



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

(Together with the annual accounts and directors' report of Audax Renovables, S.A. 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.
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(Barcelona)

Independent Auditor's Report on the Annual Accounts

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

To the shareholders of Audax Renovables, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

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

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts 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.



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Key Audit Matters

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

Recoverable amount of investments in and loans to Group companies and associates

See note 7 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2021 the Company has non-current investments in and loans to Group companies and associates amounting to Euros 589,916 thousand.</p> <p>The recoverable amount of investments in Group companies is calculated, in the case of companies showing indications of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>Due to the significance of the amount of investments in and loans to Group companies and associates, the aforementioned estimates have been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- evaluating the design and implementation of key controls related to the valuation of investments in and loans to Group companies and associates.- evaluating the indications of impairment, as well as the methodology and assumptions used to estimate the recoverable amount of investees in which indications of impairment exist,- the involvement of our valuation specialists in the assessment of the reasonableness of the main assumptions used. <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>



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Recognition of revenue from unbilled energy supplied	
See note 18 to the annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>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.</p> <p>Trade and other receivables at 31 December 2021 include Euros 41,749 thousand in unbilled energy supplied in the period from the last meter reading to year end.</p> <p>Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- 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. <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>

Other Information: Directors' Report

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

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

- a) Determine, solely, whether the 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.



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

Based on the work carried out, as described above, we have 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 directors' report is consistent with that disclosed in the 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 Annual Accounts

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

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

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

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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



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

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

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

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

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

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



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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Audax Renovables, S.A. for 2021 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, 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 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 directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, 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 annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee

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

Contract Period

We were appointed as auditor 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)

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

This report
corresponds to
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by the Catalan
Institute of
Registered
Auditors (Col.legi
de Censors Jurats
de Comptes de
Catalunya).

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.

Annual Accounts
as at 31 December 2021

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AUDAX RENOVABLES, S.A.

Balance Sheet (EUR thousands)

BALANCE SHEET - AUDAX RENOVABLES, S.A.							
ASSETS	Note	31/12/2021	31/12/2020*	LIABILITIES AND NET EQUITY	Note	31/12/2021	31/12/2020*
NON-CURRENT ASSETS		625,182	412,556	NET EQUITY	11	165,896	188,331
Intangible assets	5	2,182	1,782	Shareholders' Equity		172,323	187,545
Property, plant and equipment	6	1,259	634	Capital		44,029	44,029
Long-term investments in group companies and associates	7, 20	589,916	401,406	Share premium account		420,316	420,316
Equity instruments		351,040	300,302	Reserves		(287,086)	(295,997)
Loans to companies		238,876	101,104	Profit (loss) for the year		(4,936)	19,197
Long-term financial investments		21,719	5,598	Valuation adjustments		(6,427)	786
Equity instruments		1	1	Hedging transactions		(6,427)	786
Loans to third parties		6	-				
Debt securities		45	45				
Derivatives		292	11				
Other financial assets		21,375	5,541	NON-CURRENT LIABILITIES		505,927	411,564
Deferred tax assets	17	10,106	3,136	Long-term provisions	12	-	-
				Long-term debts	13	492,763	410,041
CURRENT ASSETS		398,600	436,760	Bonds and other negotiable securities		447,821	379,158
Inventory		4,777	873	Amounts owed to credit institutions		40,036	29,147
Trade and other receivables	9	121,315	66,875	Derivatives		4,906	1,736
Receivables from sales and services		76,878	54,879	Long-term payables to group companies and associates	20	-	-
Trade receivables from group and associated companies	20	30,390	5,053	Other non-current liabilities	14	10,632	439
Sundry receivables		483	2,914	Deferred tax liabilities	17	2,532	1,084
Staff		-	2				
Current tax assets		688	248	CURRENT LIABILITIES		351,959	249,421
Other receivables from Public Administration		12,876	3,779	Short-term provisions	12	49	49
Short-term investments in group companies and associates	7, 20	29,872	42,030	Short-term debts	13	232,111	164,505
Loans to companies		28,324	40,855	Bonds and other negotiable securities		202,993	136,754
Other financial assets		1,548	1,175	Amounts owed to credit institutions		16,231	27,193
				Derivatives		12,887	558
Short-term financial investments	8	89,125	74,375	Short-term payables to group companies and associates	20	49,376	43,984
Equity instruments		2,774	2,732	Trade and other payables	15	70,359	40,819
Loans to third parties		9,834	9	Suppliers		21,241	11,804
Debt securities		-	-	Suppliers, group companies	20	17,663	229
Derivatives		8,932	3,331	Sundry payables		26,627	17,577
Other financial assets		67,585	68,303	Personnel (outstanding wages and salaries)		630	634
Short-term accruals		4,319	8,017	Current tax liabilities		2,615	(35)
Cash and other cash equivalents	10	149,192	244,590	Other payables to Public Administration		1,583	10,610
				Other current liabilities	14	64	64
TOTAL ASSETS		1,023,782	849,316	TOTAL LIABILITIES AND NET EQUITY		1,023,782	849,316

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

* Restated figures (Note 2)

AUDAX RENOVABLES, S.A.

Income Statement (EUR thousands)

INCOME STATEMENT - AUDAX RENOVABLES, S.A.			
	Note	2021	2020
Net turnover	18	623,510	355,535
Sales		615,637	341,557
Provision of services		7,113	5,607
Income on dividends		760	8,371
Change in inventory of finished goods and work in progress		3,904	99
Procurement	18	(596,746)	(312,204)
Consumption of goods		(590,005)	(309,734)
Work performed by other entities		(6,741)	(2,470)
Other operating income		5,980	4,401
Non-core and other current operating income		5,980	4,401
Staff costs	18	(10,107)	(9,381)
Wages and salaries and similar		(8,093)	(7,495)
Employer contributions		(2,002)	(1,849)
Other social expenses		(12)	(37)
Other operating expenses	18	(17,191)	(14,973)
External services		(11,327)	(10,776)
Taxes		(3,862)	(2,655)
Loss, impairment and change in provisions from business operations		(1,759)	(1,126)
Other current operating expenses		(243)	(416)
Amortisation and depreciation	5, 6	(654)	(888)
Surplus provisions		1,722	1,414
OPERATING PROFIT (LOSS)		10,418	24,003
Financial income	18	5,911	6,867
From shareholdings in equity instruments		-	10
In third parties		-	10
From negotiable securities, loans and other financial instruments		5,911	6,857
In group and associated companies	20	5,319	6,491
In third parties		592	366
Financial expenses	18	(26,874)	(12,072)
From liabilities to group companies and associates		-	(174)
From liabilities to third parties		(20,156)	(9,245)
Other financial expenses		(6,718)	(2,653)
Change in fair value of financial instruments		35	-
Trading book and others		35	-
Exchange differences	18	(51)	(343)
Impairment and profit (loss) on disposal of financial instruments		3,291	1,942
Reversal/(Impairment) and profit/(loss)		3,292	2,009
Profit (loss) on disposal and others		(1)	(67)
FINANCIAL PROFIT (LOSS)		(17,688)	(3,606)
INCOME BEFORE TAX		(7,270)	20,397
Corporate Income Tax		2,334	(1,200)
PROFIT (LOSS) FOR THE YEAR		(4,936)	19,197

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

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

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	2021	2020
Profit (Loss) of Income Statement	(4,936)	19,197
Releases to income statement	(7,213)	1,220
Cash flow hedges	(9,617)	1,627
Tax effect	2,404	(407)
Total valuation adjustments	(7,213)	1,220
TOTAL RECOGNISED INCOME AND EXPENSES	(12,149)	20,417

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

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

B) STATEMENT OF CHANGES IN TOTAL EQUITY

	Share capital	Share premium account	Reserves	Profit (loss) for the year	Valuation adjustments	TOTAL
CLOSING BALANCE FOR 2019	44,029	420,316	(312,820)	16,813	(434)	167,904
Total recognised income and expenses	-	-	-	19,197	1,220	20,417
Other changes in net equity						
- Other movements (Note 13)	-	-	8,045	-	-	8,045
- Distribution of earnings	-	-	16,813	(16,813)	-	-
CLOSING BALANCE FOR 2020	44,029	420,316	(287,962)	19,197	786	196,366
Restatement (Note 2)	-	-	(8,035)	-	-	(8,035)
CLOSING BALANCE 2020 RESTATED	44,029	420,316	(295,997)	19,197	786	188,331
Total recognised income and expenses	-	-	-	(4,936)	(7,213)	(12,149)
Other changes in net equity						
- Other movements	-	-	(286)	-	-	(286)
- Distribution of earnings	-	-	9,197	(9,197)	-	-
Dividend distribution (Note 11)	-	-	-	(10,000)	-	(10,000)
CLOSING BALANCE FOR 2021	44,029	420,316	(287,086)	(4,936)	(6,427)	165,896

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

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

CASH FLOW STATEMENT - AUDAX RENOVABLES, S.A.			
	Notes	2021	2020
Profit (loss) for the year before tax		(7,270)	20,397
Adjustments to results		14,537	(4,335)
Amortisation and depreciation	5, 6	654	888
Valuation adjustments due to impairment	7	1,759	1,126
Changes in provisions		(1,722)	(1,414)
Profit (loss) on derecognition and disposal of financial instruments		(3,291)	(1,942)
Financial income	18	(5,911)	(6,867)
Financial expenses	18	26,874	12,072
Exchange differences	18	51	343
Income on dividends		(760)	(8,371)
Changes in fair value of financial instruments		(3,117)	(170)
Changes in working capital:		(28,257)	(19,968)
Inventory		(3,904)	(99)
Accounts receivable	9	(56,203)	(7,182)
Other current assets		(19,741)	(6,095)
Accounts payable	15	49,834	1,798
Other current liabilities		1,757	(8,131)
Other payables/receivables		-	(259)
Other cash flows from operating activities		(17,716)	1,154
Payments of interest		(18,121)	(7,021)
Collections of dividend		405	7,906
Collections of interest		-	269
Cash flows from operating activities		(38,706)	(2,752)
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments of investments		(111,382)	(298,021)
Group and associated companies	7	(39,961)	(240,004)
Acquisition of fixed assets	5, 6	(1,679)	(930)
Other financial assets	8	(69,742)	(57,087)
Collection on divestments		52,151	101,657
Group and associated companies		-	96,637
Derecognition of fixed assets	5, 6	-	20
Other financial assets	8	52,151	5,000
Cash flows from investment activities		(59,231)	(196,364)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for financial liability instruments:		2,539	334,207
Issuing:			
Bonds and other negotiable securities	13	376,768	441,682
Amounts owed to credit institutions	13	44,196	91,579
Payables to group companies and associates	7, 20	58,336	-
Return and repayment of::			
Bonds and other negotiable securities	13	(245,195)	(135,200)
Amounts owed to credit institutions	13	(43,878)	(62,004)
Payables to group companies and associates	7, 20	(168,182)	-
Other debts	8	(9,506)	(1,850)
Payment of dividends	11	(10,000)	-
Cash flows from financing activities		2,539	334,207
NET INCREASE/DECREASE IN CASH OR EQUIVALENTS		(95,398)	135,092
Cash and equivalents at the beginning of the year		244,590	109,498
Cash and equivalents at the end of the year		149,192	244,590

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

AUDAX RENOVABLES, S.A
Notes to the Annual Accounts for the year 2021
(EUR thousands)

1. General information

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

Its registered address is Calle Temple 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 mixed holding company which is the parent company of a Group of subsidiary companies, joint ventures and associated companies that are engaged in the activities involving generation of electricity from renewable sources and retailing of energy and natural gas, and constitute together 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 annual accounts of Audax Renovables, S.A. for the year 2021 were formulated by the Directors on 24 February 2022 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

2. Bases of presentation of the annual accounts

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

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

AUDAX RENOVABLES, S.A
Notes to the Annual Accounts for the year 2021
(EUR thousands)

Moreover, the changes implemented by the Royal Decree 1/2021 of 12 January are included with regard to the valuation criteria (fair value), the classification and measurement of financial instruments, hedge accounting and income recognition. These changes are included in the corresponding paragraph of Note 4.

The implementation of Royal Decree 1/2021 has had the following impact on the Company:

Financial instruments

With regard to financial assets and liabilities, new criteria for their classification, measurement and derecognition have been introduced, as well as new rules of hedge accounting.

On the initial application of this standard on 1 January 2021 the Company chose the practical solution of not restating the comparative information for the year 2020 and opted for the prospective application of hedge accounting and classification of financial instruments.

Type of Financial Instrument	Previous text		New text	
	Measurement category	31.12.2020	Measurement category	01.01.2021
Long-term investments in group companies and associates		401,406		401,406
Equity instruments	<u>Investments in the Equity of Group Companies, Multi-Group Companies and Associates</u>	300,302	Financial Assets at Cost	300,302
Loans to companies	Loans and Receivables	101,104	Financial Assets at Amortised Cost	101,104
Long-term financial investments		5,598		5,598
Equity instruments	<u>Available-for-sale Financial Assets</u>	1	Financial Assets at Cost	1
Debt securities	Loans and Receivables	45	Financial Assets at Amortised Cost	45
Derivatives	Hedge Derivatives	11	Hedge Derivatives	11
Other financial assets	Loans and Receivables	5,541	Financial Assets at Amortised Cost	5,541
Trade and other receivables	Loans and Receivables	66,875	Financial Assets at Amortised Cost	66,875
Short-term investments in group companies and associates		42,030		42,030
Loans to companies	Loans and Receivables	40,855	Financial Assets at Amortised Cost	40,855
Other financial assets	Loans and Receivables	1,175	Financial Assets at Amortised Cost	1,175
Short-term financial investments		74,375		74,375
Equity instruments	<u>Available-for-sale Financial Assets</u>	2,732	Financial Assets at Cost	2,732
Loans to third parties	Loans and Receivables	9	Financial Assets at Amortised Cost	9
Derivatives	Hedge Derivatives	3,331	Hedge Derivatives	3,331
Other financial assets	Loans and Receivables	68,303	Financial Assets at Amortised Cost	68,303
Cash and other cash equivalents		244,590		244,590

The Company has not had any adjustment of the book value of financial assets and liabilities in reserves as at 1 January 2021.

Below there is a detailed reconciliation of the long- and short-term financial assets, itemised by their nature and category, in accordance with the new categories established by the Accounting and Valuation Standard no. 9 of "Financial Instruments" as at 1 January 2021:

Except for the change in the names of the categories of financial assets, the Royal Decree 1/2021 did not have any impact on the equity.

The reconciliation of financial liabilities is as follows:

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Type of Financial Instrument	Previous text		New text	
	Measurement category	31.12.2020	Measurement category	01.01.2021
Long-term debts		402,006		402,006
Bonds and other negotiable securities	Other financial liabilities at fair value through profit and loss	371,123	Other financial liabilities at fair value through profit and loss.	371,123
Amounts owed to credit institutions	Debits and Payables	29,147	Financial Liabilities at Amortised Cost	29,147
Derivatives	Hedge Derivatives	1,736	Hedge Derivatives	1,736
Short-term debts		164,505		164,505
Bonds and other negotiable securities	Other financial liabilities at fair value through profit and loss.	136,754	Other financial liabilities at fair value through profit and loss.	136,754
Amounts owed to credit institutions	Debits and Payables	27,193	Financial Liabilities at Amortised Cost	27,193
Derivatives	Hedge Derivatives	558	Hedge Derivatives	558
Short-term payables to group companies and associates	Debits and Payables	43,984	Financial Liabilities at Amortised Cost	43,984
Trade and other payables	Debits and Payables	40,819	Financial Liabilities at Amortised Cost	40,819

Hedge accounting

The Company opted for applying the hedge accounting outlined in the regulation, however, it has not made substantial changes in its hedging model, confirming that its current hedge relations are classified as such in accordance with the implementation of the new standard.

The Company records in a separate equity component the time value of the options contracts, the forward element of a forward contract, as well as the exchange rate differential of financial instruments in the case of excluding it from the hedge relation.

Income recognition

The regulation establishes a new model of recognising the income from contracts with customers, where income is recognised according to the fulfilment of the performance obligations towards the customers. Ordinary income represents the transfer of goods or services to the customer for an amount which reflects the consideration that the entity expects to receive in exchange for those goods or services.

Moreover, under the regulation an asset (or inventory) is recognised at cost of the fulfilment of the contract with a customer, and an accrued expense in the case of incremental costs of obtaining a contract with a customer, in both cases if it is expected to be recovered.

As a method of initial application on 1 January 2021 the Company opted for the practical solution of applying the new standard to the new contracts beginning from that date, and chose to not restate the comparative information for the year 2020.

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

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

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The consolidated annual accounts of the Audax Renovables Group for the year 2021 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), under Regulation (EC) No. 1606/2002 of the European Parliament and the Council.

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

Total Assets	1,349,114
Equity attributed to the Parent Company	136,962
Non-controlling interests	11,962
Net turnover	1,684,642
Profit (loss) after tax attributable to the Parent Company	2,838

Comparison of the information

As required by the Spanish General Accounting Plan, the information contained in these annual accounts for the year 2021 is presented uniquely and exclusively for comparative purposes with the relevant information for the year 2020.

The 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 annual accounts present, for comparative purposes, under each heading of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in net equity, the statement of cash flows, and of the notes to the annual accounts, together with the figures for the year 2021, the figures for the previous year, which were included in the 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 13). In that year the Company 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 13, 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.

Relative importance

So as to determine the information that needs to be broken down in the notes for each of the different accounts of the financial statements or other items, the Company has considered its relative importance in relation to the current annual accounts for the year 2021.

3. Regulatory framework

We describe below the main features of the regulations to which the business of Audax Renovables is subject.

A. Electricity market

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.

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- Transmission and distribution losses: Adjustments by the System Operator for electricity transmission and distribution losses.

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 first 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.

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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.

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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 of 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.

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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.

B. Natural gas market

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.

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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.

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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.

4. Accounting and valuation standards

4.1 Intangible assets

Licences and trademarks

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

Computer software

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

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

4.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.3 Financial instruments

Financial assets

Classification

Financial assets owned by the Company are classified into the following categories:

a) Financial assets at amortised cost: includes financial assets, including those admitted to trading on a regulated market, for which the Company maintains the investment in order to receive the cash flows derived from the fulfilment of the contract, and the terms of the contract allow for the asset to create, on specific dates, cash flows which are exclusively collections of principal and interest on the outstanding principal.

In general, the following items are included in this category:

- i. Trade receivables: originated from sales of goods or supply of services in business transactions with deferred payment, and
- ii. Non-trade receivables: originated from the transactions of loans granted by the Company, where the amount receivable is or may be determined.

b) Financial assets at fair value through net equity: included in this category are the financial assets whose contract terms create, on specific dates, cash flows which are exclusively collections of principal and interests on the outstanding principal, and are not held for trading, nor do they fall under the previous category. Moreover, this category includes also investments in equity instruments allocated irrevocably by the Company at the moment of their initial recognition, as long as they are not held for trading and should not be measured at cost.

The nature of the financial assets classified into this category, if any, shall be explained together with the criteria applied in such allocation, as well as an explanation shall be provided of how the Company fulfilled the necessary criteria of such recognition.

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c) Financial assets at cost: this category comprises the following investments: a) equity instruments whose fair value cannot be reliably determined, and the derivatives where the underlying asset is the investment; b) hybrid financial assets whose fair value cannot be reliably established, except from when the requirements are met for their accounting at amortised cost; c) contributions made in joint accounts agreements and similar; e) equity loans with interest of a contingent nature; d) financial assets which should be classified in the following category, but their fair value cannot be reliably established.

d) Financial assets at fair value through profit and loss: includes the financial assets held for trading and those financial assets which have not been classified into none of the previous categories. Moreover, this category comprises the financial assets allocated optionally by the Company at the moment of their initial recognition, which otherwise would be included in other category, because such allocation eliminates or reduces significantly certain valuation incoherence or accounting asymmetry which would otherwise arise.

Initial measurement

In general, the financial assets are initially measured at fair value of the consideration paid increased by the directly attributable transaction costs. However, the transaction costs directly attributable to the assets recorded at fair value through profit and loss shall be recognised in the profit and loss account for the year.

Subsequent measurement

The financial assets at amortised cost are measured applying this valuation criterion, with the accrued interest recorded in the profit and loss account applying the effective interest rate method. The financial assets included in the category of fair value through net equity are recorded at their fair value without deducting the transaction costs that may be incurred for the purpose of disposing of them. The changes in fair value are recorded directly in net equity until the financial asset is derecognised from the balance sheet or is impaired, at which moment the amount recognised in this way is allocated to the profit and loss account.

The financial assets at fair value through profit and loss are measured at their fair value and the result of the changes in their fair value is recorded in the profit and loss account.

The investments classified in the previous c) category are measured at cost less the accumulated amount of the value adjustments due to impairment, if applicable. These adjustments are calculated as the difference between book value and the recoverable amount, understood as the greater of fair value less cost of sale and present value of the future cash flows generated by the investment. Except when there is a better proof of the recoverable amount of the investments in equity instruments, the net equity of the investee entity is taken into account, adjusted by the unrealised gain existing at the date of the measurement net of tax effect.

Impairment

At least at the closing date of the year the Company carries out an "impairment test" to the financial assets which are not recorded at fair value through profit and loss. It is considered that there is an objective evidence of impairment if the recoverable amount of the financial asset is lower than its book value. In any case, with regard to the equity instrument at fair value through net equity, it is presumed that there is an impairment if the decrease of its trading price persists for a year and a half or amounts to 40% without the recovery of its value. The impairment is recorded in the profit and loss account.

The Company derecognises financial assets at their expiration or assignment of the rights to the cash flows of the corresponding financial asset and when the risks and profits inherent to its ownership are transferred substantially, such as definitive sale of assets, trade receivables assignment in factoring where the entity does not retain any credit risk or interest risk or financial asset securitisation where the assigning entity does not retain subordinate financing or grants no kind of guarantee or assumes no other kind of risk.

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On the contrary, the Company does not derecognise the financial assets and recognises a financial liability at the amount equal to the received consideration in the case of financial asset assignment when the risks and profits inherent to its ownership are substantially retained, such as discount securities, recourse factoring, sale of financial assets with repurchase at fixed price or at sale price with interest, and securitisation of financial assets where the assigning entity retains subordinate financing or other kind of guarantee which absorb substantially all the expected losses.

Financial liabilities

Financial liabilities assumed or incurred by the Company are classified into the following valuation categories:

- Financial liabilities at amortised cost: these are debits and payables of the Company, arising from the purchase of goods and services during business operations, or which, not resulting from business operations and not being derivative instruments, stem from transactions of loans obtained by the Company.

These liabilities are measured initially at fair value of the received consideration adjusted by the cost of the transaction attributable directly. Subsequently, these liabilities are measured at amortised cost.

- Financial liabilities at fair value through profit and loss.
The Company shall indicate, if applicable, the types of financial liabilities classified into this category (for example, derivatives which do not meet the requirements to be considered as hedge instruments).

Derivative liabilities are measured at fair value according to the same criteria as those applied to the financial assets at fair value through profit and loss described in the previous section.

The assets and liabilities are presented separately in the balance sheet and are disclosed only at their net value when the company has the enforceable right to compensate the recognised amounts and, moreover, intends to settle these amounts at net value or to realise the asset and write it off simultaneously.

The Company derecognises financial liabilities when the obligations from which they arise expire.

i) Financial derivatives:

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

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

For the purpose of classifying these financial instruments as hedges, they are initially designated as such and the hedge relation is documented. Moreover, the Company verifies initially and periodically throughout the useful life (at least at each accounting closing date) whether the hedge relation is effective, i.e., whether it is prospectively likely that the changes in fair value or the cash flows from the hedged item (attributable to the covered risk) will be compensated with the changes in the hedging instrument.

The Company applies the following types of hedges, which are accounted for according to the description below:

- Fair value hedge: In this case, the changes in the value of the hedging instrument and the item hedged, attributable to the hedged risk, are recognised in the income statement.

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- Cash flow hedges: In this kind of hedge the part of profit or loss of the hedging instrument determined as efficient hedge is recognised temporarily in net equity and allocated to the profit and loss account in the same period when the element hedged affects the profit or loss, except for when the hedge correspond to a transaction expected to result in the recognition of a non-financial asset or liability, in which case the amounts recorded in net equity will be included in the cost of the asset or liability when it is acquired or assumed.
- Hedges of net business investments abroad: this kind of hedging transactions are designed to cover the exchange rate risk in the investments in subsidiary and associated companies and are treated as fair value hedges because of the exchange rate component.

The hedge accounting is interrupted when the hedging instrument expires or is sold, terminated or executed, or it no longer meets the criteria of hedge accounting. At that moment any accumulated profit or loss corresponding to the hedging instrument recorded in net equity is maintained within the net equity until the expected transaction takes place. When the transaction subject to the hedge is not expected to take place, the net accumulated profit or loss recognised in net equity is transferred to net income statement for the period.

For the purpose of considering each hedging transaction to be effective, the Company documents that the economic relation between the hedging instrument and the hedged item is aligned with the risk management objectives.

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

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

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

j) Deposits:

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

k) Derecognition and modification of financial liabilities:

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

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

l) 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.

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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 Company 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 Company 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 Company 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 income statement.

4.4 Fair value measurement

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.

The measurement at fair value of the financial assets and liabilities is classified according to a hierarchy which reflects the relevance of the variables used in order to carry out such measurement. This hierarchy is comprised of three levels:

- Level 1: Measurements based on the trading price of identical instruments on the active market.
- Level 2: Measurements based on the observable variables of an asset or liability.
- Level 3: Measurements based on variables which are not supported by observable market data.

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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.

4.5 Inventories

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

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

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

4.6 Cash and other cash equivalents

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

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

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

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

4.7 Net equity

Share capital is represented by ordinary shares.

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

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

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

4.8 Provisions and contingent liabilities

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

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

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

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

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

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

4.9 Corporate income tax

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

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

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

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

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

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

4.10 Net turnover

Income 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.

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.

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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.

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

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

Income on dividends

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

Other income

The income and expense from interest is accounted for applying the method of effective interest rate applicable to the outstanding principal during the corresponding accrual period.

4.11 Leases

Leases are classified as financial lease when from the terms of the contract it may be deduced that the risks and profits inherent to the ownership of the asset subject to the contract are substantially transferred to the lessee. Where this is not the case, they are classified as operating leases.

Finance lease

With regard to the financial leases in which the Company acts as lessee, the cost of the leased assets is presented in the balance sheet according to the nature of the subject of the contract and, simultaneously, a liability of the same amount. The amount is the lower of the fair value of the leased goods and the current value at the beginning of the contract of the established minimum amounts, including the purchase option, when there are no reasonable doubts regarding its subject. This calculation does not include contingent amounts, the cost of services and taxes charged by the lessor. The total financial charge of the contract is allocated to the profit and loss account for the year in which it is accrued, applying the method of effective interest rate. Contingent payments are recognised as expenses for the year in which they are incurred.

The assets recorded from this kind of transactions are depreciated according to the criteria similar to those applied to the whole of fixed assets, according to their nature.

As at 31 December 2021 the Company does not have financial lease contracts.

Operating lease

The expenses derived from operating lease contracts are charged to the profit and loss account in the year when they are accrued.

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Any collection or payment made at contracting an operating lease is treated as advance collection or payment allocated to the income statement throughout the lease period, at the same time as profits from the leased asset are assigned or received.

4.12 Transactions in foreign currency

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

4.13 Related party transactions

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

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

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

4.14 Cash flow statement

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

- a) Operating activities: activities that make up the ordinary revenues of the Company, and other activities that cannot qualify as investment or financing.
- b) Investment activities: investment, sale or disposal by other means of long-term assets and other investments not included under cash and cash equivalents.
- c) Financing activities: activities that cause changes to the volume and composition of net equity and the liabilities that do not form part of the operating activities.

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

4.15 Critical aspects of the measurement and estimation of uncertainty

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

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a) Recoverability of equity instruments and receivables from Group companies

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

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

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

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

c) Provisions

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

d) Energy income and expenses estimates

Income from energy sales is recognized when the electricity is delivered to the customer on the basis of estimated energy production. As the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate of the volume of sales to customers that has not yet been invoiced.

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 Company 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 Company uses internal and external sources of information. As an internal source, the Company 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

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because the purchase fees are not available, the Company 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.

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) Estimates for the fair value of derivatives

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

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

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

5. Intangible assets

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

	Computer software	Licences and trademarks	Total
Net book value at 31- 12- 2019	1,838	-	1,838
Additions	612	-	612
Amortisation charge	(668)	-	(668)
Net book value at 31- 12- 2020	1,782	-	1,782
Cost	4,819	56	4,875
Accumulated amortisation	(3,033)	(56)	(3,089)
Impairment provision	(4)	-	(4)
Net book value at 31- 12- 2020	1,782	-	1,782
Additions	975	-	975
Amortisation charge	(575)	-	(575)
Net book value at 31- 12- 2021	2,182	-	2,182
Cost	5,794	56	5,850
Accumulated amortisation	(3,608)	(56)	(3,664)
Impairment provision	(4)	-	(4)
Net book value at 31- 12- 2021	2,182	-	2,182

The recognitions in the year 2021 and 2020 correspond mainly to the development and implementation of various platforms and operating software by means of using both external and internal resources, recorded in the Other operating income account of the Company's income statement.

As at 31 December 2021 the intangible assets, still in use and completely amortised or impaired amount to EUR 1,472 thousand (EUR 623 thousand in 2020).

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6. Property, plant and equipment

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

	Property and constructions	Plant and machinery	Other plants, facilities and equipment	Information processing equipment and other fixed assets	Means of transport	Assets under construction	Total
Net book value at 31- 12- 2019	4	273	69	204	1		551
Additions	-	287	-	31	-	-	318
Derecognitions	(7)	(3)	(2)	(8)	-	-	(20)
Transfers	3	(3)	-	-	-	-	-
Depreciation charge	-	(25)	(14)	(175)	(1)	-	(215)
Net book value at 31- 12- 2020	-	529	53	52	-	-	634
Cost	-	576	193	605	20	-	1,394
Accumulated depreciation	-	(47)	(125)	(553)	(20)	-	(745)
Impairment provision	-	-	(15)	-	-	-	(15)
Net book value at 31- 12- 2020	-	529	53	52	-	-	634
Additions	-	-	4	146	-	554	704
Depreciation charge	-	(28)	(12)	(39)	-	-	(79)
Net book value at 31- 12- 2021	-	501	45	159	-	554	1,259
Cost	-	576	197	751	20	554	2,098
Accumulated depreciation	-	(75)	(137)	(592)	(20)	-	(824)
Impairment provision	-	-	(15)	-	-	-	(15)
Net book value at 31- 12- 2021	-	501	45	159	-	554	1,259

The most significant recognitions of the year 2021 and 2020 correspond to equipment and facilities for electric power generation.

Moreover, during the year 2021 there have been recognitions in assets under construction corresponding to the development works of photovoltaic plants carried out by Audax Renovables, S.A., which subsequently will be re-invoiced to the corresponding companies.

As at 31 December 2021 and 2020 the tangible assets still in use and completely depreciated or impaired amount to EUR 189 thousand.

As at 31 December 2021, the Company does not have commitments to purchase fixed assets.

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

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

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

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

	Equity instruments in Group companies	Loans to Group entities	Equity instruments in associates and multi-group companies	Loans to multi-group companies and associates	Total
Net book value at 31- 12- 2019	155,587	97,227	7,916	11,470	272,200
Increases	133,355	41,080	-	-	174,435
Divestments/derecognitions	(793)	(48,508)	-	-	(49,301)
Transfers	2,163	(2,163)	-	-	-
Changes in provisions	2,074	1,998	-	-	4,072
Balance at 31- 12- 2020	292,386	89,634	7,916	11,470	401,406
Cost	344,901	92,912	7,916	11,470	457,199
Financial Instruments Provision	(52,515)	(3,278)	-	-	(55,793)
Net book value at 31- 12- 2020	292,386	89,634	7,916	11,470	401,406
Increases	40,615	147,189	3,301	229	191,334
Divestments/derecognitions	(1)	(6,115)	-	-	(6,116)
Transfers	3,267	(3,267)	-	-	-
Changes in provisions	3,556	(264)	-	-	3,292
Balance at 31- 12- 2021	339,823	227,177	11,217	11,699	589,916
Cost	388,782	230,719	11,217	11,699	642,417
Financial Instruments Provision	(48,959)	(3,542)	-	-	(52,501)
Net book value at 31- 12- 2021	339,823	227,177	11,217	11,699	589,916

The breakdown of shareholdings in Group companies specifying recorded impairment and accumulated provision as at 31 December 2021 and 31 December 2020 is as follows:

2021	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	21,493	235	(14,438)	7,055
Plants under construction in Spain	96,793	-	-	96,793
Operating plants in France	3,498	-	-	3,498
Operating plants in Poland	41,153	3,321	(22,207)	18,946
Plants under construction in Poland	12,232	-	(12,232)	-
Plants under construction in Italy	7,997	-	-	7,997
Plants under construction in Portugal	21,123	-	-	21,123
Total generation activity	204,289	3,556	(48,877)	155,412
Energy retailing				
Audax Netherlands, B.V. (the Netherlands)	53,886	-	-	53,886
Eryx Investments, S.L.U. (Spain)	75,322	-	-	75,322
Fox Energia, S.A. (España)	10,400	-	-	10,400
Audax Energia, S.R.L. (Italy)	14,740	-	-	14,740
Audax Energia Sp. z o.o. (Poland)	13,489	-	-	13,489
Audax Renewables Kft. (Hungary)	13,934	-	-	13,934
Others	2,722	-	(82)	2,640
Total retailing activity	184,493	-	(82)	184,411
Total	388,782	3,556	(48,959)	339,823

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2020	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	17,619	1,287	(14,673)	2,946
Plants under construction in Spain	88,970	-	-	88,970
Operating plants in France	3,498	-	-	3,498
Operating plants in Poland	41,153	(7)	(25,528)	15,625
Plants under construction in Poland	12,232	-	(12,232)	-
Total generation activity	163,472	1,280	(52,433)	111,039
Energy retailing				
Audax Netherlands, B.V. (the Netherlands)	53,886	-	-	53,886
Eryx Investments, S.L.U. (Spain)	75,322	-	-	75,322
Fox Energia, S.A. (España)	10,400	-	-	10,400
Audax Energía, S.R.L. (Italy)	14,740	-	-	14,740
Audax Energia Sp. z o.o. (Poland)	10,437	-	-	10,437
E.ON Energiakereskedelmi Kft (Hungary)	13,934	-	-	13,934
Others	2,710	-	(82)	2,628
Total retailing activity	181,429	-	(82)	181,347
Total	344,901	1,280	(52,515)	292,386

The breakdown of loans in Group companies specifying recorded impairment and accumulated provision as at 31 December 2021 and 31 December 2020 is as follows:

2021	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	27,230	(264)	(1,401)	25,829
Plants under construction in Spain	42,074	-	-	42,074
Operating plants in France	1,550	-	-	1,550
Operating plants in Poland	-	-	-	-
Plants under construction in Poland	2,285	-	(2,141)	144
Plants under construction in Italy	449	-	-	449
Plants under construction in Portugal	1,861	-	-	1,861
Total generation activity	75,449	(264)	(3,542)	71,907
Energy retailing				
Unieléctrica Energía, S.A. (España)	23,715	-	-	23,715
Eryx Investments, S.L.U. (Spain)	12,901	-	-	12,901
Audax Energía, S.R.L. (Italy)	31,888	-	-	31,888
Audax Renewables Kft. (Hungary)	29,115	-	-	29,115
Audax Energia Sp. z o.o. (Poland)	7,444	-	-	7,444
Others	11,618	-	-	11,618
Total retailing activity	116,681	-	-	116,681
Holding				
Eléctrica Nuriel, S.L.U.	38,589	-	-	38,589
Total Holding activity	38,589	-	-	38,589
Total	230,719	(264)	(3,542)	227,177

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2020	Gross book value	Impairment provision for the year	Accumulated impairment provision	Net book value
Energy generation				
Operating plants in Spain	17,374	729	(1,137)	16,237
Plants under construction in Spain	26,104	-	-	26,104
Operating plants in France	1,554	-	-	1,554
Operating plants in Poland	-	-	-	-
Plants under construction in Poland	2,214	-	(2,141)	73
Total generation activity	47,246	729	(3,278)	43,968
Energy retailing				
Audax Energía, S.R.L. (Italy)	18,078	-	-	18,078
Eryx Investments, S.L.U. (Spain)	12,621	-	-	12,621
Audax Energia Sp. z o.o. (Poland)	4,390	-	-	4,390
Others	10,577	-	-	10,577
Total retailing activity	45,666	-	-	45,666
Total	92,912	729	(3,278)	89,634

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

The Appendix II includes detailed information on equity instruments as at 31 December 2021 and 31 December 2020.

Changes in the year 2021

Purchase of photovoltaic projects

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 2,421 thousand from third 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.

On 28 May 2021 Audax Renovables, S.A. 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:

- 50% of shares of 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. for the amount of EUR 3,424 thousand.
- 60% of shares of the company Audax Solar SPV XV, S.L. and 100% of shares of the companies Audax Solar SPV XXIV, S.L.U. and Audax Solar SPV XXV, S.L.U. for the total amount of EUR 8,457 thousand.

As a consequence of the acquisition of 60% of shares of Audax Solar SPV XV, S.L., Audax Renovables, S.A. has become also a shareholder of 60% of the companies Merfonda Solar, S.L and Sardà Solar, S.L., in which Audax Solar SPV XV, S.L. holds 100% of shares.

- 95% of shares of the company Green Show, L.D.A. and 100% of shares of the company Clever Road, L.D.A. (companies domiciled in Portugal) for the amount of EUR 4,791 thousand and EUR 17,989 thousand respectively.

As a consequence of the acquisition of shares in Green Show, L.D.A., Audax Renovables, S.A. has become also an indirect shareholder of 100% of shares in the Portuguese companies ADX Fotovoltaico - Solar Da Luz, L.D.A and ADX Fotovoltaico - Solar Do Ceu, L.D.A, in which Green

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Show, L.D.A. holds shares, and Generación Iberia, S.L.U. (a company where Audax Renovables, S.A. holds 100% of shares).

On 11 June 2021, Audax Renovables entered into an agreement with Rocío Servicios Fotovoltaicos S.L.U. (formerly Audax Fotovoltaica S.L.U. and a company belonging to the Excelsior Group) for the purchase of 100% of shares of the companies 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. for the amount of EUR 8,097 thousand.

The acquisition of companies from Rocío Servicios Fotovoltaicos S.L.U. generated cash flows from payments of investments in group companies amounting to EUR 39,961 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 (see 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 these 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 without considering repowering.
- Discounted cash flows at 35 years adjusting the value at the Transaction Date (CoD) according to the stage of administrative procedures of each project.

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.

Moreover, on 6 July 2021 Audax Renovables, S.A. entered into a contract with Conectividad y Conexiones Concom, S.A. for the acquisition of 100% of shares of the companies Astendong, S.L. and Coral Perkins, S.L. for the total amount of EUR 6 thousand.

On 19 October 2021 Audax Renovables established 100% of the company Audax Gas Trading Kft, based in Hungary, with a capital contribution of EUR 8 thousand.

On 14 December 2021 Audax Renovables S.A. signed an agreement with third parties for the purchase of 100% of shares of the company Zurban Gestión de Proyectos, S.L. for the amount of EUR 1,820 thousand.

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The main object of all the acquired companies involves development, construction and operation of photovoltaic power generation projects.

Other transactions

On 18 January 2021 Audax Renovables, S.A. acquires the non-controlling interest of 25% of the company Alset Comercializadora, S.L. Subsequently, as at December 2021, the Company has sold it to third parties.

This transaction did not involve any significant impact on the current financial statements.

Changes in the year 2020

Acquisition of E.ON Energiakereskedelmi Kft. (Hungary)

On 6 July 2020 the Company signed a purchase and sale contract with the company E.ON Hungária Zrt., a subsidiary of the German multinational group E.ON, for the purchase of 100% of share capital of the company E.ON Energiakereskedelmi Kft. (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, considered as the effective date of the acquisition.

The total amount of the purchase was EUR 42,260 thousand, of which the amount of EUR 13,934 thousand corresponds to the price paid for 100% of share capital of the company E.ON Energiakereskedelmi Kft., and EUR 28,326 to a loan granted to that Hungarian company.

Purchase of photovoltaic projects

On 30 December 2020 Audax Renovables signed an exclusive purchase agreement with the company Audax Fotovoltaica S.L.U. (a company belonging to the Excelsior Group) for the purchase of 100% of shares of the companies Audax Solar SPV 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. The purchase price of this transaction was endorsed by an independent expert through a Fairness Opinion report at the request of the governing bodies and their delegated committees, as it was a case of related party transaction.

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.

Increase of shareholdings in companies

On 24 April 2020 Audax Renovables, S.A. entered into an agreement on the purchase of 28.03% of the share capital 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.

On 29 June 2020 Audax Renovables purchased 20% of share capital of the company 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 this transaction amounted to EUR 28,608 thousand. The seller of this non-controlling interest was the related company, Eléctrica Nuriel, S.L.

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On 29 June 2020 Audax Renovables purchased 20.46% of the share capital of the company Fox Energía, S.L. - a subsidiary of Unieléctrica Energía, S.A. involved in energy retailing. The purchase price of this transaction amounted to EUR 10,400 thousand. The seller of this shareholding was a related company, Eléctrica Nuriel, S.L.

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 settlements did not have any significant impact on the annual accounts 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, in all of them Audax Renovables S.A. has a shareholding of 75% and all of them will be dedicated to the energy retailing in Spain.

Assets impairment test:

The Company has conducted impairment tests using cash flow projections in order to determine the recoverable amount. The impairment tests were made at the year-end date. As a result of these tests, a reversal of the impairment provision was recorded in the amount of EUR 3,223 thousand in the year 2021 (reversal of allocation to the provision amounting to EUR 1,989 thousand in the year 2020), which breaks down as follows:

	2021	2020
Provision for shareholdings	3,556	1,280
Loans to group entities	(264)	729
Commercial loans to group entities	(70)	(21)
Other assets	1	1
Total	3,223	1,989

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

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

	2021	2020
Spain	(28)	2,069
Poland	3,251	(80)
Total	3,223	1,989

Provisions for shareholdings

In the current year 2021, valuation adjustments due to impairment have been carried out, recorded on certain shares owned by the Company. The breakdown of the movement in the provision by geographical segment is as follows:

Geographical segment	Accumulated provision 31.12.20	Allocation / (reversal)	Transfers	Derecognitions / Divestments	Accumulated provision 31.12.21
Spain	14,752	(235)	-	-	14,517
Poland	37,763	(3,321)	-	-	34,442
Total	52,515	(3,556)	-	-	48,959

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

- a) Discount rate. Discount rates have been calculated using the weighted average cost of capital ("WACC"), on the basis of the following variables:
 - The temporal value of the money or risk-free rate of each country corresponding to the profitability of 30-year Government bonds.
 - The estimated risk premium considering the estimated betas of comparable companies of the sector and a market risk premium, which are after-tax observable variables.

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

Year 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 Company 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.

- a) 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.

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- b) 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).
- c) 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 Directors of the Company have taken into account in the preparation of the calculations of recoverable value other business assumptions that are relevant, such as:

- Estimated life of the projects: In order to determine the number of years to plan in the 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.

- 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 groups are as follows:

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

In the year 2021, as a consequence of the improvement and update of certain assumptions, the company carried out a reversal of the provision of EUR 3,356 thousand of financial assets related to the energy generation, especially in the power plants in Poland.

Moreover, in the year 2020, as a consequence of the improvement and update of certain assumptions, among others the decrease of the discount rate, the company carried out a reversal of the provision of EUR 2,069 thousand of financial assets related to the energy generation in Spain.

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

- Recurring losses in the evaluated companies.
- Significant harmful change in one of the key assumptions on which the cash flows forecasts are based: production, prices, number of clients, discount rates, gross margins, etc.
- The existence of contingent liabilities in the companies subject to valuation; significant sanctions, failure to meet certain ratios related to financial liabilities.

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

Therefore, the majority of financial investments and loans to group companies are subject to impairment tests.

Sensitivity analysis:

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

For the year 2021

Effect on profit and loss before tax			
	Discount rates	Commodity price	Exchange rate
	Increase of 10%	Increase of 10%	Increase of 10%
Western Europe	(412)	1,572	-
Eastern Europe	(576)	579	2,456
Total	(988)	2,151	2,456
	Decrease of 10%	Decrease of 10%	Decrease of 10%
Western Europe	386	(1,429)	-
Eastern Europe	540	(579)	(2,456)
Total	926	(2,008)	(2,456)

For the year 2020

Effect on profit and loss before tax			
	Discount rates	Commodity price	Exchange rate
	Increase of 10%	Increase of 10%	Increase of 10%
Western Europe	(1,070)	3,232	-
Eastern Europe	(511)	1,683	2,895
Total	(1,581)	4,915	2,895
	Decrease of 10%	Decrease of 10%	Decrease of 10%
Western Europe	1,030	(3,232)	-
Eastern Europe	483	(1,683)	(2,632)
Total	1,513	(4,915)	(2,632)

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

Changes in the year 2021

During the year 2021 Audax Renovables, S.A. carried out new contributions to Audax Energia, S.R.L. for the amount of EUR 17,610 thousand, to Elogia Calañas, S.L.U. for the amount of EUR 1,200 thousand, to Corinto Solar, S.L.U. for the amount of EUR 2,814 thousand and to a subsidiary in Portugal for the amount of EUR 16,440 thousand.

During the year 2021 ADS Energy 8.0., S.L.U. carried out repayments of a loan for the amount of EUR 4,979 thousand. As at 31 December 2021 the amount of the loan has been repaid.

Moreover, other companies have repaid their loans for the amount, mainly Audax Energia, S.R.L. for the amount of EUR 3,800 thousand, Las Piedras Solar, S.L.U. and Da Vinci Energía, S.L.U. for the amount of EUR 800 thousand and Audax Solar SPV X, S.L.U. for the amount of EUR 480 thousand.

On 1 January 2021 loan contracts were signed with the photovoltaic companies Audax, Solar SPV VII, S.L.U, Audax, Solar SPV X, S.L.U, Audax, Solar SPV XXVI, S.L.U, and Solar Buaya Inversiones, S.L.U. regarding four credit lines for the amount of EUR 10,000 thousand each, at the interest rate of 3.7% during the year 2021 and maturity period of up to 5 years. As at 31 December 2021 the total amount drawn down by the companies is EUR 4,199 thousand.

On 18 January 2021 Audax Renovables, S.A. signed loan agreements with the photovoltaic companies Centauro Energía Solar, S.L.U. Tohora Solar Inversión, S.L. and Tarakona Solar Inversión, S.L. on granting three credit lines for the amount of up to EUR 3,000 thousand each, at the interest rate of 3.7% during the year 2021 and a maturity period of up to 5 years. Subsequently, on 1 August 2021, Centauro Energía Solar, S.L.U signed an amendment in order to increase the limit of the credit line up to EUR 4,000 thousand. During the year 2021 contributions were made to Centauro Energía Solar, S.L.U in the amount of EUR 2,946 thousand. As at 31 December 2021 the total amount drawn down is EUR 3,483 thousand.

On 1 April 2021 the loan contract with Audax Energie, GmbH was amended in order to increase the limit of the credit line up to EUR 12,000 thousand. During the year 2021 contributions were made in the amount of EUR 9,789 thousand, and the total amount drawn down as at 31 December 2021 is EUR 11,352 thousand.

On 1 April 2021 an amendment was signed to the loan agreement with Botey Solar, S.L.U. and on 1 June 2021 with Corot Energía, S.L.U. in order to increase the limit of their credit lines up to EUR 12,000 thousand and up to EUR 13,000 thousand, respectively. During the year 2021 contributions were made to both companies in the total amount of EUR 11,670 thousand, and as at 31 December 2021 the amount drawn down is EUR 10,947 thousand in the case of Botey Solar, S.L.U. and EUR 12,265 thousand in the case of Corot Energía, S.L.U.

On 1 July 2021 loan agreements were signed with the Italian photovoltaic companies 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. granting six credit lines in the amount of up to EUR 5,000 thousand for Audax Solar SPV Italia 2, S.R.L., and of EUR 10,000 thousand for each one of the rest of companies. These credit lines accrue interest at the rate of 3,7% in the year 2021 and their maturity period is of up to 5 years. In 2021 contributions were made in the amount of EUR 330 thousand. As at 31 December 2021 the total amount drawn down by the six companies is EUR 445 thousand.

On 31 July 2021 loan agreements were signed with the photovoltaic companies Audax Solar SPV XV, S.L., Audax Solar SPV XXIV, S.L.U. and Audax Solar SPV XXV, S.L.U., granting credit lines for the amount of up to EUR 10,000 thousand each. These credit lines accrue interest at the rate of 3,7% in the year 2021 and their maturity period is of up to 5 years. In 2021 contributions were made in the amount of EUR 227 thousand. As at 31 December 2021 the total amount drawn down by these companies is EUR 819 thousand.

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Also at the same date loan agreements were signed with the associated photovoltaic 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., and Audax Solar SPV XXXI, S.L. granting five credit lines for the amount of up to EUR 200 thousand each. These credit lines accrue interest at the rate of 3,7% in the year 2021 and their maturity period is of up to 5 years.

As at 31 December 2021 the total amount drawn down by these companies is EUR 229 thousand.

On 9 August 2021 Audax Renovables, S.A. signed a loan agreement with Unieléctrica Energía, S.A. granting a credit line for the amount of up to EUR 18,500 thousand at an interest rate of 3.7% and with maturity on 31 January 2023. On 1 November 2021, an amendment was signed in order to increase the limit of the credit line up to EUR 23,500 thousand. As at 31 December 2021, the total amount drawn down is EUR 23,500 thousand.

On 4 October 2021 Audax Renovables, S.A. signed a loan agreement with the company Audax Renewables Kft. (formerly E.ON Energiakereskedelmi Kft), based in Hungary, for the amount of EUR 28,346 thousand, with maturity in 2023 and at an interest rate of 3.7% during the year 2021.

On 30 November 2021 a credit line agreement was signed with Eléctrica Nuriel, S.L.U. for the amount of up to EUR 125,000 thousand at an interest rate of 3.7% during the year 2021 and with maturity period of up to 5 years. As at 31 December 2021, the amount drawn down is EUR 38,468 thousand.

On 30 November 2021 the Company signed a loan agreement with Audax Fotovoltaico - Solar Da Luz, L.D.A consisting in a credit line of the amount of up to EUR 4,700 thousand, maturity in 2026 and at an interest rate of 3.7% during the year 2021. As at 31 December 2021, the balance drawn down amounts to EUR 147 thousand.

As a consequence of the acquisition of the Portuguese photovoltaic companies Green Show, L.D.A. and Clever Road, L.D.A., Audax Renovables, S.A. assumed the rights and obligations of the loan agreements which these companies had signed with their former partner, Rocío Servicios Fotovoltaicos, S.L.U. These loans have maturity date on 3 June 2024, accrue interest at the rate of 4.5% and are limited to EUR 1,000 thousand each. As at 31 December 2021, the total amount drawn down is EUR 1,615 thousand.

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 109,846 thousand, EUR 58,336 thousand of collections from acceptance of loans or repayment of the loans granted, and EUR 168,182 thousand of payments for the granting of loans, contributions or repayment of received loans.

Changes in the year 2020

As a consequence of the liquidations of companies carried out in 2020 and specified in paragraph a), Audax Renovables, S.A. decided to derecognise the loans to Group entities granted to those companies in the amount of EUR 1,268 thousand.

Over the year 2020 new contributions were made to the photovoltaic companies acquired in 2019: Audax Solar SPV IV S.L.U, Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U., Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L. and Da Vinci Energía, S.L., in the amount of EUR 18,644 thousand, under the credit line signed in 2019, the total amount drawn down as at 31 December 2020 being of EUR 22,973 thousand. In the year 2020 amending annexes were signed with the companies Las Piedras Solar, S.L. and Da Vinci Energía, S.L to increase the limit of their credit line, increasing the total limit of the credit lines of these companies up to the amount of EUR 83,664 thousand.

A credit line was signed also with the photovoltaic company Corinto Solar, S.L.U. acquired in the year 2020, up to the maximum amount of EUR 4,000 thousand. As at 31 December 2020, the amount drawn down of this credit line was EUR 1,033 thousand, it accrued interest at the rate of 3,6% in the year 2020 and its maturity period was up to 5 years.

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Moreover, the Company signed in 2020 an agreement on credit line with the company Elogia Calañas, S.L.U. for the maximum amount of EUR 3,000 thousand, maturity period of up to 5 years and interest rate of 3.6% over the year 2020. As at 31 December 2020, the amount drawn down was EUR 1,728 thousand.

In the year 2020 the Company made contributions to Eryx Investments, S.L.U. in the amount of EUR 4,503 thousand. As at 31 December 2020 the total amount drawn down of its credit line was EUR 12,219 thousand, which made it necessary to sign an amending annex increasing the limit of the loan up to the maximum amount of EUR 12,500 thousand.

Also in 2020 Audax Renovables, S.A. made new contributions to Audax Energia, S.R.L. in the amount of EUR 4,507 thousand, and to ADS Energy, S.L. in the amount of EUR 6,317 thousand.

Over the year 2020 debt settlements between Audax Renovables and various companies from the Excelsior Group were carried out in order to offset the payables of Audax Renovables towards the company Eléctrica Nuriel S.L for the purchase of non-controlling interests of Eryx Investments 2017, S.L.U. and Fox Energía, SA, and towards Audax Fotovoltaica, S.L. for the purchase of various photovoltaic companies, with other loans which Audax Renovables, S.A. had granted to Excelsior Times, S.L.

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

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

The breakdown by business segment as at 31 December 2021 and 2020 is as follows:

At 31.12.2021						
Business segment	Retailing			Generation		
Geographical segment	Loans to group companies and associates	Provisions	Net value	Loans to group companies and associates	Provisions	Net value
Spain	75,404	-	75,404	69,533	(1,401)	68,132
Italy	31,888	-	31,888	449	-	449
Poland	7,444	-	7,444	2,285	(2,141)	144
Germany	11,419	-	11,419	-	-	-
France	-	-	-	1,550	-	1,550
Panama	-	-	-	11,470	-	11,470
Portugal	-	-	-	1,861	-	1,861
Hungary	29,115	-	29,115	-	-	-
Total	155,270	-	155,270	87,148	(3,542)	83,606

At 31.12.2020						
Business segment	Retailing			Generation		
Geographical segment	Loans to group companies and associates	Provisions	Net value	Loans to group companies and associates	Provisions	Net value
Spain	19,845	-	19,845	43,477	(1,137)	42,340
Italy	18,078	-	18,078	-	-	-
Poland	4,390	-	4,390	2,214	(2,141)	73
Germany	3,354	-	3,354	-	-	-
France	-	-	-	1,554	-	1,554
Panama	-	-	-	11,470	-	11,470
Total	45,667	-	45,667	58,715	(3,278)	55,437

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

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

	At 31.12.2021	At 31.12.2020
Loans to companies	28,324	40,855
Other financial assets	1,548	1,175
Investments in group companies and associates	29,872	42,030

The balance of loans to companies for the year 2021 and 2020 corresponds primarily to the balances of current accounts with group companies.

The decrease in loans to companies in 2021 is mainly due to the conclusion of the agreement on a loan granted to Audax Renewables Kft. in the amount of EUR 28,346 thousand (Note 7.b).

The amount of Other financial assets for they year 2021 and 2020 corresponds to dividends receivable from other group companies.

8. Financial investments

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

	At 31.12.2021	At 31.12.2020
Equity instruments	1	1
Loans to third parties	6	-
Debt securities	45	45
Derivatives	292	11
Other financial assets	21,375	5,541
Total long-term financial investments	21,719	5,598
Equity instruments	2,774	2,732
Loans to third parties	9,834	9
Derivatives	8,932	3,331
Other financial assets	67,585	68,303
Total short-term financial investments	89,125	74,375

Equity instruments

As at 31 December 2021 and 2020, the balance of current and non-current Equity Instruments includes mainly the amounts held by the Company in different investment funds with short-term and long-term maturity, respectively.

Loans to third parties

Current loans to third parties correspond mainly to two loans granted during the year to the companies Alcanzia Energía, S.L.U. and Sunair One Energy, S.L.U. for the total amount of EUR 9,500 thousand with maturity in 2022.

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Derivatives

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

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

	At 31.12.2021		At 31.12.2020	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments				
Commodity price cash flow hedge				
Non-current	292	4,906	11	1,736
Current	8,932	12,887	3,331	558
Total	9,224	17,793	3,342	2,294

As at 31 December 2021, the Company holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Company hedges against the risk of energy price changes for the maximum net volume of 17.75MW for the year 2022, 1MW for the year 2024, 3MW for the year 2025, 5MW for the year 2026, and 15MW for the following years.

As at 31 December 2021 the net fair value of these derivative financial instruments is a negative amount of EUR 8,569 thousand (positive amount of EUR 1,048 thousand as at 31 December 2020).

As at 31 December 2021 the Company does not hold any derivative which would not fulfil the criterion of hedge accounting application established by the standards of the General Accounting Plan, therefore the changes in the value of these financial instruments are recorded (net of their tax effect) in the net equity. The impact on the net equity of these hedges is the negative amount of EUR 6,427 thousand (positive amount of EUR 786 thousand in 2020).

Other financial assets

As at 31 December 2021 and 2020 this account is comprised mainly of guarantees, fixed-term deposits in financial entities, classified as non-current or current assets according to their maturity date, which accrue interest at a market interest rate.

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.

Cash flows generated in 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.

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9. Trade and other receivables

The composition as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	At 31.12.2020
Clients	92,362	68,715
Trade receivables from group and associated companies (Note 20)	30,702	5,295
Sundry receivables	483	2,914
Staff	-	2
Current tax assets	688	248
Other receivables from Public Administration	12,876	3,779
Valuation adjustments due to impairment (Note 20)	(15,796)	(14,078)
Trade and other receivables	121,315	66,875

The balance of the clients account as at 31 December 2021 and 2020 corresponds to the receivables for energy supplies and includes the accumulated balance of electricity and gas retail which has not yet been invoiced as at the end of the year (see note 18.a).

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

The accounts receivable are not insured and accrue no interest.

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

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

Impairment movement

The analysis of the movement of the adjusting accounts representing impairment loss originated by the credit risk of financial assets measured at amortised cost for the years 2021 and 2020 is as follows:

	Adjustment due to client impairment	
	2021	2020
Balance at beginning of year	(14,078)	(12,526)
Allocations	(2,461)	(2,149)
Reversals	743	480
Derecognition from liquidation of companies (Note 7)	-	117
Balance at beginning of year	(15,796)	(14,078)

10. Cash and other cash equivalents

	At 31.12.2021	At 31.12.2020
Cash and bank accounts	148,377	244,590
Other cash equivalents	815	-
Total	149,192	244,590

As at 31 December 2021, there are restrictions to the disposable cash in the amount of EUR 3,300 thousand (in 2020 there were no significant restrictions to the disposable cash and other cash equivalents).

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11. Net equity

a) Share capital

The 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 Company is represented by 440,291,054 shares of a value of EUR 0.1 each.

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

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

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

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

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

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

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

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

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

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

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

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

The Company's shareholders holding more than 10% of shares as at 31 December 2021 and 31 December 2020 are the following:

	At 31.12.2021	At 31.12.2020
Shareholders	%	%
Eléctrica Nuriel, S.L.(*)	65.15%	72.09%
Rest of shareholders	34.85%	27.91%
Total	100.00%	100.00%

(*) 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 Company

b) Share premium

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

c) Reserves

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

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

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As at 31 December 2021, the Company has this reserve funded with the minimum amount established by the Consolidated Text of the Corporate Enterprises Act.

	At 31.12.2021	At 31.12.2020
Legal and internal		
Legal Reserve	8,806	8,806
Other reserves		
Other reserves	(295,892)	(304,803)
Total	(287,086)	(295,997)

The changes occurred in the reserves account in the year 2021 and 2020 are detailed in the Statement of Changes in Net Equity.

d) Treasury shares

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

e) Distribution and allocation of earnings

The Company's General Meeting of Shareholders held on 21 April 2021 agreed to distribute the profit for the year 2020 amounting to EUR 19,197 thousand to the distribution of dividends in the amount of EUR 10,000 thousand and to offset the losses from the previous years in the amount of EUR 9,197 thousand. In July 2021 the payment of dividends was carried out.

The proposed allocation of earnings of Audax Renovables, S.A. for the year 2021 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Allocation base	EUR
Profit and loss (Loss)	(4,935,471)
Total	(4,935,471)

Allocation	EUR
To losses from previous years	(4,935,471)
Total	(4,935,471)

f) Earnings per share

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

	At 31.12.2021	At 31.12.2020 *
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	440,291,054
Profit (loss) of the Company (EUR thousands)	(4,936)	19,198
Profit / (loss) per share (euro per share)		
- Basic	(0.0112)	0.0436
- Diluted	(0.0112)	0.0436

* Restated figures (Note 2)

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As at 31 December 2021 the difference between the average number of shares and the average number of shares diluted relates to the total average of convertible shares associated with the convertible bond contract for the total of 51,653 thousand shares (6,085 thousand shares as at 31 December 2020 for the period between the bond issue date and 31 December 2020), see Note 13.

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

The diluted gain per share is calculated by adjusting the profit for the year attributable to the holders of equity instruments of the Parent Company and the weighted arithmetic mean of ordinary shares circulating by all the dilutive effects inherent to the potential ordinary shares.

12. Provisions

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

	At 31.12.2021	At 31.12.2020
Current provision for liabilities	49	49
Total	49	49

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities. As at 31 December 2021, the Management of the Company considers that there are no contingencies requiring to be provisioned for.

In 2020 non-current provisions were paid in the amount of EUR 269 thousand.

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

13. Financial liabilities

The breakdown of financial liabilities, excluding liabilities towards the Group, trade and other payables, as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	At 31.12.2020 *
Bonds and other negotiable securities	447,821	379,158
Amounts owed to credit institutions	40,036	29,147
Derivatives (Note 8)	4,906	1,736
Total long-term debts	492,763	410,041
Bonds and other negotiable securities	202,993	136,754
Amounts owed to credit institutions	16,231	27,193
Derivatives (Note 8)	12,887	558
Total short-term debts	232,111	164,505

* Restated figures (Note 2)

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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.

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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.

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.

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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.

	At 31.12.2021	At 31.12.2020
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 €2000M approved in December 2020	300,000	200,000
Convertible bond of nominal value €125M approved in November 2020	125,000	125,000
Total	441,911	369,105

The conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. As at 31 December 2021 all requirements specified in those contracts are met and no breach of financial obligations is expected to arise by the closing date of the next financial year.

Amounts owed to credit institutions

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

	2021	2020
Loans	48,224	48,894
Lines of credit	4	1
Reverse factoring and similar	8,039	7,445
Total amounts owed to credit institutions.	56,267	56,340

In 2020 the 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 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 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 Company signed with various financial institutions ICO loans whose outstanding balance as at 31 December 2020 amounted to EUR 35,318 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 Company 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 34,330 thousand.

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The reverse factoring contracts of the Company relate mostly to the loans obtained by the Company from diverse financial institutions in order to finance the payment of invoices to suppliers and creditors when the invoices become due. Usually the maturity period of these loans is 60 to 120 days. In this sense, the term does not include transactions carried out between group companies. Therefore, we consider the nature of the transaction as financial, including the liability arising in short-term amounts owed to credit institutions.

There are no deposits or guarantees associated with these transactions.

The net cash flow shown in the Cash Flow Statement as collections and payments for financial liability instruments of amounts owed to credit institutions is the positive amount of EUR 318 thousand, EUR 44,196 thousand of collections from acceptance of new loans, and EUR 43,878 thousand of payments for the settlement of various loans.

Classification of Financial Liabilities by maturity date

	2022	2023	2024	2025	2026	2027 and following years	Total
Bonds and other negotiable securities	202,993	30,352	(2,291)	122,773	(1,534)	298,521	650,814
Amounts owed to credit institutions	16,231	9,141	11,114	8,614	5,098	6,069	56,267
Derivatives	12,887	2,207	168	(29)	(10)	2,570	17,793
	232,111	41,700	8,991	131,358	3,554	307,160	724,874

Movement of financial liabilities

	31.12.2020	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2021
Bonds and other negotiable securities	379,158	168,032	(13,508)	(85,861)	-	447,821
Amounts owed to credit institutions	29,147	9,654	-	1,235	-	40,036
Derivatives	1,736	-	-	-	3,170	4,906
Total non-current financial liabilities	410,041	177,686	(13,508)	(84,626)	3,170	492,763
Bonds and other negotiable securities	136,754	226,997	(247,296)	86,538	-	202,993
Amounts owed to credit institutions	27,193	34,554	(43,604)	(1,912)	-	16,231
Derivatives	558	-	-	-	12,329	12,887
Total current financial liabilities	164,505	261,551	(290,900)	84,626	12,329	232,111

14. Other liabilities

The composition of Other current and non-current liabilities as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	At 31.12.2020
Sureties and deposits received	7,861	439
Long-term deferred payments	2,771	-
Other non-current liabilities	10,632	439
Sureties and deposits received	64	64
Other current liabilities	64	64

The balance included in Long-term deferred payments relates to the debt assumed with Solar Asset

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Management, S.L.U. for the purchase on 18 December 2019 by Rocío Servicios Fotovoltaico, S.L.U. (formerly Audax Fotovoltaica, S.L.U), a company related to the Excelsior group, of the company Solar Buaya Inversiones, S.L.U., owner of a photovoltaic energy generation project of 50MW in Carmona (Seville). The debt shall be paid upon meeting certain conditions in the state of processing of the project established in the purchase agreement.

As a consequence of the acquisition of the company Solar Buaya Inversiones, S.L.U. in 2020 by Audax Renovables, the Company assumed the position of Rocío Servicios Fotovoltaicos, S.L.U as the creditor of the debt.

The increase in the non-current sureties and deposits for the year 2021 relates mainly to the deposits established in financial institutions for the settlement of the non-expired derivatives and futures contracts.

15. Trade and other payables

The composition as at 31 December 2021 and 2020 is as follows:

	At 31.12.2021	At 31.12.2020
Suppliers	21,241	11,804
Suppliers, group entities (Note 20)	17,663	229
Sundry payables	26,627	17,577
Staff	630	634
Current tax liabilities	2,615	(35)
Public Administration (Note 18.d)	1,583	10,610
Trade and other payables	70,359	40,819

The amount corresponding to Public Administration in the year 2021 and 2020 relates mainly to the Municipal Electricity Tax (IMU).

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

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

	2021	2020
	Days	Days
Average period of payment to suppliers ⁽¹⁾	28	31
Paid transactions ratio	26	29
Transactions with outstanding payment ratio	28	31
	Amount in EUR thousands	
Total payments carried out	597,703	312,205
Total outstanding payments	45,282	26,763

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

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

16. Risk management

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

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

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

- a) Ensure an appropriate separation of duties to guarantee an adequate level of independence.
- b) Constant evaluation of the mechanisms for hedging, transfer and mitigation, in order to ensure their suitability and the implementation of the best market practices.
- c) Guarantee the proper use of risk hedging instruments.
- d) Inform about the risks for the Group and about the implemented systems to mitigate them.
- e) Adjusting the Group's risk policy to all the specific policies which need to be developed in regards to risks.
- f) Ensure the adequate compliance with the Corporate Governance rules.
- g) Act at any time respecting the law and the Corporate Code of Ethics and Conduct.

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

Interest rate risk

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

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

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

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

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

	At 31.12.2021	At 31.12.2020
Fixed interest rate	661,829	531,014
Floating interest rate	45,252	41,238
Total	707,081	572,252

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

	Interest rate increase /(decrease)	Effect on profit and loss before tax
2021	10%	(172)
	(10%)	157
2020	10%	(1,241)
	(10%)	1,026

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

Exchange rate risk

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

The non-euro currencies with which Audax Renovables, S.A. has mostly operated in 2021 and 2020 are the dollar, the Polish zloty and the Hungarian forint.

Commodity price of electricity risk

Audax Renovables is exposed to the risk of fluctuations in commodity prices given that its sales are linked to the price of electricity. Moreover, as the head entity of the Group, the Company is also exposed to the price changes in the countries where its subsidiaries operate.

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.

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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.

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.

Credit risk

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

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

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

As at 31 December 2021 the provision for bad debts reached the amount of EUR 15,796 thousand (EUR 14,078 thousand as at December 2020).

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

As at 31 December 2021 and 2020 the Company did not have significant credit risk concentrations.

Liquidity risk

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

Management follows up the liquidity reserve forecasts of the Company (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. In this respect, the schedule established for expected cash flows of financial debt (without taking into account financial interest) is included in Note 13, to which the payments corresponding to Trade and other payables maturing in 2021 should also be added (Note 15).

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As at 31 December 2021, available liquidity amounts to EUR 149,192 thousand including cash and cash equivalents (EUR 244,590 thousand as at 31 December 2020), and there are no significant undrawn credit facilities.

Capital management

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

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

	At 31.12.2021	At 31.12.2020 *
Long-term financial liabilities (Note 13)	492,763	410,041
Short-term financial liabilities (Note 13)	232,111	164,505
Derivatives	(9,224)	(3,342)
Financial assets	(70,358)	(72,315)
Cash and other cash equivalents (Note 10)	(149,192)	(244,590)
Net financial debt:	496,100	254,299
		-
Net equity (Note 11)	165,896	188,331
Leverage (Net financial debt / (Net financial debt + Net equity))	74.94%	57.45%

* Restated figures (Note 2)

Guarantee terms risk

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

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

As at 31 December 2021 and 2020, the Company does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

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

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

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 2°C 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.

17. Tax situation

As a result of the reduction of the shareholding of Electrica Nuriel, S.L.U. in Audax Renovables, S.A. (Note 11), 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:

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Generación Iberia, S.L.U.	Elogia Calañas, S.L.U.
Eólica El Pedregoso, S.L.	Corinto Solar, S.L.U.
Eólica Del Pino, S.L.	ADS Energy 8.0., S.L.U.
Audax Solar SPV IV, S.L.U.	Masqluz 2020, S.L.
Audax Solar SPV VI, S.L.U.	Alset Comercializadora, S.L.U.
Audax Solar SPV VII, S.L.U.	By Energyc Energía Eficiente, S.L.
Audax Solar SPV IX, S.L.U.	Love Energy, S.L.
Audax Solar SPV X, S.L.U.	Energía Ecológica Económica, S.L.
Aznalcóllar Solar, S.A.U.	Feed Energía, S.L.
Solar Buaya Inversiones, S.L.U.	Eryx Investments 2017, S.L.U.
Audax Solar SPV XXVI, S.L.U.	Unieléctrica Energía, S.A.
Botey Solar, S.L.U.	Explotación Eólica La Pedrera, S.L.U.
Corot Energía, S.L.U.	Fox Energía, S.A.
Las Piedras Solar, S.L.U.	

The movement in deferred taxes is as follows:

	Balance 31.12.2020	Sale of companies	Recognitions	Derecognitions	Balance 31.12.2021
Deferred tax assets	3,136	-	6,970	-	10,106
Deferred tax liabilities	(1,084)	-	(1,268)	-	(2,352)
Net total	2,052	-	5,702	-	7,754

	Balance 31.12.2019	Sale of companies	Recognitions	Derecognitions	Balance 31.12.2020
Deferred tax assets	2,758	-	378	-	3,136
Deferred tax liabilities	(383)	-	(786)	85	(1,084)
Net total	2,375	-	(408)	85	2,052

The main recognitions in deferred tax assets temporary differences for recognised expenses, not yet deductible, especially financial expenses, as well as the tax impact resulting from the recognition of derivative liabilities. Moreover, the recognitions for the year 2021 of deferred tax liabilities correspond to the tax impact of the recognition of derivative assets.

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The reconciliation of the taxable income for the year 2021 is the following:

Income Statement			Total
Profit (loss) for the year before tax			(7,270)
	Increases	Decreases	
Permanent differences	5,003	(5,570)	(567)
Temporary differences			
- arising this year	12,377	-	12,377
- arising in previous years	-	-	-
Removals from tax consolidation	-	(1,417)	(1,417)
Previous taxable income			3,123
Tax losses carried forward			(1,000)
Taxable amount			2,123

The increase from temporary differences relate mainly to non-deductible financial expenses in 2021, which will be deducted in the future.

The reconciliation of the taxable income for the year 2020 is the following:

Income Statement			Total
Profit (loss) for the year before tax			20,397
	Increases	Decreases	
Permanent differences	353	(13,101)	(12,748)
Temporary differences			
- arising this year	-	-	-
- arising in previous years	-	(1)	(1)
Previous taxable income			7,648

Permanent decreases in 2020 relate primarily to the reversal of profit recorded because of the dividends and the reversal of movement of allocations to financial provision in Group companies.

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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	(7,270)		20,397	
Theoretical tax	(1,818)	25%	5,099	25%
Permanent differences from dividends	(181)		(2,093)	
Other permanent differences	1,100		(410)	
Goodwill amortisation	(317)		(317)	
Profit from disposal of shares	-		(367)	
Allocation / (reversal) of financial provision	(805)		-	
Use of NOLs and tax credits	(350)		(607)	
Others	(104)		16	
Corporate income tax accrued	(2,334)		1,200	

As at 31 December 2021, the Company has net operating losses (NOLs) to be carried forward amounting to EUR 130,943 thousand (EUR 130,429 thousand as at 31 December 2020) as well as other not recognised tax credits amounting to EUR 6,648 thousand. As at 31 December 2021 and in relation to these amounts, the Company has recognised in the annual accounts a tax credit of EUR 2,563 thousand, corresponding to the tax credits whose recoverability has been considered highly probable, and some temporary differences for financial expenses to be deducted in following years amounting to EUR 3,094 thousand.

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

The Management of the Company considers that there are no possible tax contingencies which might significantly affect these financial statements.

18. Income and expenses

a) Net turnover

The breakdown of the net turnover is as follows:

	National		Rest of the European Union		Total	
	2021	2020	2021	2020	2021	2020
Income from energy retailing	477,655	263,339	137,982	78,218	615,637	341,557
Provision of services	7,113	5,382	-	225	7,113	5,607
Income from shareholding in equity instruments in group and associated companies	-	7,623	760	748	760	8,371
Net turnover	484,768	276,344	138,742	79,191	623,510	355,535

The annual accounts for the year 2021 include the financial statements of a permanent establishment in Portugal. Its registered address is at Avenida das Túlipas, 6, 18º, Lisboa.

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As the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate of the volume of sales to customers that has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured under the heading "Trade and other receivables" of the assets of the Balance Sheet and, as at 31 December 2021, amounts to EUR 40,955 thousand (EUR 24,680 thousand as at 31 December 2020). Regarding this energy, there is an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 5,687 thousand (EUR 8,469 thousand as at 31 December 2020).

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

The income from shareholding in equity instruments in group and associated companies corresponds to dividends recognised in the years 2021 and 2020.

b) Procurement

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

	2021	2020
Consumption of goods	(590,005)	(309,734)
National purchases	(451,842)	(234,725)
Intra-Community purchases	(138,163)	(75,009)
Work performed by other entities	(6,741)	(2,470)
Procurement	(596,746)	(312,204)

As indicated in previous paragraph, as the usual date of meter readings does not coincide with the balance sheet date for the financial year, the Management of the Company makes an estimate relating to the not received invoices for electricity and gas toll costs amounting to EUR 5,687 thousand (EUR 8,469 thousand as at 31 December 2020). The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the Balance Sheet. Additionally, there is an estimate related to the invoices for energy purchase not yet received, amounting to EUR 7,508 thousand (EUR 1,776 thousand as at 31 December 2020). The balances accumulated under this heading are included in the "Trade and other payables" account of the liabilities in the attached Balance Sheet.

Audax Renovables, S.A., has signed several long-term power purchase agreements with diverse non-related companies. Under these agreements the Company will purchase directly an expected aggregated maximum of energy of approximately 2.04 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 Company does not consider them to be financial derivatives.

c) Staff costs

The breakdown of staff costs for the year 2021 and 2020 is as follows:

	2021	2020
Wages and salaries	(8,040)	(7,413)
Damages	(53)	(82)
Employer contributions	(2,002)	(1,849)
Other social expenses	(12)	(37)
Total staff costs	(10,107)	(9,381)

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The average number of employees for the years 2021 and 2020 by category is as follows:

	2021	2020
Senior Management*	3	3
Management	6	5
Leadership	17	17
Middle Management	12	14
Others	199	187
Total	237	226

* including internal auditor.

Moreover, in accordance with the provisions of the Gender Equality Act, Organic Law 3/2007 of 22 March 2007, published in the BOE (Official State Gazette) of 23 March 2007, the average number of employees at the end of 2021 and 2020 broken down by category and gender is as follows:

At 31.12.2021	Men	Women	Total
Senior Management*	2	1	3
Management	5	-	5
Leadership	9	9	18
Middle Management	5	8	13
Others	77	128	205
Total	98	146	244

* including internal auditor.

At 31.12.2020	Men	Women	Total
Senior Management*	2	1	3
Management	7	-	7
Leadership	8	7	15
Middle Management	3	8	11
Others	68	125	193
Total	88	141	229

* including internal auditor.

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

The average number of the Company's employees with a disability equal to or greater than 33% (or equivalent local qualification) in the years 2021 and 2020, by category, is as follows:

	2021	2020
Others	2	2
Total	2	2

d) Other operating expenses

The breakdown of other operating expenses is as follows:

	2021	2020
External services	(11,327)	(10,776)
Taxes (Note 15)	(3,862)	(2,655)
Loss, impairment or change in provisions from business operations	(1,759)	(1,126)
Other current operating expenses	(243)	(416)
Total operating expenses	(17,191)	(14,973)

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The taxes account is comprised mainly of the provision for IMU (Municipal Electricity Fee applied to the connection to the grid in order to transport electricity to the consumption points and depending on the grid being located on the ground, underground or air of municipal public ways, making special use of local public property which might be subject to tax at an established rate if the local government decides to apply it) amounting to EUR 2,852 thousand as at 31 December 2021 (EUR 1,498 thousand as at 31 December 2020). It also includes a contribution to the energy efficiency fund in the amount of EUR 424 thousand and a contribution to the electricity subsidy (Bono Social) amounting to EUR 448 thousand (EUR 492 thousand and EUR 290 thousand respectively in the year 2020).

e) Financial profit (loss)

	2021	2020
Financial income	5,911	6,867
From shareholdings in equity instruments	-	10
In third parties	-	10
From negotiable securities, loans and other financial instruments	5,911	6,857
In group and associated companies	5,319	6,491
In third parties	592	366
Financial expenses	(26,874)	(12,072)
From liabilities to group companies and associates	-	(174)
From liabilities to third parties	(20,156)	(9,245)
Other financial expenses	(6,718)	(2,653)
Change in fair value of financial instruments	35	-
Trading book and others	35	-
Exchange differences	(51)	(343)
Impairment and profit (loss) on disposal of financial instruments	3,291	1,942
Reversal/(Impairment) and profit/(loss)	3,292	2,009
Profit (loss) on disposal and others	(1)	(67)
FINANCIAL PROFIT (LOSS)	(17,688)	(3,606)

19. Commitments and contingencies

Guarantees with third parties

As at 31 December 2021 the Company has been given bank guarantees amounting to EUR 66,195 thousand (EUR 102,238 thousand at 31 December 2020) to cover the relevant obligations with third parties. The guarantees have been granted to cover the transactions of electricity purchase on the market.

The Company's Management estimate that any liabilities unforeseen at 31 December 2020, which could arise from the commitments indicated in this Note and in Note 14, would not have had a significant impact on these annual accounts.

Apart from the guarantees or bank guarantees which the Company 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.

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Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31 December 2021 and 2020, corresponding to the Company:

Period	31.12.2021	31.12.2020
Up to one year	604	166
Two to five years	2,105	164
More than five years	2,139	-
Total	4,848	330

Operating lease expenses in the year 2021 rose to EUR 652 thousand (EUR 383 thousand in 2020).

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

20. Information on related party transactions

Related parties are:

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

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

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

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

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

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

The balances and transactions carried out in the years 2021 and 2020 between Audax Renovables, S.A. and the related parties are as follows:

- a) Balances with related parties:

The accounts receivable and payable with the parent company (the parent company meaning Excelsior Times, S.L.) and companies belonging to the Excelsior Group as at 31 December 2021 and 2020 are as follows:

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Year 2021

	Parent company	Group and related companies	Total
Long-term investments in group companies and associates (Note 7)	-	589,916	589,916
Trade and other payables			
Short-term receivables from group companies and associates (Note 9)	99	30,291	30,390
Short-term investments in group companies and associates (Note 7)	-	29,872	29,872
Total assets	99	650,079	650,178
Short-term payables to group companies and associates	46,000	3,376	49,376
Suppliers, group entities (Note 15)	3,364	14,299	17,663
Total liabilities	49,364	17,675	67,039

Year 2020

	Parent company	Group and related companies	Total
Long-term investments in group companies and associates (Note 7)	-	401,406	401,406
Trade and other payables			
Short-term receivables from group companies and associates (Note 9)	-	5,053	5,053
Short-term investments in group companies and associates (Note 7)	-	42,030	42,030
Total assets	-	448,489	448,489
Short-term payables to group companies and associates	1,179	42,805	43,984
Suppliers, group entities (Note 15)	-	229	229
Total liabilities	1,179	43,034	44,213

The increase in the short-term payables to group companies and associates with the parent company relates mainly to the contributions made by Excelsior Times, S.L.U. in the amount of EUR 45,000 thousand.

The decrease in the short-term payables to group companies and associates with other companies of the group relates mainly to the repayment in 2021 of the contributions made by Eléctrica Nuriel, S.L.U during the year 2020 in the amount of EUR 39,781 thousand.

The cash flows derived from the Current payables to Group companies are included in the cash flows described in note 7.b.

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b) Related party transactions:

Year 2021

	Parent company	Group and related companies	Total
Turnover			
Net sales	-	69,837	69,837
Technical, accounting and administration services	-	374	374
Income from shareholdings in equity instruments	-	760	760
Other operating income and similar			
Generators management and bilateral contracts commission	-	131	131
Staff and other services	94	4,167	4,261
Financial income			
Interest on granted loans	-	5,319	5,319
Total Income and similar	94	80,588	80,682
Procurement			
Purchase of energy	-	12,140	12,140
Commodity price hedge	-	13,804	13,804
Customer acquisition services	-	39	39
Other operating expenses and similar			
Office space rental	-	458	458
Staff and other services	2,163	130	2,293
Occupational risk prevention services	-	8	8
Purchase of shares	-	42,759	42,759
Purchase of fixed assets	-	356	356
Financial expenses			
Commission for credit assignment	2,925	-	2,925
Total Expenses and similar	5,088	69,694	74,782

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Year 2020

	Parent company	Group and related companies	Total
Turnover			
Net sales	-	29,964	29,964
Technical, accounting and administration services	-	398	398
Income from shareholdings in equity instruments	-	8,371	8,371
Other operating income and similar			
Generators management and bilateral contracts commission	-	67	67
Staff and other services	41	3,371	3,412
Financial income			
Interest on granted loans	3,754	2,737	6,491
Total Income and similar	3,795	44,908	48,703
Procurement			
Purchase of energy	-	2,696	2,696
Commodity price hedge	-	(1,776)	(1,776)
Customer acquisition services	-	61	61
Green energy guarantee of origin services	-	6	6
Other operating expenses and similar			
Office space rental	-	163	163
Staff and other services	2,160	218	2,378
Occupational risk prevention services	-	18	18
Purchase of shares	-	105,233	105,233
Financial expenses			
Interest on loans and other debts	(11)	185	174
Interest on loans and other debts	2,149	106,804	108,953

Income

In the year 2021 income from the most significant transactions carried out with the group companies relates to:

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

In the year 2020 income from the most significant transactions carried out with the group companies corresponds to the sale of energy under bilateral contracts, invoicing to other companies for the works performed by the staff on the Company's payroll, dividends receivable and interest receivable from the loans granted.

Expenses

With regard to the most significant transaction costs for the year 2021, these relate to the purchase of energy through bilateral agreements, mainly from Unieléctrica Energía, S.A. and its subsidiaries, as well as hedging transactions on energy prices with various companies of the Group.

During the year 2021 the most significant expenses in "Staff and other services" correspond to management services provided by the parent company Excelsior Times, S.L.U.

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Moreover, in the year 2021 the Company 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 the Company (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.

"Purchase of Shares" in the year 2021 includes the acquisition of photovoltaic projects from the companies of the group Rocío Servicios Fotovoltaicos, S.L.U. (formerly Audax Fotovoltaica, S.L.U.) and Audax Green, S.L.U. for the total amount of EUR 42,759 thousand (EUR 66,225 thousand in the year 2020 from Audax Fotovoltaica, S.L.U. (Note 7) as well as the purchase of non-controlling interests from Eléctrica Nuriel, S.L. for the total amount of EUR 39,008 thousand in the year 2020).

Over the year 2020 the most significant expenses for transactions carried out with group companies correspond to the purchase of energy for the group companies and to the management services provided by the parent company Excelsior Times, S.L.U.

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

Remuneration of the members of the Board of Directors

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

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

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

In the year 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.

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Additionally to the information of the previous paragraph, 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 the rest of the Directors have declared that they are not subject to any direct or indirect conflict of interest with the Company.

Senior Management's remuneration

The remuneration charged for all kinds of reasons in the year 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 the Senior Management of the Group is made up of one woman and two men, including the internal auditor (one woman and two men in 2020, including the internal auditor).

22. Auditors' fees

The audit company (KPMG Auditores, S.L.) who audited the annual accounts of the Company has invoiced over the years ended on 31 December 2021 and 2020 fees for professional services in the following amounts:

	<u>EUR thousands</u>	
	2021	2020
Audit services	88	134
Other services	76	127
Total	164	261

The amounts featured in the above table include the entirety of the fees related to the services rendered during the years 2021 and 2020, independently of the invoice date.

During the year 2021 no fees were accrued to other entities associated to KPMG International (EUR 278 thousand in the year 2020).

23. Environment

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

In 2021 and 2020 no significant environmental expenses have been incurred by the Company.

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

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

24. Subsequent events

There are no significant subsequent events.

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APPENDIX I

Shareholdings in Group companies

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

Company name	Registered address	Country	Objects	Shareholding	
				Direct	Indirect
Generación Iberia, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100.00%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Germany	Germany	Retailing	100.00%	-
Audax Energia Sp. z o.o.	ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100.00%	-
Main Energie, B.V.	Stammerkamp 1, 1112 Ve Diemen (The Netherlands)	The Netherlands	Retailing	100.00%	-
Audax Renewables Kft.	Váci ut 17, H1134 Budapest (Hungary)	Hungary	Retailing	100.00%	-
Audax Gas Trading Kft	4024 (postal code) Debrecen (city), Kossuth utca (street) 42. (street number)	Hungary	Retailing	100.00%	-
Eólica El Pedregoso, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80.00%	-
Eólica Del Pino, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	80.00%	-
Eoliennes De Beauseublant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (France)	France	Generation	80.00%	-
Eólica Postolin Sp. z o.o.	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	100.00%	-
Eolica Warblewo Sp. z o.o	ul. Libelta 2/1, 85- 080 Bydgoszcz, Poland	Poland	Generation	64.50%	-
Audax Solar SPV IV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV VI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV VII, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV IX, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV X, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Astendong, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Coral Perkins, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Azalcólar Solar, S.A.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Solar Buaya Inversiones, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV XXVI, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV XV, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	60.00%	-
Merfonda Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	60.00%
Sarda Solar, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	60.00%
Botey Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Corot Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Las Piedras Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Da Vinci Energía, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Elogia Calañas, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Corinto Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Centaurus Energía Solar, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Tohora Solar Inversión, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Tarakona Solar Inversión, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Zurván Gestión de Proyectos, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV XXIV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Audax Solar SPV XXV, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	100.00%	-
Green Show, L.D.A.	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	95.00%	5.00%
ADX Fotovoltaico - Solar Da Luz, L.D.A	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	-	100.00%
ADX Fotovoltaico - Solar Do Ceu, L.D.A	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	-	100.00%
Cleaver Road, L.D.A.	Avda. Das Tulipas, 6, 18º, Miraflores Office Center. 1495 158 Algés. Portugal	Portugal	Generation	100.00%	-
Audax Solar SPV Italia 1, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
Audax Solar SPV Italia 2, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
Audax Solar SPV Italia 3, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
Audax Solar SPV Italia 4, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
Audax Solar SPV Italia 5, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
Audax Solar SPV Italia 6, S.R.L.	Via Boccaccio 7, 20123 Milan (Italy)	Italy	Generation	100.00%	-
ADS Energy 8.0., S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Masqluz 2020, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Alset Comercializadora, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
By Energyc Energía Eficiente, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Love Energy, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Energía Ecológica Económica, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Feed Energía, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	75.00%	-
Eryx Investments 2017, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Retailing	100.00%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	100.00%
Explotación Eólica La Pedrera, S.L.U.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	-	100.00%
Fox Energía, S.A.	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	20.46%	68.75%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	57.50%
Accsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	63.34%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	63.33%
Iris Energía Eficiente, S.A.	Calle Castellón 4 Bajo, Local 1, Orihuela (Alicante)	Spain	Retailing	-	67.00%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	68.69%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	57.50%
Propensaltemativa Unipessoal, LDA	Avda. das Nações Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	57.50%

AUDAX RENOVABLES, S.A
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b) Shareholdings in associated companies and multi-group companies

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	50.00%	-	Significant influence
Audax Solar SPV XXVIII, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50.00%	-	Significant influence
Audax Solar SPV XXIX, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50.00%	-	Significant influence
Audax Solar SPV XXX, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50.00%	-	Significant influence
Audax Solar SPV XXXI, S.L.	C/Temple 25 08911 Badalona (Barcelona)	Spain	Generation	50.00%	-	Significant influence
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, Panama	Panama	Generation	30.00%	-	Significant influence

AUDAX RENOVABLES, S.A
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APPENDIX II

Shareholdings in Group companies

At 31.12.2021						
Company	Share capital	Reserves	Result	Total shareholder's equity	Gross book value	Dividends
Generación Iberia, S.L.U.	200	76	119	395	779	-
Audax Energía, S.R.L.	100	544	129	773	14,740	-
Audax Energie, GmbH	50	(5,674)	(2,477)	(8,101)	50	-
Audax Energía Sp. z o.o.	1,945	382	(4,356)	(2,029)	13,490	-
Main Energie, B.V.	-	37,115	(176)	36,939	53,886	-
Audax Renewables Kft.	2,790	28,509	4,231	35,530	13,934	-
Eólica El Pedregoso, S.L.	146	2,328	134	2,608	8,990	-
Eólica Del Pino, S.L.	75	(1,737)	(24)	(1,686)	8,630	-
Eoliennes De Beausemblant, S.A.S.	556	1,539	1,151	3,246	3,498	760
Eólica Postolin Sp. z o.o.	11,931	10,085	2,661	24,677	41,153	-
Eolica Warblewo Sp. z o.o	14	(198)	20	(164)	12,232	-
Audax Solar SPV IV, S.L.U.	3	2	(4)	1	2,450	-
Audax Solar SPV VI, S.L.U.	3	2	(4)	1	3,641	-
Audax Solar SPV VII, S.L.U.	3	-	(3)	-	4,365	-
Audax Solar SPV IX, S.L.U.	3	2	(5)	-	2,645	-
Audax Solar SPV X, S.L.U.	3	-	(4)	(1)	2,110	-
Audax Solar SPV XXVI, S.L.U.	3	-	(3)	-	53,465	-
Aznalcóllar Solar, S.A.U.	60	609	(6)	663	1,504	-
Solar Buaya Inversiones, S.L.U.	3	5	(5)	3	3,345	-
Corinto Solar, S.L.	3	13	(7)	9	266	-
Botey Solar, S.L.U.	3	2	164	169	4,988	-
Corot Energía, S.L.U.	3	23	(18)	8	4,241	-
Las Piedras Solar, S.L.U.	3	5	108	116	2,614	-
Da Vinci Energía, S.L.U.	3	2	7	12	1,260	-
Elogia Calañas, S.L.U.	3	14	(9)	8	624	-
ADS Energy 8.0., S.L.U.	258	413	866	1,537	1,870	-
Masgluz 2020, S.L.	3	(66)	2,090	2,027	2	-
Alset Comercializadora, S.L.	3	(18)	(26)	(41)	2	-
By Energyc Energía Eficiente, S.L.	3	(66)	(1)	(64)	2	-
Love Energy, S.L.	3	(35)	(357)	(389)	2	-
Energía Ecológica Económica, S.L.	3	(13)	(104)	(114)	2	-
Feed Energía, S.L.	3	(2)	(72)	(71)	2	-
Eryx Investments 2017, S.L.U.	4	61,376	(445)	60,935	75,322	-
Fox Energía, SA	500	5,872	(518)	5,854	10,400	-
Audax Solar SPV Italia 1, S.R.L.	10	1,107	(2)	1,115	5,656	-
Audax Solar SPV Italia 2, S.R.L.	10	51	(7)	54	162	-
Audax Solar SPV Italia 3, S.R.L.	10	181	-	191	197	-
Audax Solar SPV Italia 4, S.R.L.	10	315	(2)	323	244	-
Audax Solar SPV Italia 5, S.R.L.	10	236	-	246	378	-
Audax Solar SPV Italia 6, S.R.L.	10	519	(1)	528	1,361	-
Audax Solar SPV XV, S.L.	3	-	(3)	-	3,288	-
Audax Solar SPV XXIV, S.L.U.	3	-	(4)	(1)	2,754	-
Audax Solar SPV XXV, S.L.U.	3	-	(4)	(1)	1,836	-
Green Show, L.D.A.	2	49	(17)	34	3,876	-
Clever Road, L.D.A.	2	23	(13)	12	17,247	-
Centaurus Energía Solar, S.L.U.	3	12	(8)	7	752	-
Tohora Solar Inversión, S.L.U.	3	5	(5)	3	986	-
Tarakona Solar Inversión, S.L.U.	3	5	(5)	3	700	-
Zurván Gestión de Proyectos, S.L.	5	92	(3)	94	1,820	-
Astendong, S.L.U.	3	-	(1)	2	6	-
Coral Perkins, S.L.U.	3	-	(1)	2	6	-
Audax Gas Trading Kft	9	-	(3)	6	9	-
Others	-	-	-	-	1,000	-
Total	18,788	143,704	2,977	165,469	388,782	760
Shareholding impairment provision	-	-	-	-	(48,959)	-
Net book value	-	-	-	-	339,823	-

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Notes to the Annual Accounts for the year 2021
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At 31.12.2020						
Company	Share capital	Reserves	Result	Total shareholder's equity	Gross book value	Dividends
Generación Ibería, S.L.U.	200	119	(42)	277	779	-
Audax Energía, S.R.L.	100	1,331	(698)	733	14,740	-
Audax Energie, GmbH	50	(5,799)	125	(5,624)	50	-
Audax Energía Sp. z o.o.	1,453	637	(2,093)	(3)	10,439	-
Main Energie, B.V.	-	40,699	(3,584)	37,115	53,886	-
Audax Renewables Kft.	2,790	28,081	428	31,299	13,934	-
Eólica El Pedregoso, S.L.	146	2,486	(158)	2,474	8,990	-
Eólica Del Pino, S.L.	75	(1,648)	(89)	(1,662)	8,630	-
Eoliennes De Beausemblant, S.A.S.	556	1,313	1,177	3,046	3,498	748
Eólica Postolin Sp. z o.o.	11,931	7,655	2,430	22,016	41,153	-
Eolica Warblewo Sp. z o.o	14	(190)	(8)	(184)	12,232	-
Audax Solar SPV IV, S.L.U.	3	5	(3)	5	2,450	-
Audax Solar SPV VI, S.L.U.	3	5	(3)	5	3,641	-
Audax Solar SPV VII, S.L.U.	3	-	-	3	4,365	-
Audax Solar SPV IX, S.L.U.	3	5	(3)	5	2,645	-
Audax Solar SPV X, S.L.U.	3	-	-	3	2,110	-
Audax Solar SPV XXVI, S.L.U.	3	-	-	3	53,465	-
Aznalcóllar Solar, S.A.U.	60	613	(4)	669	1,504	-
Solar Buaya Inversiones, S.L.U.	3	-	-	3	3,340	-
Corinto Solar, S.L.	3	12	(9)	6	256	-
Botey Solar, S.L.U.	3	10	(8)	5	4,988	-
Corot Energía, S.L.U.	3	11	(8)	6	4,221	-
Las Piedras Solar, S.L.U.	3	15	(10)	8	2,614	-
Da Vinci Energía, S.L.U.	3	28	(25)	6	1,260	-
Elogia Calañás, S.L.U.	3	5	(6)	2	609	-
ADS Energy 8.0., S.L.U.	258	(88)	505	675	1,870	-
Masqluz 2020, S.L.	3	-	(66)	(63)	2	-
Alset Comercializadora, S.L.	3	-	(18)	(15)	2	-
By Energyc Energía Eficiente, S.L.	3	-	(66)	(63)	2	-
Love Energy, S.L.	3	-	(35)	(32)	2	-
Energía Ecológica Económica, S.L.	3	-	(13)	(10)	2	-
Feed Energía, S.L.	-	-	(2)	(2)	-	-
Eryx Investments 2017, S.L.U.	4	52,232	9,145	61,381	75,322	7,623
Fox Energía, SA	500	4,564	1,309	6,373	10,400	-
Others	-	-	-	-	1,500	-
Total	18,191	132,101	8,168	158,460	344,901	8,371

Shareholding impairment provision	-	-	-	-	(52,515)	-
Net book value	-	-	-	-	292,386	-

AUDAX RENOVABLES, S.A
Notes to the Annual Accounts for the year 2021
(EUR thousands)

b) Shareholdings in associated companies and multi-group companies

At 31.12.2021						
Company	Share capital	Reserves and others	Result	Total shareholder's equity	Gross book value	Dividends
Audax Solar SPV XXVII, S.L.	3	-	(3)	-	663	-
Audax Solar SPV XXVIII, S.L.	3	-	(3)	-	663	-
Audax Solar SPV XXIX, S.L.	3	-	(3)	-	663	-
Audax Solar SPV XXX, S.L.	3	-	(3)	-	663	-
Audax Solar SPV XXXI, S.L.	3	-	(1)	2	649	-
Parque Eólico Toabré	530	1,458	(169)	1,819	7,916	-
Total	545	1,458	(182)	1,821	11,217	-

Shareholding impairment provision					-	
Net book value					11,217	

At 31.12.2020						
Company	Share capital	Reserves and others	Result	Total shareholder's equity	Gross book value	Dividends
Parque Eólico Toabré	489	1,546	(173)	1,862	7,916	-
Total	489	1,546	(173)	1,862	7,916	-

Shareholding impairment provision					-	
Net book value					7,916	

AUDAX RENOVABLES, S.A.

DIRECTORS' REPORT FOR THE YEAR 2021

The following 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 as the head entity of a consolidated group operates on the markets in Spain, Portugal, Poland, Germany, Italy, France, the Netherlands, Hungary and Panama.

The consolidated group's main activities involve:

- 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.

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

The distribution of the share capital of Audax as at 31 December 2021 is as follows:

Shareholder	Shareholding	
	31 December 2021	31 December 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 Company and its subsidiaries manage 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 Annual Report on Corporate Governance 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 Audax Renovables, S.A. 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 list of shareholdings in group entities and in associated and multi-group entities of Audax as at 31 December 2021 is provided in the Appendix I to the annual accounts.

1.3. Profile and strategy

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

- (i). A strong process of internationalisation referred to the retailing activity by establishing the company in different European countries: Portugal (2013), Italy (2014), Germany (2015), Poland (2016), 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 and optimisation of the facilities for the generation of energy from 100% renewable sources, thus enabling the vertical integration with the retailing activity and providing the customers with 100% renewable energy.

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 crisis 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 Audax, have given as a result an excellent performance.

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%.

Audax Renovables closes the year 2021 with a Net Loss of EUR 4,936 thousand, in comparison to the profit of EUR 19,197 thousand for the previous year, mainly due to the energy price crisis mentioned before and to higher financial expenses incurred as the head entity of the consolidation group.

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 Audax 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 Audax'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 Audax.
- 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.

2.3. Analysis of the results

The most significant results figures for the year 2021 in comparison to the year 2020 are as follows:

Profit and Loss	2021	2020	Var. (%)
Operating income ⁽¹⁾	633,394	360,035	75.9
Gross margin ⁽²⁾	36,648	47,831	-23.4
EBITDA ⁽³⁾	11,072	24,891	-55.5
EBIT ⁽⁴⁾	10,418	24,003	-56.6
Profit (loss) for the year	-4,936	19,197	-125.7

EUR thousand

(1) Operating income = Net turnover + Changes in inventories of finished goods and work in progress + Other operating income

(2) Gross margin = Operating income + Procurement

(3) EBITDA (Gross operating income) = Gross margin + Staff costs + Other operating expenses + Surplus provisions + Impairment and profit or loss on disposal of fixed assets

(4) EBIT (Operating income) = Gross operating income (EBITDA) + Amortisation and depreciation

Operating income has increased in 2021 by 75.9%, owing to, among other factors, a greater volume of supplied energy and the period of global energy crisis, which led to the price increase in comparison to 2020.

Gross margin amounts to EUR 36,648 thousand and has decreased by 23.4% from the year 2020. The decrease of the margin is due to the surge in the amount of procurement, which was affected by the price rise as a consequence of the energy crisis already mentioned.

Following the decrease of the margin, the EBITDA amounts to EUR 11,072 thousand, compared to EUR 24,891 thousand in 2020.

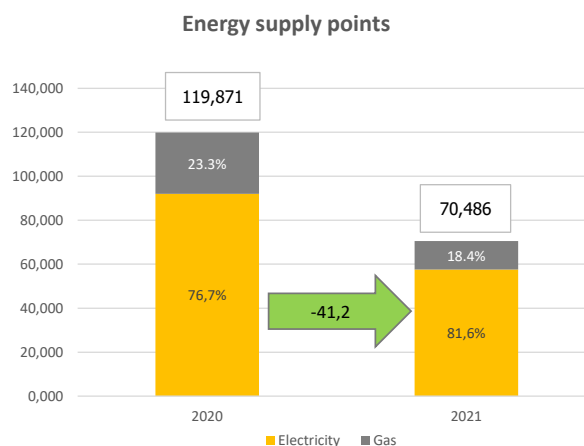
The changes in the EBIT and income for the year are explained by the financial result which was affected by the greater financial charge in comparison to the previous year, due to a higher financial debt for the purpose of financing renewable energy generation projects of the consolidated group. Therefore, the financial result has been by EUR 14,082 thousand lower than in the previous year.

Audax Renovables ends the year 2021 with a Net loss of EUR 4,936 thousand, compared to the profit of EUR 19,197 thousand for the year 2020.

2.4. Principal operating figures

The principal figures are as follows:

Supply points:



Audax has more than 70 thousand active energy supply points, compared to 120 thousand of energy supply points at the end of 2020, down by 41%. This decrease should not be considered as such, because it is mainly the result of transferring clients to other companies of the group for the purpose of providing those clients with improved quality of services, and focussing Audax brand image on its main type of client, i.e., the SME.

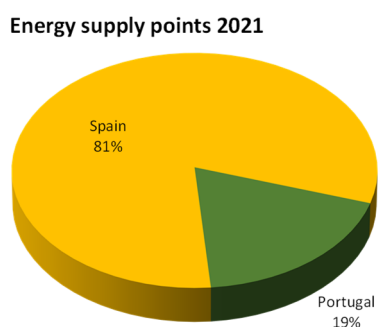
Electricity supply points constitute 81.6% of the total number, and natural gas supply points constitute 18.4%, while in 2020 the figures were 76.7% and 23.3%, respectively.

The following table shows the change in the supply points in the years 2021 and 2020, and its distribution between electricity and gas:

Supply Points	2021	2020	% Var.
Total Electricity	57,547	91,951	-37.4
Total Gas	12,939	27,920	-53.7
TOTAL SUPPLY POINTS	70,486	119,871	-41.2

At the individual level, Audax has reduced by 41.2% the number of its supply points, however this decrease should not be taken into account for the purpose of analysing the changes in the number of supply points at the consolidated level. As may be seen in the consolidated accounts of the Audax Renovables group, the number of supply points has increased by 1% between 2021 and 2020. Moreover, in the following section regarding the energy supplied by the Company it may be observed that the volume of energy has increased by 546 MWh, in spite of the drop in the number of clients.

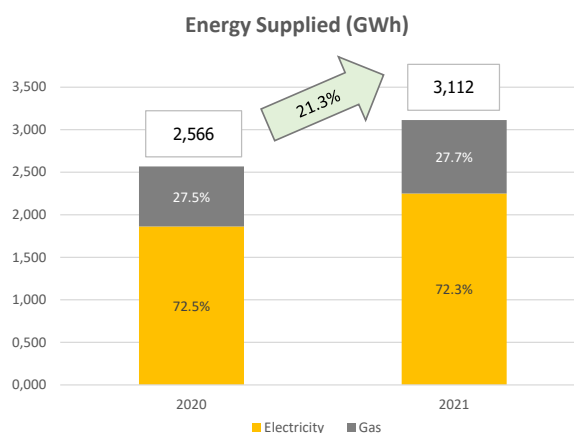
By geographical segment, the distribution of the supply points in Spain and Portugal at the end of the year 2021 is as follows:



Supplied energy:

The total amount of energy supplied by Audax in the year 2021 is of 3.1 TWh, compared to 2.6 TWh of the previous year. This increase is related to the normalisation of the situation caused by the COVID-19 pandemic impact, which had led to a lower demand because of the standstill of the daily business activities and the restrictions implemented at that moment. In spite of the decrease of the number of supply points, the commercial and operating action of Audax made it possible to increase the volume of energy supplied to the clients.

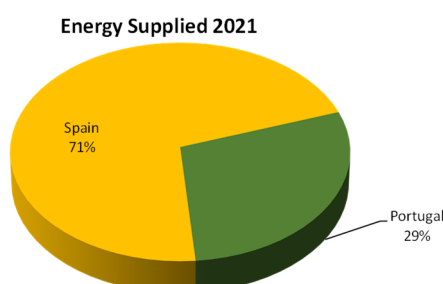
In the current year the supplied electricity represents 72.3%, whereas gas constitutes 27.7% of the total volume:



The following table shows the changes of the supplied energy and the comparison of its distribution between electricity and gas in 2021 and 2020:

Energy Supplied (GWh)	2021	2020	% Var.
Total Electricity	2,250	1,862	20.9
Total Gas	862	705	22.30
TOTAL ENERGY SUPPLIED	3,112	2,566	21.3

In terms of geographical segments, the distribution of the supplied energy in Spain and Portugal at the end of the year 2021 is as follows:



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	Dec -21	Dec-20 *restated	Var.
Financial Debt ⁽¹⁾	724,874	574,546	150,328
Asset derivatives	-9,224	-3,342	-5,882
Cash and other cash equivalents	-219,551	-316,905	97,354
Net Financial Debt ⁽²⁾	496,099	254,299	241,800
Net Equity⁽³⁾	165,896	188,331	-22,435
Leverage ⁽⁴⁾	74.9%	57.5%	17.49

(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)

*The figures of the year 2020 have been restated according to the information provided in Note 2 of the individual annual accounts.

Net Financial Debt at the end of 2021 amounts to EUR 496,099 thousand, compared to EUR 254,299 thousand as at 31 December 2020. At the same time the Leverage has increased up to 74.9%.

The increase of the Net Financial Debt is principally the consequence of bond issues carried out by the Company at the end of 2020 and over the year 2021, mainly for the purpose of financing renewable energy projects supported by Audax, the bond issues in 2021 being the following:

- 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.
- 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.
- On 26 July 2021 the Company registered a fixed income unsecured senior bond programme for a nominal amount of up to EUR 400,000,000 under the name of "EUR

400,000,000 Senior Unsecured Notes Programme Audax Renovables, S.A. 2021" in the Alternative Fixed-Income Market ("MARF").

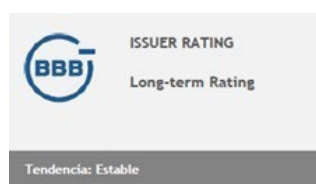
In the previous year as well as in 2021 there was no impact on the Company's financing and investment strategies resulting from the situation of the COVID-19 pandemic. Therefore, with the financing transactions carried out in recent months, Audax may face with guarantees the investments in generation 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.

Audax has a solid and comfortable financial position, which will allow it to follow its roadmap for the development and construction of the portfolio of photovoltaic projects.

3.2. Rating management

On 8 April 2020 Audax Renovables, S.A. was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.



3.3. Debt structure

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

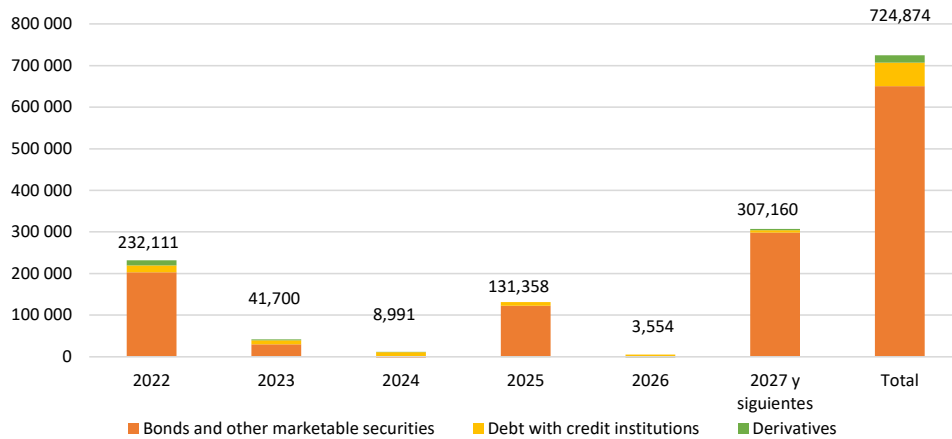
Financial Debt structure	Dec -21	% of total	Dec-20 *restated	% of total
Bonds	430,531	59%	359,108	63%
Promissory notes	220,283	31%	156,804	27%
Loans	48,224	7%	48,894	9%
Derivatives	17,793	2%	2,294	0%
Reverse factoring and similar	8,039	1%	7,445	1%
Lines of credit	4	0%	1	0%
Total Financial Debt	724,874	100%	574,546	100%

(EUR thousands)

*The figures of the year 2020 have been restated according to the information provided in Note 2 of the individual annual accounts.

The maturity dates of the Financial Debt are as follows:

Financial Debt (EUR thousands)



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

4. Main risks and uncertainties

The Company's Risk Control and Management System

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

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

- a) Corporate governance risks.
- b) Financial risks
 - (i) Credit risks
 - a) Energy generation activity
 - b) Energy retail activity
 - (ii) Market risk
 - (iii) Electricity market price volatility risk
 - (iv) Liquidity risk
 - (v) Interest rate risk
 - (vi) Guarantee terms risk
 - (vii) Access to finance
 - i. Exchange rate risk
 - ii. Capital management risk
 - iii. Financial restriction risk
- c) Risks related to the activity sector
 - i. Macroeconomic risks
 - ii. Market concentration risks
- d) Regulatory risk
 - i. Retail activity
 - ii. Generation activity
- e) Competition risk
- f) Operational risks
 - i. Cost of deviation of demand for energy
 - ii. Risk of malfunction
- g) Risk of exposition to the Spanish market

- h) Litigation and reclamation risk
- i) Dependence and concentration of qualified providers
- j) Risk related to the meteorological conditions
- k) Risk related to insurance
- l) Dismantling of facilities
- m) Dependence on factors impossible to be controlled by the Company
- n) Risks that are specific to the Company
 - i. Concentration in Audax ownership
 - ii. Customer concentration
 - iii Information systems risk
 - iv. Risk derived from debt
 - v. Key-person dependency risk
 - vi. Risk of fraud
 - vii. Other risks related to the retail activity
 - (a) Risk of product or price of the retail activity
 - (b) Risk of reduced ability to negotiate price

5. R+D+i activities

In the year 2021 the Company has allocated EUR 753 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 Company's employees is 244, the average of the year being 237 employees. In 2020 the number of the employees was 229, and the average for the year was 226 employees.

7. Natural environment

In the year 2021 and 2020 no significant environmental expenses have been incurred by the Company.

8. Acquisition and disposal of treasury shares

As at 31 December 2021 the Company does not hold treasury shares, nor as at 31 December 2020 did it hold treasury shares.

9. Other important information

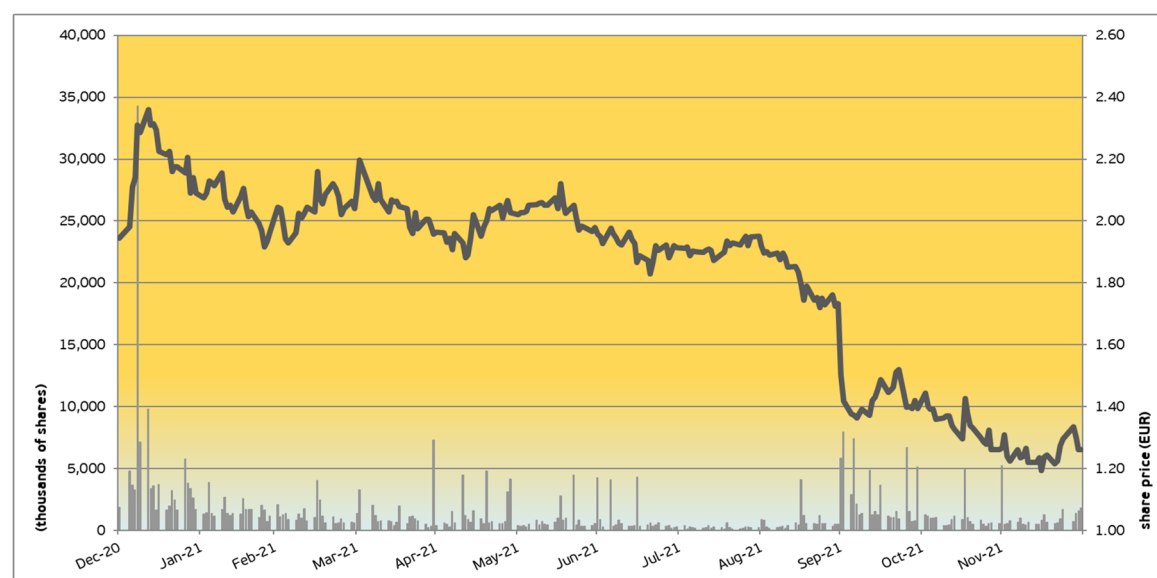
9.1. Stock market information

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 Company are as follows:

Shareholder	Total direct and indirect	
	N° 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 for the year 2021:

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.

10. Significant events subsequent to the balance sheet date

There are no significant events subsequent to the balance sheet date.

11. Corporate Governance Annual Report

The Annual Report on Corporate Governance shall be presented on the CNMV website.

12. Annual Report on the Remuneration of Directors

The Annual Report on Remuneration of Directors shall be presented on the CNMV website.

AUDAX RENOVABLES, S.A.



The Annual Financial Report of Audax Renovables, S.A. for the year 2021 comprising:

- Individual annual accounts - Individual balance sheet, Individual income statement, Individual statement of recognised income and expenses, Individual statement of changes in net equity, Individual statement of cash flows and Notes to the individual annual accounts
- Individual Directors' Report

Prepared according to the European Single Electronic Reporting Format (ESEF), in compliance with Delegated Regulation (EU) 2019/815, under identification number 18BB574145CA0917D809EE5E736A0F0A65BE845B4C697743DB236B9CA2F26B73, was drawn up by the Board of Directors of Audax Renovables, S.A. in its meeting on 24 February 2022. 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