruction of confidential data, which the company may have obtained in the course of its activities. Fepamic undertakes to issue a Certificate of Destruction which, apart from certifying the compliance with environmental regulations concerning material recycling, guarantees safe destruction of data in absolute confidentiality.

Similarly, the Polish subsidiary has a Protocol for destruction of used paper and confidential documents, establishing guidelines to be followed in order to avoid the risk of loss and manipulation of sensitive data in possession of the company.

5.4. Tax information

With regard to the tax information it should be noted that the tax policies and practices of Audax Renovables are aligned with the latest international standards. The Group complies with the tax legislation of the countries where it operates and pays the duly corresponding part in the jurisdictions where it creates value.

In 2021 Audax Renovables started to pay the corporate income tax in its own tax group[45]. Below we present the tax information on Audax Renovables for the fiscal year 2021.

The company Eólica Postolin Sp. z o.o. received non-repayable grants from the EU through the Polish Ministry of Economy for the construction of its wind farm. The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm[46].

[45] For more information see Note 18 of the Annual Accounts of AUDAX RENOVABLES, S.A and subsidiaries.
[46] For more information see Note 15 of the Annual Accounts of AUDAX RENOVABLES, S.A and subsidiaries.

	PROFITS OBTAINED		
	2019	2020	2021
Spain	€20,460,459	€9,650,604	€-1,896,262
Italy	€1,194,559	€-662,095	€657,174
The Netherlands	€-1,257,365	€-4,293,022	€27,096
Portugal	€2,867,820	€3,219,147	€-1,234,322
Poland	€2,732,651	€650,815	€-259,252
Germany	€-1,466,976	€893,823	€-2,216,512
France	€886,214	€921,212	€869,277
Hungary	-	€16,004,815	€6,415,979

Table 21: Profit obtained by country

	INCOME TAX 2021[47]
Spain	1,769,005.82
Italy	0.00
The Netherlands	1,174,626.00
Portugal	862,798.54
Poland	536,563.34
Germany	0.00
France	348,704.00
Hungary	0.00

Table 22: Income Tax by country according to the cash criterion

[47] Historical data of the Income Tax by country for 2019 and 2020 can be accessed in the Annual Accounts of Excelsior.

ABOUT THIS REPORT

Basis for drawing up the report

This report features non-financial information of Audax Renovables and subsidiaries, hereinafter: "Audax Renovables" or "the Group", for the year 2021. Through this document, the Group responds to the requirements of Non-Financial Reporting and Diversity introduced by the Law 11/2018 of 29 December 2018.

Aligned with the scope of the consolidated annual accounts, this report contains information concerning the following companies[48]:

- Audax Renovables S.A.
- Grupo Eryx – Unieléctrica (includes Unieléctrica and its subsidiaries)
- Audax Renewables Kft (Hungarian subsidiary)
- Main Energie, B.V. (Dutch subsidiary)
- Audax Energía, S.R.L. (Italian subsidiary)
- Audax Energie GmbH (German subsidiary)
- Audax Energia Sp. z o.o. (Polish subsidiary)
- ADS Energy 8.0, S.L. and subsidiaries
- Propensalternativa Unipessoal, LDA (Portuguese subsidiary)
- Generación Iberia S.L. (representation company)
- By Energyc Energía Eficiente, S.L.
- Love Energy, S.L.
- Masqluz 2020, S.L.
- Renewable energy subsidiaries (Generation division)
    - Eólica Del Pino, S.L. (wind division)
    - Eólica El Pedregoso, S.L. (wind division)
    - Eólica Postolin Sp. z o.o.(wind division)
    - Eoliennes de Beausemblant, S.A.S. (wind division)
    - Las Piedras Solar, S.L.U. (solar division)
    - Da Vinci Energía, S.L.U. (solar division)

The following pages furnish information concerning the Group's environmental, social, labour or human rights matters, as well as corruption and bribery prevention, following the guidelines specified by Law 11/2018 of 29 December 2018. In regard to every matter the document outlines the policies that are applied and the measures that are undertaken, as well as the risks that arise from the business activity.

The report has been drawn up on the basis of the global sustainability reporting initiative GRI *(Global Reporting Initiative)* in its "Standards" version and in its essential option. The principles of the definition of content and quality of the report, defined in the GRI, have also been applied, as well as the principles of comparability, reliability, materiality and relevance established in the Non-Financial Information Act.

Principles taken into account in the definition of the content of the report:

- INCORPORATION OF THE STAKEHOLDERS: once the groups have been identified, the report informs on how their needs and expectations are met.

[48] Should the information provided relate to a different organisational scope other than specified, it will be stated within the pertinent paragraph or table.

- SUSTAINABILITY CONTEXT: the organisation's performance is presented in the broadest understanding of the sustainability context.
- MATERIALITY: the report shows significant economic, environmental and social impacts of the organisation, or those which might substantially influence the stakeholders in their evaluations and decisions.
- THOROUGHNESS: the report includes the coverage and the achievements associated with the identified material aspects, allowing the stakeholders to evaluate the organisation's performance.

Principles taken into account in the definition of the quality of the report:

- PRECISION: the information presented is precise and detailed.
- BALANCE: the report presents both positive and negative aspects of the organisation's performance.
- CLARITY: the information is presented in a way which is comprehensible and accessible to all the stakeholders.
- COMPARABILITY: the information has been selected, compiled and communicated in a coherent manner. The information disclosed is presented in a way that allows the stakeholders to analyse the changes in the organisation's performance and supports the analysis related to other organisations.
- RELIABILITY: the report gathers, registers, compiles, analyses and communicates the information and the processes used in the preparation of the report in order that they may be subject to revision and that they establish the quality and the materiality of the information.
- PUNCTUALITY: the report is drawn up and presented every year, making the information available in time for the stakeholders to make informed decisions.

Scope of the report

This report presents information concerning the period from 1 January to 31 December 2021, corresponding to the fiscal year of Audax Renovables. The historical data shown in some paragraphs correspond to the two previous years.

The financial information included in the report, in accordance with the Law 11/2018 of 29 December, comes from the Consolidated Annual Accounts for the same year (1 January to 31 December 2021).

The reported non-financial information includes companies that were previously mentioned, except for some cases where, due to the particularity of the company, the reported data do not apply. In those cases where the scope differs from the established standard, the companies included in the reported data are specified in the footnote.

Information on environmental issues:
The data reported by Audax Renovables in this section refer to the day-to-day operations of its offices. In cases of increase or difference from the established scope, it is specified in the footnotes.

The wind farms of Toabré, Calañas, Arenales and Toconal became operative at the end of the year 2021 - these are projects whose construction has been completed or they are in the administrative stage of application for operation permit - but are not operating. Therefore the environmental impact of their activity is not reported.

Information on issues concerning personnel:

The data included refer to the employees of all the Group in the last 3 years (2019, 2020 and 2021) itemised, in accordance with the Law 11/2018 of 29 December, by gender (female, male), age bracket (<30, 30-50, >50) and professional category (Senior Management, Management, Leadership, Middle Management, Others). Consequently, regarding the indicators included in this section, only the information related to the companies with employees is reported.

APPENDIX I: TABLE OF CONTENTS OF THE LAW 11/2018 AND GRI STANDARDS

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
GENERAL INFORMATION			
Brief description of the group's business model, its business environment, its organisation and structure	Material	2-6	GRI 102-2 GRI 102-7
Markets where it operates	Material	2-5	GRI 102-3 GRI 102-4 GRI 102-6
Objectives and strategies of the organisation	Material	2-5, 11-15	GRI 102- 14
Main factors and trends, which may affect its future development	Material	4, 5	GRI 102-14 GRI 102-15
Reporting framework used	Material	51-53	GRI 102- 54
Materiality principle	Material	13-15	GRI 102-46 GRI 102-47
ENVIRONMENTAL ISSUES			
Policies applied by the group, including due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, as well as verification and control, and the measures that have been adopted	Material	16	GRI 102-15 GRI 103-2
Detailed general information			
Detailed information on current and expected impacts of the company's activities on the environment and, if applicable, on health and safety	Material	16	GRI 102- 15
Environmental assessment or certification procedures	Material	16	GRI 103- 2
Environmental risk prevention means	Material	See Notes 26 and 27 of the Annual Accounts	GRI 103- 2
Application of precautionary principle	Material	See Notes 26 and 27 of the Annual Accounts	GRI 102- 11
Quantity of environmental risk provisions and guarantees	Material	See Notes 26 and 27 of the Annual Accounts	GRI 103- 2
Pollution			
Measures to prevent, reduce or repair emissions seriously affecting the environment, taking into account any form of pollution specific to the activity, including noise and light pollution.	Material	18-19	GRI 103-2 GRI 305-7
Circular economy and waste prevention and management			

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
Measures to prevent, recycle, reuse, recover and eliminate waste	Material	20	GRI 103- 2 GRI 306- 2
Actions to combat food waste		Non-material	
Sustainable use of resources			
Water consumption and water supply within local limits	Material	16-17	GRI 303-1 (2018) GRI 303-4 (2018) GRI 303-5 (2018)
Raw material consumption and measures adopted to improve material efficiency	Material	18	GRI 103- 2 GRI 301- 1
Energy consumption - direct and indirect	Material	17-18	GRI 302- 1
Measures adopted to improve energy efficiency	Material	17-19	GRI 103- 2
Use of renewable energy	Material	17-19	GRI 302- 1
Climate change			
Greenhouse gas emissions generated as a result of the company's activity, including use of goods and services it produces	Material	19	GRI 305-1 GRI 305-2
Measures taken to adapt to the consequences of climate change	Material	19	GRI 103- 2
Medium and long-term voluntary reduction goals to reduce greenhouse gas emissions, and measures adopted for that purpose	Material	19-20	GRI 103- 2
Biodiversity protection			
Measures taken to preserve or restore biodiversity	Material	22, 23, 47	GRI 103
Impacts made by activities or operations on protected areas	Material	22, 23, 47	GRI 304- 2
EU Taxonomy			
Regulation (EU) 2020/852 of the European Parliament Delegated Act of the EU Taxonomy (EU) 2021/2139 of the Commission	Material	23-25; Annex II	Criterion of the company
SOCIAL ISSUES AND MATTERS CONCERNING PERSONNEL			
Management approach: description and results of the policies related to these issues, as well as the main risks related to these issues connected with the group's activity	Material	25-26	GRI 102-15 GRI 103-2
Employment			

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
Total number and distribution of employees by country, gender, age, and professional category	Material	28	GRI 102- 8 GRI 405-1 b
Total number and distribution of types of employment contracts and annual average of indefinite-term contracts, fixed-term contracts and part-time contracts by gender, age and professional category	Material	27, 29, 33-34	GRI 102- 8
Number of dismissals by gender, age and professional category	Material	29	GRI 401- 1
Average remuneration and its development, according to gender, age and professional category or similar	Material	30-31	GRI 102- 35 GRI 202- 1 GRI 405- 2
Pay gap, remuneration of equal work posts or of company average	Material	31	GRI 103-2 GRI 405-2
Average remuneration of directors and managers, including variable remuneration, allowances, compensations, payments to long-term saving and retirement plans and any other payment, distributed by gender	Material	32	GRI 103
Implementation of policies for disconnecting from work	Material	33-36	GRI 103- 2
Number of employees with disability	Material	37	GRI 405- 1
Work organisation			
Organisation of working time	Material	33-36	GRI 103- 2
Number of hours of absenteeism	Material	39	GRI 103- 2
Measures designed to help conciliation between work and family life and encourage co-responsible use of the rights by both parents	Material	33-35	GRI 103- 2
Health and safety			
Workplace health and safety conditions	Material	37-38	GRI 103-2 GRI 403-1 (2018) GRI 403-3 (2018)
Work accidents, in particular, its frequency and severity, as well as occupational diseases; itemised by gender	Material	38	GRI 403-9 (2018) GRI 403-10 (2018)
Social relations			
Organization of social dialogue, including procedures of information, consultation and negotiation with employees	Material	36	GRI 103- 2
Percentage of employees covered by collective agreement, by country	Material	36	GRI 102- 41
Balance of collective agreements, particularly in the area of occupational health and safety	Material	36	GRI 103- 2
Training			

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
Policies implemented in the area of training	Material	31-33	GRI 103-2 GRI 404-2
Total number of hours of training by professional category	Material	34	GRI 404- 1
Universal accessibility			
Universal accessibility for persons with disabilities	Material	37-38	GRI 103- 2
Equality			
Measures adopted in order to promote equal treatment and equal opportunities for women and men	Material	36-37	GRI 103- 2
Equality plans, measures taken to promote employment, protocols against sexual and gender harassment	Material	36-37	GRI 103- 2
Policy against any type of discrimination and, if applicable, diversity management	Material	36-37	GRI 103- 2
RESPECT FOR HUMAN RIGHTS			
Management approach: description and results of the policies related to these issues, as well as the main risks related to these issues connected with the group's activity	Material	40-41	GRI 102-15 GRI 103-2
Application of due diligence procedures			
Application of due diligence procedures in the areas of human rights and prevention of the risk of human rights violation and, if applicable, measures to mitigate, manage and repair possible infringements committed	Material	40, 43	GRI 102-16 GRI 102-17
Complaints about cases of human rights violation	Material	41	GRI 103-2 GRI 406-1
Measures implemented for the purpose of promotion and compliance with the provision of the ILO fundamental conventions related to the freedom of association and the right to collective bargaining, elimination of discrimination in employment and occupation, abolition of forced labour, and effective abolition of child labour	Material	36-37, 40-41	GRI 103- 2 GRI 407- 1 GRI 408- 1 GRI 409- 1
FIGHT AGAINST CORRUPTION AND BRIBERY			
Management approach: description and results of the policies related to these issues, as well as the main risks related to these issues connected with the group's activity	Material	42-45	GRI 102-15 GRI 103-2

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
Measures adopted to prevent corruption and bribery	Material	42-45	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205- 3
Measures designed to fight money laundering	Material	42-45	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205- 2 GRI 205- 3
Contributions to foundations and non-for-profit entities	Material	46	GRI 102- 13 GRI 201- 1
INFORMATION ON SOCIAL MATTERS			
Management approach: description and results of the policies related to these issues, as well as the main risks related to these issues connected with the group's activity	Material	46-47, 48-49	GRI 102- 15 GRI 103- 2
Company commitment to sustainable development			
The impact of the company's activity on local employment and development	Material	46-48	GRI 103- 2 GRI 203- 2 GRI 204- 1
The impact of the company's activity on local communities and areas	Material	46-48	GRI 413- 1 GRI 413- 2
Relations and modalities of dialogue with members of local communities	Material	46-48	GRI 102- 43 GRI 413- 1
Association or patronage activities	Material	46	GRI 103- 2 GRI 201- 1
Subcontracting and suppliers			
Including social, gender equality and environmental issues in the procurement policy	Material	39-40, 46-47	GRI 103- 2
Recognising own social and environmental responsibility in relations with suppliers and subcontractors	Material	47-48	GRI 102- 9 GRI 308- 1 GRI 414- 1
Supervision and audit systems and their results	Material	47-48	GRI 102-9 GRI 308-2 GRI 414-2
Consumers			
Measures for the consumer health and safety	Material	48-50	GRI 103-2 GRI 416-1
Complaint systems, complaints received and resolved	Material	48-50	GRI 103- 2 GRI 418- 1
Tax information			

TABLE OF CONTENTS REQUIRED BY LAW 11/2018			
Information required by Law 11/2018	Materiality	Page of the report where the item is addressed	Selected GRI (2016 version, if not specified otherwise)
Profit obtained country by country	Material	51	GRI 103- 2
Income tax paid	Material	51	GRI 103- 2
Public subsidies received	Material	51	GRI 201- 4

APPENDIX II TAXONOMY CALCULATION METHODOLOGY

For the purpose of analysis, all the companies belonging to the Audax Renovables Group were taken into account, meaning the same scope as the one used in this report.

Audax Renovables has two main business lines, which comprise practically the entirety of the economic activity of the Group - the line of electricity Generation and the line of natural gas and electricity Retailing. The latter was not considered adjusted to the classification criteria of the EU Taxonomy.

Calculation methodology

After identifying the eligible economic activities, calculations began for individual Taxonomy indicators based on the financial and business results for the year 2021. The calculations were carried out with the following methodology and considerations:

Turnover:

In the Group's integrated business model the activities of energy generation and retailing are aligned in order to complement the retailed energy with the generated energy. In the calculations of these indicators were eliminated those balances which being carried out between the group's companies do not constitute the entirety of the turnover.

For calculating the turnover proportion was considered the net sales volume of each of the Group's companies involved in generating energy, whether from wind or photovoltaic sources, and to each of these eligible activities the sum was assigned in the numerator. For the denominator the figure of total turnover of the Group was used.

The indicator of % Turnover was calculated considering the percentage of turnover adjusted to the taxonomy based on sum total.

$$\frac{\text{Turnover associated with Generation of renewable energy}}{\text{Net turnover}} = 1\ \%$$

CAPEX:

The investments in fixed assets for the group's activity of renewable energy generation represent practically the entirety of the yearly investments aligned with the Group's medium- and long-term goals, focused on the generation of renewable energy through the construction and operation of wind farms and solar power plants. These are completed and active projects, as well as commenced projects and projects under construction distributed across six different countries.

The CAPEX percentage indicator has been calculated considering the annual investment made in projects of photovoltaic and wind energy generation. For the purpose of itemisation, of each Company of the Group involved in the activity of energy generation, their recognitions of fixed and intangible assets were considered, whether originating from their investments in the generation plants or from business combinations, which adjust to the taxonomy. After identifying the recognitions, not including amortisation and depreciation charges, appropriate consolidation adjustments were added, because it regarded the recognitions of CAPEX of Audax Renovables as head of the Group. The denominator is comprised of all the recognitions in CAPEX without separating by company of the group involved in the activity of energy generation, the result being that 82% of the recognitions by CAPEX are taxonomy-aligned.

$$\frac{\text{CAPEX 2021 associated with Generation of renewable energy}}{\text{CAPEX Total Recognitions 2021}} = 82\ \%$$

OPEX:

The operating expenses for the companies involved exclusively in the construction of power plants and generation and retail of renewable energy, are given in their majority by staff costs. Given that this staff works for all the group, a monthly assignment of working hours is carried out fo rht e projects on the generating companies and on the retailing companies. Thus the Human Resources Department verifies and assigns percentages to each employee and then the Accounting Department can allocate the costs correctly. In order to assign the numerator figures in this case there is the established criterion mentioned before, which we understand is the most appropriate to assign in a very detailed way the most representative cost, the staff cost.

The OPEX indicator (%) has been calculated considering the total amount of operating expenses of the energy Generation activity in relation to the total sum of operating expenses of the activity of all the companies of Audax Renovables. For the calculation of the numerator in particular the staff costs were taken into account, which were assigned totally or partially to the companies of the Group whose activity is the energy generation, and other operating expenses among which there are services and consultancy of third parties, lease agreements, maintenance and repairs of the plants constructed and under construction.

$$\frac{\text{OPEX 2021 associated with Generation of renewable energy}}{\text{OPEX Total Group 2021}} = 6\ \%$$

The details of the three key indicators, whose numerators imply the economic activity of wind and solar energy generation from renewable sources, comply with the criteria specified in article 3 of the R852, because of contributing in a substantial and explicit way to the environmental goals of climate change mitigation and adaptation through the generation of green energy. In order to use inexhaustible natural resources, such as wind, and solar light, through the investments mentioned before, it is possible to generate totally clean energy without producing greenhouse gas emissions or polluting emissions, and therefore without contributing negatively to the climate change.

The numerators and denominators recently analysed are derived from the accounting of companies with particular objects, whether generation or retail of energy, and thus it is possible to obtain figures already itemised and processed for each company and, consequently, for each activity. Additionally to the consolidation process, in which the figures of all the companies belonging to the Group are reflected without considering the transactions between them, the net figures are obtained by activity adjusted to the European taxonomy and can be divided according to the three key indicators described above. Thus it is possible to avoid the risk of accounting twice for the same figures, based on the fact that they are assigned to different companies and the consolidation process of financial statements is externally reviewed, and to obtain the figures which are divided according to the activity and adjusted to the taxonomy.

12. Annual Corporate Governance Report

The Annual Corporate Governance Report will be presented on the CNMV's website.

13. Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration shall be presented on the CNMV's website.

AUDAX RENOVABLES, S.A.

The Annual Financial Report of Audax Renovables, S.A. and Subsidiaries for the year 2021 comprising:

- Consolidated annual accounts - Consolidated balance sheet, Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in net equity, Consolidated statement of cash flows and Consolidated notes to the annual accounts

- Consolidated Directors' Report (which includes the Non-financial information statement)

Prepared according to the European Single Electronic Reporting Format in compliance with Commission Delegated Regulation (EU) No 2019/815, under identification number 6CEE46CC845C24547C5C528D082AA3D0F8345F86221DBFEFC536B95F79BB2AA6 (*) was drawn up by the Board of Directors of Audax Renovables, S.A. in its meeting on 25 February 2021. Approved and signed below by all the Directors, in compliance with article 253 of the Spanish Companies Act.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro Chairman	Mr Eduard Romeu Barceló Member
Mr Josep Maria Echarri Torres Member	Mr Ramiro Martínez-Pardo del Valle Member
Ms Anabel López Porta Member	Ms Rosa González Sans Member

(*) Hash number MD5 of the ZIP file which contains in turn 8 files with the following hash numbers
8A82AAC0F1E847380B492A98C19B5775FE9284DB0BC6F73670693C5CBCF485BE, 525D40C4E107AE1BB5901B3532859B7707CD67AF11BB402F23471DDB3B4F9545, 26C686092242403DD457E9C0B825C19CA58F5F970E4E0965B46B80F0B9B1D944, 49AB5FCC72117DFAFB60082EC0C48A76460ABCBEDA721D22231B04ACB8B07B1C, 661C937C47F513DB67B5C88CD3E8FD66BD9A7DA94527093A979F2D8FC81C66AD, 61D467816A23BAFE1EB2D4EF4D5C3C95DEE0A18BCC19E320662DB36D9070E488, 732CDA5DFB3634A487FCFFC05A1D73037E5F8D676D20263E17A545CAA230BAB2, 8C367D1A4571216621089F5DBBF3402643E71532DD8E36F9A0A9004E9BAC8DC6.