AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2019

Audax Renovables, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(With Independent Auditor's Report Thereon)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the shareholders of Audax Renovables, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Audax Renovables, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

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Key Audit Matters

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

Recoverabilityof goodwill See note 5 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019 the Group has recognised goodwill totalling Euros 137,945 thousand. At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. As the estimated recoverable amount of goodwill exceeds its carrying amount, the Group did not recognise any impairment in 2019. This recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors in the use of estimates. The valuation process for goodwill from business combinations has been considered as a key audit matter insofar as the valuation techniques used often require the exercising of judgement by the Directors and the use of assumptions and estimates.	Our audit procedures included the following: - evaluating the design and implementation of key controls related to process of estimating the recoverable amount of goodwill, - evaluating the criteria used by the Directors and management of the Group in identifying indications of impairment, - assessing the methodology and assumptions used to estimate the recoverable amount, through value in use or fair value less costs to sell based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists. - comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained, - contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans. - evaluating the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the expected future growth rate and future cash flows. We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

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Recognition of revenue from unbilled energy supplied See note 19 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
Recognition of revenues of the energy trading segment is a significant area due to its amount and because it is subject to material misstatement, particularly at the reporting date as regards the appropriate timing of recognition based on the commercial terms agreed with customers. At 31 December 2019 trade and other receivables include Euros 63,814 thousand in unbilled energy supplied, corresponding to the period from the last meter reading to year end. Unbilled energy supplied is estimated based on internal and external information, on the basis of historical consumption of customers. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of judgement, as a result of which, this has been considered a key audit matter.	Our audit procedures included the following: - analysis of the design and implementation and operating effectiveness of the key controls related to the estimation of revenue from unbilled energy supplied, - retrospective analysis of the estimates made at the previous years' closes and actual consumption, - verification of the reasonableness of the volume of unbilled energy through an analysis of historical consumption, - verification of the tariffs applied by comparing them with the data contained in the contracts, - analysis of the control and monitoring systems established by the Group in relation to future legislation and regulations that could have an impact on recognised revenue. We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

a) A specific level applicable to the non-financial information statement, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, that the directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

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

Based on the work carried out, as described above, we have verified that the non-financial information mentioned in section a) above has been provided in a separate report, the "Non-financial information statement 2019", to which the directors' report makes reference; that the information from the ACGR, mentioned above, is included in the directors' report; that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019; and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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

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

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

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

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

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

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- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 27 February 2020.

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

Contract Period

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

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

(Signed on original in Spanish)

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

27 February 2020

CONTENTS OF CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP

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

Assets	**Note**	**31.12.19**	**31.12.18 restated ***	**01.01.18 ** restated***
Goodwill	5	137,945	138,564	98,468
Other intangible assets	5	106,280	111,510	81,784
Property, plant and equipment	6	75,347	166,597	167,907
Investments as per equity accounting method	7	6,905	6,992	6,931
Financial assets	8	76,306	99,355	33,022
Deferred tax assets	18	7,390	5,461	1,103
Total non-current assets		**410,173**	**528,479**	**389,215**
Inventory		1,812	4,513	56
Trade and other receivables	10	148,336	136,076	127,213
Current tax assets		666	1,432	378
Financial assets	8	36,241	44,460	64,918
Time period adjustments and other current assets	10	26,241	19,626	12,899
Cash and other cash equivalents	11	150,784	98,313	50,258
Total current assets		**364,080**	**304,420**	**255,722**
Total assets		**774,253**	**832,899**	**644,937**

Net Equity and Liabilities	**Note**	**31.12.19**	**31.12.18 restated ***	**01.01.18 ** restated***
Capital		44,029	308,204	98,003
Share premium account		420,316	420,316	278,948
Reserves		(364,322)	(637,245)	(334,161)
Profit (loss) for the year attributable to the parent company		25,417	8,412	8,250
Translation differences		1,682	1,717	(151)
Other comprehensive income		(4,901)	4,904	7,009
Equity attributed to the parent company		**122,221**	**106,308**	**57,898**
Non-controlling interests		33,493	33,258	13,132
Total net equity	12	**155,714**	**139,566**	**71,030**
Provisions	13	1,211	2,670	1,762
Bonds and other negotiable securities issuance liabilities	14	143,184	96,938	85,128
Financial liabilities to credit institutions	14	46,554	129,873	162,009
Lease liabilities	2 & 14	8,267	-	-
Derivative financial instruments	9	4,009	11,373	10,633
Other financial liabilities	14	19,605	34,409	22,333
Subsidies	15	5,675	5,869	6,381
Other non-current liabilities		4,636	26,492	14,033
Deferred tax liabilities	18	17,637	29,755	18,391
Total non-current liabilities		**250,778**	**337,379**	**320,670**
Liabilities related to assets held for sale		-		
Provisions		1,270	949	324
Bonds and other negotiable securities issuance liabilities	14	67,534	67,985	28,941
Financial liabilities to credit institutions	14	71,121	103,713	69,126
Lease liabilities	2 & 14	1,362	-	-
Derivative financial instruments	9	4,060	462	-
Other financial liabilities	14	28,934	16,495	38,333
Trade and other payables	16	93,820	93,313	68,885
Current tax liabilities		2,267	1,994	157
Other current liabilities	16	97,393	71,043	47,471
Total current liabilities		**367,761**	**355,954**	**253,237**
Total net equity and liabilities		**774,253**	**832,899**	**644,937**

The attached notes are an integral part of the consolidated annual accounts.
* Restated figures (Note 2.3) ** Not audited

Audax Renovables, S.A. and subsidiaries

Consolidated Income Statement

(EUR thousands)

	Note	31.12.19	31.12.18 restated*
Ordinary income	19	1,040,969	984,354
Procurements	19	(917,218)	(883,246)
Other operating income		2,820	2,593
Wages and salaries	19	(20,994)	(19,360)
Other operating expenses	19	(37,274)	(39,521)
Amortisation and depreciation	5 & 6	(26,228)	(25,079)
Impairment and profit (loss) on disposal of fixed assets	5	4,947	8,575
Operating profit (loss)		**47,022**	**28,316**
Financial income		4,005	4,124
Financial expenses		(19,490)	(20,831)
Profit (loss) on disposal and change in value of financial instruments		1,687	(291)
Exchange differences		(106)	(94)
Financial profit (loss)	20	**(13,904)**	**(17,092)**
Profit (loss) of companies consolidated by equity accounting	7	(87)	(48)
Profit (loss) before tax from continuing activities		**33,031**	**11,176**
Income tax expense	18	(1,693)	(1,772)
Profit (loss) after tax from continuing activities		**31,338**	**9,404**
Profit (loss) for the year from discontinued operations		-	-
Consolidated profit (loss) for the year		**31,338**	**9,404**
Profit (loss) attributable to the parent company		**25,417**	**8,412**
Profit (loss) attributable to non-controlling interests	**12**	**5,921**	**992**

	2,019	2,018*
Profit (loss) per share		
Basic	0.058	0.049
Diluted	0.058	0.049

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

* Restated figures (Note 2.3)

Audax Renovables, S.A. and subsidiaries

Consolidated Statement of Comprehensive Income

(EUR thousands)

	31.12.19	31.12.18 restated *
Consolidated profit (loss) for the year	31,338	9,404
Other comprehensive income		
Items to be reclassified to profit and loss statement		
Cash flow hedges	(12,650)	(2,105)
Translation differences of financial statements of businesses abroad	(35)	1,868
Other comprehensive income for the year, after tax	**(12,685)**	**(237)**
	-	-
Total comprehensive income for the year	**18,653**	**9,167**
Total comprehensive income attributable to the parent company	15,577	8,175
Total comprehensive income attributable to non-controlling interests	3,076	992

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

* Restated figures (Note 2.3)

Audax Renovables, S.A. and subsidiaries

Consolidated Statement of Changes in Net Equity

(EUR thousands)

In EUR	**Capital**	**Share premium**	**Reserves**	**Profit (loss) attributable to Parent Company**	**Translation differences**	**Other Comprehensive Income**	**Equity attributed to Parent Company**	**Non-controlling interests**	**Net equity**
Balance at 31 December 2017	**98,003**	**278,948**	**(320,128)**	**8,250**	**(151)**	**7,009**	**71,931**	**13,132**	**85,063**
Restatement (Note 2.3)			**(14,033)**				**(14,033)**	**-**	**(14,033)**
Balance at 01 January 2018	**98,003**	**278,948**	**(334,161)**	**8,250**	**(151)**	**7,009**	**57,898**	**13,132**	**71,030**
First application IFRS	-	-	(2,543)	-	-	-	(2,543)	-	(2,543)
Dividends	-	-	(973)	-	-	-	(973)	(167)	(1,140)
Profit (loss) for the year	-	-	-	8,412	1,868	(2,105)	8,175	992	9,167
Capital increase due to merger	210,201	141,368	(354,529)	-	-	-	(2,960)	(49)	(3,009)
Business combinations	-	-	46,711	-	-	-	46,711	19,350	66,061
Reserves	-	-	8,250	(8,250)	-	-	-	-	-
Balance at 31 December 2018	**308,204**	**420,316**	**(637,245)**	**8,412**	**1,717**	**4,904**	**106,308**	**33,258**	**139,566**
Profit (loss) for the year	-	-	-	25,417	(35)	(9,805)	15,577	3,076	18,653
Dividends	-	-	-	-	-	-	-	(1,727)	(1,727)
Reduction of share capital (Note 12)	(264,175)	-	264,175	-	-	-	-	-	-
Other movements	-	-	336	-	-	-	336	(1,114)	(778)
Reserves	-	-	8,412	(8,412)	-	-	-	-	-
Balance at 31 December 2019	**44,029**	**420,316**	**(364,322)**	**25,417**	**1,682**	**(4,901)**	**122,221**	**33,493**	**155,714**

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

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

	Note	2019	2018*
Cash flows from operating activities			
Profit (loss) for the year before tax		**33,031**	**11,176**
Adjustments to results		**38,471**	**38,520**
Amortisation and depreciation	5.6	26,228	25,079
Valuation adjustments due to impairment	5.6	5,304	6,426
Changes in provisions		(3,468)	(6,993)
Profit (loss) on derecognition and disposal of fixed assets		(4,947)	-
Profit (loss) on derecognition and disposal of financial instruments		(27)	(61)
Financial income	20	(4,005)	(4,124)
Financial expenses	20	19,490	20,831
Exchange differences		106	932
Changes in fair value of financial instruments		(25)	(3,058)
Other income and expenses		(185)	(512)
Changes in working capital		**629**	**23,371**
Inventory		2,701	(4,457)
Accounts receivable		(17,578)	11,946
Other current assets		(6,763)	(6,687)
Accounts payable		2,223	24,428
Other current liabilities		21,239	-
Other non-current assets and liabilities		(1,193)	(1,859)
Other cash flows from operating activities		**(16,132)**	**(17,176)**
Payments of interest		(19,699)	(20,246)
Collections of interest		3,567	4,124
Income tax payments		-	(1,054)
Cash flows from operating activities		**55,999**	**55,891**
Cash flows from investment activities			
Payments of investments		**(63,462)**	**(79,189)**
Intangible assets		(25,753)	(2,522)
Property, plant and equipment	6	(7,754)	(590)
Group and associated companies			
Other financial assets		(22,960)	(10,647)
Other assets		(6,995)	(65,430)
Collection on divestments		**76,445**	**35,266**
Intangible assets	5	-	297
Property, plant and equipment	6	-	119
Collections from sale of subsidiaries, net of cash and equivalents		39,249	-
Other financial assets		35,795	34,850
Business unit	2.5	-	**9,973**
Cash flows from investment activities		**12,983**	**(33,950)**
Cash flows from financing activities			
Collections and payments for financial liability instruments		**(14,785)**	**27,254**
Issuing			
Bonds and other negotiable securities	14	63,146	60,817
Amounts owed to credit institutions.	14	15,520	141,534
Payables to group companies and associates		13,000	-
Repayment			
Bonds and other negotiable securities		(16,460)	-
Amounts owed to credit institutions.	14	(61,650)	(175,097)
Payables to group companies and associates		(28,341)	-
Dividends		**(1,727)**	**(1,140)**
Cash flows from financing activities		**(16,512)**	**26,114**
Net increase/decrease in cash or equivalents		**52,471**	**48,055**
Cash and equivalents at the beginning of the year	11	98,313	50,258
Cash and equivalents at the end of the year	11	150,784	98,313

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

* Restated figures (Note 2.3)

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP FOR THE YEAR 2019

NOTE 1 – GENERAL INFORMATION

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

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

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

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

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

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

Moreover, the Audax Renovables Group is part of the Excelsior Group, whose parent company is Excelsior Times, S.L.U., with its registered address at Avenida Navarra, nº 14, Badalona, Barcelona, Spain. The Excelsior Group’s consolidated annual accounts for the year 2018, formulated on 29 March 2019, 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 2018 were approved by the General Meeting of Shareholders on 29 April 2019 and were submitted to the Commercial Register in Barcelona.

The consolidated annual accounts of the Group for the year 2019 were formulated by the Directors of the Parent Company on 27 February 2020 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November between Audax Renovables, S.A. as the absorbing company, and Audax Energía, S.A. as the absorbed company. The effect of this transaction has already been featured in the Group's consolidated annual accounts for the year ended on 31 December 2018.

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

(EUR thousands)

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

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

The consolidated annual accounts of the Audax Renovables Group for the year 2019 have been drawn up by the Directors of the Parent Company in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as per the Regulations (CE) nº 1606/2002 of the European Parliament and the Council. All the accounting principles and standards and the mandatory valuation criteria, along with the Commercial Code, the Spanish Companies Act, the Stock Exchange Market Law and any other applicable commercial legislation have also been taken into consideration. The Group adopted the IFRS-EU on 31 December 2016 and applied on that date the IFRS 1 "First-time Adoption of International Financial Reporting Standards".

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

The accounting policies applied for the preparation of the consolidated annual accounts coincide with those used and described in the Consolidated Annual Accounts for the year ended on 31 December 2018, except for the new IFRS-EU standards and interpretations applied from 1 January 2019.

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

New IFRS-EU accounting standards and IFRIC interpretations

a) New IFRS-EU accounting standards and IFRIC interpretations

New standards, amendments and interpretations	Mandatory application for annual periods beginning on
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation	1 January 2019
Amendment to IAS 28 Investments in associates and joint ventures	1 January 2019
Amendment to IAS 19 Plan amendment, curtailment or settlement	1 January 2019
Improvements to the IFRS 3, IFRS 11, IAS 12, IAS 23 (in 2015-2017 period)	1 January 2019

The Group applies the standards and interpretations specified above from the date of their entry into force, with no significant impact on the accounting policies implemented by the Group, except for what is indicated hereinafter in relation to the application of the IFRS 16.

IFRS 16 Leases

The Group made the transition to the IFRS 16 applying the retrospective approach, under which it is not necessary to restate the comparative period, but to register the impact of the initial application of the IFRS 16 on 1 January 2019 (date of the initial application) so that in the lease contracts where the Group acts as a lessee the lease liability is measured at present value of the lease payments payable over lease term discounted at a discount rate at the date of initial application.

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

- The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000, approximately EUR 4,500) and short term (lease term of 12 months or less).
- The practical expedient indicated in point C3 of appendix C to IFRS 16 which stipulates that there is no need of a new assessment whether he contract is, or contains, a lease on the date of initial application.
- The Group has elected not to separate the non-lease components from lease components, in relation to the classes of assets where relative importance of those components is small regarding the total value of the lease.
- The Group has elected to measure the right-of-use asset at the amount of lease liability at 1 January 2019 for all lease contracts.

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

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

As at 31 December 2019, the term of the lease contracts of the land where operating power generation facilities are located is similar or longer than the estimated lifetime of the installed asset. In order to carry out an assessment of the IFRS 16, the Group has determined the useful life of an asset as the limit for considering the lifetime of the leases, estimating early termination of the contracts as well as the dismantling of the farm.

Right-of-use assets and lease liabilities

From the lessee's point of view, the IFRS 16 eliminates the previous classification between operating lease and finance lease based on the assessment of the risk and reward transfer, and establishes that, in relation to the lease contracts, the lessee shall recognise in the Statement of financial position a right-of-use asset and a liability at the present value of the lease payments payable over the lease term.

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

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

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

Subsequently, lease liability is increased in order to reflect the financial expense and is reduced by the amount of the payments made. Financial adjustment is recorded under the 'Financial expenses' heading of the Consolidated income statement. Lease liability is remeasured to reflect changes in the index or rate, in the estimated amounts payable under residual value guarantees, when there is reasonable certainty of exercising extension options or when there is reasonable certainty that termination options will not be exercised.

The right-of-use asset is measured initially at cost, which includes:

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

After the initial recognition, the right-of-use asset is measured at cost less accumulated amortisation and impairment loss. The amortisation of the right-of-use asset is entered under the 'Amortisation, depreciation and provisions' heading of the Consolidated income statement over the useful life of the underlying asset or the lease term if the latter is shorter. If the ownership is transferred to the lessee or when it is quite certain that the lessee will exercise the purchase option, the amortisation is recorded over the useful life of the asset.

The lease contracts subject to this regulation, where the Audax Renovables Group acts as a lessee, have been measured for each lease at present value of the future payments, discounted at an average discount rate of 4%.

Presentation

In the Consolidated Annual Accounts of the Audax Renovables Group, the Group has recognised the right-of-use assets and lease liabilities under the new headings 'Right-of-use assets', 'Non-current lease liabilities' and 'Current lease liabilities' of the consolidated balance sheet, respectively.

As at 31 December 2018, the Group used to recognise the cost of the leases affected by this standard, which are leases of the land where power generation facilities are located (mainly wind farms), as operating lease in the income statement.

IFRS 16 application impact:

The Group conducted an analysis in order to determine whether a contract was or contained a lease at the date of the initial application in accordance with the definition and the terms established in the IFRS 16.
The Group leases various kinds of assets, mainly offices and land where power plants are installed. Previously, these leases were recognised as operating leases under IAS 17.

The Group leases information technology equipment with contract terms of one to three years. These leases are short-term and/or leases of goods of low value. The Group opted to not recognise the right-of-use assets and lease liabilities of these leases.

Below there is information on the leases where the Group is a lessee.

Right to use goods

The right-of-use assets related to the leases are presented as intangible assets (Note 5). The operations throughout 2019 have been as follows:

	EUR thousands
Recognition for initial application	10,911
Depreciation charge	(1,278)
Additions to good with right to use	3,289
Derecognitions for sale of companies (Note 2)	(3,370)
Balance at 31.12.19	**9,552**

The Group recorded the following impact of the application of the IFRS 16 at 1 January 2019:

	EUR thousands
Right-of-use assets	10,911
Non-current lease liabilities	(9,316)
Current lease liabilities	(1,595)

The reconciliation of the operating lease commitments specified in Note 14 of the Consolidated Annual Accounts as at 31 December 2018, and liabilities recognised at 1 January 2019 in the initial application of IFRS 16 is as follows:

	01 January 2019
Operating lease commitments at 31 December 2018	14,721
Recognition exemptions	(369)
Discounted at incremental borrowing interest rate at 1 January 2019	(3,441)
Lease liabilities recognised at 1 January 2019	**10,911**

Impact of the application of IFRS 16 on the Consolidated Income Statement as at 31 December 2019

Below there is the effect on the Consolidated Income Statement for the year 2019, resulting from the application of the IFRS 16, detailed above:

	EUR thousands
Increase under the heading 'Financial expense'	412
Increase under the heading of amortisation and depreciation	1,262

The application of the IFRS 16 meant, in the Consolidated Income Statement as at 31 December 2019, an increase of EUR 1,262 thousand in amortisation and a financial income reduced by EUR 412 thousand, to compensate the reduction of operating lease cost as a consequence of the IFRS 16 application. The impact on the basic and diluted earnings per share is not significant.

Extension options

Some of the lease contracts for lease of goods contain extension options, which may be exercised by the Group until one year before the end of the term of a non-cancellable contract. Whenever possible, the Group tries to include extension options in new lease contracts in order to ensure operating flexibility. The extension options that are maintained may be exercised only by the Group, and not by the lessors. At the initial date of a lease, the Group assesses whether it is reasonably secure to exercise the extension options.

The Group assesses again whether it is reasonably secure to exercise the extension options if there is a change in significant facts or circumstances that are under its control.

Operating lease

In Note 14 of these Consolidated Annual Accounts there is an analysis of the lease payments maturities, where undiscounted lease payments are specified.

Impact of the application of IFRS 16 on the Consolidated Cash Flow Statement as at 31 December 2019

The application of the IFRS 16 meant, in the Consolidated Cash Flow Statement as at 31 December 2019, a decrease of EUR 1,262 thousand in cash flows from operating activities, which is compensated by a reduction in operating lease cost as a consequence of the IFRS 16 application. Moreover, due to a reduction of EUR 412 thousand in cash flows from financing activities corresponding to the reimbursement of the main part of the new lease liabilities, cash generation has not been affected.

IFRIC 23 "Uncertainty over income tax treatments"

IFRIC 23 "Uncertainty over income tax treatments" explains how to apply the recognition and measurement requirements under IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

An uncertain tax treatment is every tax treatment applied by an entity where there is uncertainty whether such approach will be accepted by the taxation authority, therefore the interpretation analyses:

- how to determine the appropriate account unit and whether each uncertain tax treatment should be considered individually or collectively, depending on which method provides better predictions of the resolution of the uncertainty.
- that the entity is to assume that a taxation authority will examine uncertain tax treatments and will have full knowledge of all relevant information, i.e. the detection risk should be ignored.
- that the entity is to reflect the effect of the uncertainty in its accounting for the income tax when it is not likely that taxation authorities will accept the treatment.
- that the impact of the uncertainty is to be measured using the most likely amount or the expected value method, depending on which method provides better predictions of the resolution of the uncertainty, and that all judgements and estimates should be reassessed if there is a change of circumstances or new information that affects the judgements.

In such situation the entity is to reflect the effect of the uncertainty when determining the tax profit, tax bases, unused tax losses, unused tax credits and tax rates.

The Group has analysed possible uncertain tax treatments and the application of this interpretation has not proved to have significant effect on the Consolidated Annual Accounts.

(EUR thousands)

Standards that will enter into force on 1 January 2020 and beyond

The following is a list of standards, amendments and interpretations that will enter into force for the fiscal years beginning after 1 January 2020 and later:

Standards adopted by the European Union	Mandatory application for annual periods beginning on
IAS 1 and IAS 8 (amendments) Definition of "Material"	01 January 2020
References to the Conceptual Framework in IFRS Standards (Amendments)	01 January 2020
IBOR reform. The entity shall apply the standard in its first IFRS financial statements	01 January 2020

Standards issued by the IASB and not yet adopted by the European Union	Mandatory application for annual periods beginning on
IFRS 3 Business Combinations (amendments)	01 January 2020
IFRS 9, IAS 39 and IFRS 7 (amendments) Interest Rate Benchmark Reform	01 January 2020
IFRS 17 Insurance contracts	01 January 2021
Classification of liabilities as current or non-current	01 January 2022

On the grounds of the analyses carried out to date, the Group estimates that the adoption of the standards and amendments that have been issued but are not yet effective will have no significant impact on the consolidated annual accounts for the period of initial application. The following is a brief description of the most important amendments and interpretations:

- Changes to the definition of material under IAS 1 and IAS 8.
- The Group has hedging instruments related to IBOR indices (mainly EURIBOR). The Commission Regulation (EU) 2020/34 introduces amendments to IFRS 7, IFRS 9 and IAS 39 from 1 January 2020. The Group did not opt for early application of those amendments. In this respect, and for the purpose of the entry into force in 2020, the Group considers that there is no uncertainty which could compromise the continuity of hedge accounting.
- Changes to the definition of a business under IFRS 3.
- New information requirements in connection with insurance contracts, IFRS 17.

2.2 Fair view, accounting principles and going concern

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2019, and the consolidated results of its operations, the changes in the statement of comprehensive income, changes in consolidated net equity and consolidated cash flows that have taken place in the Audax Renovables Group in the year then ended.

The consolidated annual accounts for the year 2019 of the Audax Renovables Group have been prepared on the basis of the accounting records of Audax Renovables, S.A. and the other companies in the Group. Each company prepares its annual accounts under the accounting principles and standards in force in the country in which it carries out its operations, and, accordingly, the adjustments and reclassifications necessary have been introduced during the consolidation process in order to harmonise these principles and criteria and bring them into line with IFRS-EU. Furthermore, the accounting policies have been modified for the consolidated companies, when necessary, in order to ensure their consistency with the accounting policies adopted by the Audax Renovables Group.

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

As at 31 December 2019, the Group presents negative working capital of EUR 3,681 thousand. This situation is primarily a consequence of the normal business evolution, as well as of financing the investments made in recent years (Note 2). Despite this negative working capital, the Group has sufficient capability to fulfil its obligations through its own cash generation as well as, among other factors, its financial resources.

In this respect and on the grounds of the above information, the Directors consider that there is no doubt about the application of the going concern principle.

2.3 Bases of preparation and comparison of the information

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

The Consolidated annual accounts for 2019 are not comparable to those for the year 2018 because, according to the information in Note 2.1, the Group has applied the standard IFRS 16 with modified retrospective approach and, therefore, the comparative information has not been restated, while information is provided following IAS 7 and IFRIC 4 on detailed accounting policies under these standards if they differ from those of IFRS 16. For comparative purposes, the effect of the application of IFRS 16 and IFRIC 23 should be taken into consideration.

The Consolidated annual accounts present, for comparative purposes, with each heading of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows, and of the notes to the consolidated annual accounts, together with the figures for the year 2019, the figures for the previous year, which were included in consolidated annual accounts for the year 2018 and which differ from those approved by the General Meeting of Shareholders of 29 April 2019 because of the adjustment specified below:

On 29 March 2017 the Company (then under the name of Audax Energía, S.A.U.) and the non-controlling shareholders of the Dutch subgroup whose parent company is Audax Netherlands B.V. signed a cross option agreement, which involved free of charge reciprocal granting of put and call options over their shares betwen Audax Energía, S.A.U. and the non-controlling shareholders of said Dutch subgroup. The agreement stipulates that the purchase price of the shares of Audax Netherlands BV is calculated as a rate over the normalised consolidated EBITDA of the Dutch subgroup less net financial liabilities at the date of the consolidated annual accounts of said Dutch subgroup.

In the year 2018 that agreement was not accounted for correctly by the Group. In accordance with the applicable accounting treatment, a financial liability should have been recorded at the initial moment at the estimated purchase price of the non-controlling interests, following the calculation method indicated in the shareholders' agreement. Therefore, the Directors of the Company have restated the comparative figures for the year 2018. The accounting impact on the comparative figures is specified below:

- The estimated amount of the above mentioned financial liability payable in short term as at 31 December 2019 is EUR 15,227 thousand. The financial liability was discounted financially as at 1 January 2018 and was recorded under the heading of other non-current liabilities at the amount of EUR 14,033 thousand charged to reserves.

(EUR thousands)

- The financial adjustment of the financial liabilities has been recorded as financial expense in the consolidated income statement for the year 2018 at the amount of EUR 585 thousand.

The following is a breakdown of the impact on the main accounts of the financial statements as at 1 January 2018:

Net Equity and Liabilities	**1.1.2018**	**Adjustment**	**1.1.2018 Adjusted**
Capital	308,204		308,204
Share premium account	420,316		420,316
Reserves	(623,212)	(14,033)	(637,245)
Profit (loss) for the year attributable to the parent company	8,997		8,997
Translation differences	1,717		1,717
Other comprehensive income	4,904		4,904
Equity attributed to the parent company	**120,926**		**106,893**
Non-controlling interests	33,258		33,258
Total net equity	**154,184**		**140,151**
Provisions	2,670		2,670
Financial liabilities from issuance of bonds and other negotiable securities	96,938		96,938
Financial liabilities to credit institutions	129,873		129,873
Financial liabilities from finance lease	-		-
Derivative financial instruments	11,373		11,373
Other financial liabilities	34,409		34,409
Subsidies	5,869		5,869
Other non-current liabilities	11,874	14,033	25,907
Deferred tax liabilities	29,755		29,755
Total non-current liabilities	**322,761**		**336,794**
Provisions	949		949
Financial liabilities from issuance of bonds and other negotiable securities	67,985		67,985
Financial liabilities to credit institutions	103,713		103,713
Financial liabilities from finance lease	-		-
Derivative financial instruments	462		462
Other financial liabilities	16,495		16,495
Trade and other payables	93,313		93,313
Current tax liabilities	1,994		1,994
Other current liabilities	71,043		71,043
Total current liabilities	**355,954**		**355,954**
Total net equity and liabilities	**832,899**		**832,899**

(EUR thousands)

The following is a breakdown of the impact on the accounts of the consolidated income statement for 2018:

	31/12/2018	Adjustment	31.12.2018 Adjusted
Ordinary income	984,354		984,354
Procurements	(883,246)		(883,246)
Other operating income	2,593		2,593
Wages and salaries	(19,360)		(19,360)
Other operating expenses	(39,521)		(39,521)
Amortisation and depreciation	(25,079)		(25,079)
Impairment and profit (loss) on disposal of fixed assets	8,575		8,575
Operating profit (loss)	**28,316**		**28,316**
Financial income	4,124		4,124
Financial expenses	(20,246)	(585)	(20,831)
Profit (loss) on disposal and change in value of financial instruments	(291)		(291)
Exchange differences	(94)		(94)
Financial profit (loss)	**(16,507)**	**(585)**	**(17,092)**
Profit (loss) of companies consolidated by equity accounting	(48)		(48)
Profit (loss) before tax from continuing activities	**11,761**	**(585)**	**11,176**
Income tax expense	(1,772)		(1,772)
Profit (loss) after tax from continuing activities	**9,989**	**(585)**	**9,404**
Profit (loss) for the year from discontinued operations			
Consolidated profit (loss) for the year	**9,989**	**(585)**	**9,404**
Profit (loss) attributable to non-controlling interests	992	-	992
Profit (loss) attributable to the parent company	**8,997**	**(585)**	**8,412**

The impact on the earnings per share, both basic and diluted, is as follows:

	2018	2018 restated
Profit (loss) per share		
Basic	0.0525	0.049
Diluted	0.0525	0.049

(EUR thousands)

The following is a breakdown of the impact on the accounts of the equity and on the consolidated liabilities as at 31 December 2018:

Net Equity and Liabilities	**31.12.18**	**Adjustment**	**31.12.18 Adjusted**
Capital	308,204		308,204
Share premium account	420,316		420,316
Reserves	(623,212)	(14,033)	(637,245)
Profit (loss) for the year attributable to the parent company	8,997	(585)	8,412
Translation differences	1,717		1,717
Other comprehensive income	4,904		4,904
Equity attributed to the parent company	**120,926**		**106,308**
Non-controlling interests	33,258		33,258
Total net equity	**154,184**		**139,566**
Provisions	2,670		2,670
Financial liabilities from issuance of bonds and other negotiable securities	96,938		96,938
Financial liabilities to credit institutions	129,873		129,873
Lease liabilities	-		-
Derivative financial instruments	11,373		11,373
Other financial liabilities	34,409		34,409
Subsidies	5,869		5,869
Other non-current liabilities	11,874	14,618	26,492
Deferred tax liabilities	29,755		29,755
Total non-current liabilities	**322,761**		**337,379**
Liabilities related to assets held for sale			
Provisions	949		949
Financial liabilities from issuance of bonds and other negotiable securities	67,985		67,985
Financial liabilities to credit institutions	103,713		103,713
Lease liabilities	-		-
Derivative financial instruments	462		462
Other financial liabilities	16,495		16,495
Trade and other payables	93,313		93,313
Current tax liabilities	1,994		1,994
Other current liabilities	71,043		71,043
Total current liabilities	**355,954**		**355,954**
Total net equity and liabilities	**832,899**		**832,899**

The impact on the consolidated cash flow statement for the year 2018 is the following:

	2018	**Adjustment**	**2018 adjusted**
Profit (loss) for the year before tax	11,761	(585)	11,176
Adjustments to results	37,935	585	38,520
Financial expenses	20,246	585	20,831
Cash flows from operating activities	**55,891**	**-**	**55,891**

Additionally, the impact is duly reflected in the consolidated statement of changes in net equity.

As at the date of preparation of these consolidated annual accounts and after the end of the fiscal year 2019, the aforementioned non-controlling shareholders of the Dutch subgroup announced formally their intention to exercise certain sale options over the entirety of their shares (see Note 28).

2.4 Relative importance

So as to determine the information that needs to be broken down in the consolidated notes for each of the different accounting items, the Group has considered its relative importance in relation to the current consolidated annual accounts for the year 2019 and 2018.

2.5 Consolidation principles and standards

a) Consolidation methods

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

Full consolidation method – Subsidiary Companies

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

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

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

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

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

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

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

Equity accounting method – Associated companies

The equity accounting method has been used to consolidate the associates. These are companies in which the Company usually has a direct or indirect stake of between 20% and 50% of share capital. The Appendix I sets out the list of companies consolidated by this method.

A significant influence is understood to exist when the Group has a stake in the associate and can intervene in the decisions regarding the associate's financial and operating policies but does not control the associate.

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

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

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

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

b) Changes in the consolidation scope and business combinations

The Appendix I includes the companies in which Audax Renovables, S.A. has a direct or indirect shareholding, and which have been included in the consolidation scope as at 31 December 2019 and 2018.

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

Year 2019:

Purchase of photovoltaic projects

On 8 May 2019 Audax Renovables reached an 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 III S.L.U., Audax Solar SPV IV S.L.U, Audax Solar SPV V S.L.U., Audax Solar SPV VI S.L.U., Audax Solar SPV IX S.L.U., Aznalcollar Solar S.A.U. for the total amount of EUR 16,384 thousand. The main object of the acquired companies involves development of PV projects. The market price for the purchase of these companies was endorsed by an independent expert.

The agreement contains certain conditions subsequent under which the buyer, i.e. Audax Renovables, may terminate the purchase. In this respect, on 20 December 2019, both parties concluded a novation of this purchase and sale agreement, in which they limit the purchase of 100% of shares to the companies 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. for a total amount of EUR 10,678 thousand. As at the date of preparation of these consolidated annual accounts the payments of this amount has not yet been carried out, because the parties agreed a new term of payment, which has been recorded in current payables with group companies in Other current liabilities (Note 14).

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

	EUR thousands
Intangible assets	9,543
Tangible assets	1,661
Other assets	7
Total assets	11,211
Other net liabilities	533
Total liabilities	533
Total acquired net assets	10,678

On the grounds of the analysis carried out, the Group considers that the transaction does not fulfil the requirements to be classified as a business combination under IFRS 3, therefore it was recognised as a purchase of assets. Other net liabilities correspond mainly to payables to related parties (Note 17).

On 8 May 2019 Audax Renovables, S.A. and Audax Fotovoltaica, S.L. signed an agreement for the assignment of contracts for the purchase and sale of shares for the amount of EUR 3,464 thousand. Under this agreement, Audax Renovables assumes the rights and obligations of Audax Fotovoltaica, S.L. in the contracts for the purchase and sale of shares which the latter concluded for the purchase of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L and Elogia Calañas, S.L, and which were subject to the fulfilment of certain conditions precedent.

On 2 August 2019, Audax Renovables signed and agreement with the company Energy Pool España S.L. for the purchase of 100% of shares of the companies Botey Solar, S.L., Corot Energía, S.L., Las Piedras Solar, S.L., Da Vinci Energía, S.L. The total cost of the acquisition of these companies, including the purchase right, amounted to EUR 15,652 thousand. The main object of the acquired companies involves development of PV projects. As at the date of preparation of these consolidated annual accounts, the payment of the amount of EUR 14,299 thousand is pending, recognised in Other current liabilities (Note 16).

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

	EUR thousands
Intangible assets	12,977
Tangible assets	4,390
Other assets	445
Total assets	17,812
Accounts payable	2,160
Total liabilities	2,160
Total acquired net assets	15,652

Additionally, on 18 December 2019, Audax Renovables signed an agreement with the company Ruiz Velasco, S.A. and Juan Ruiz Velasco Coca, for the purchase of 100% of shares of the company Elogia

Calañas, S.L. The total cost of the acquisition of this company, including the right to purchase from Audax Fotovoltaica, was of EUR 609 thousand. The main object of the acquired company involves development of PV projects. As at the date of preparation of these consolidated annual accounts, the payment of the amount of EUR 347 thousand is pending.

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

	EUR thousands
Intangible assets	601
Tangible assets	33
Other assets	11
Total assets	645
Accounts payable	36
Total liabilities	36
Total acquired net assets	609

On the grounds of the analysis carried out, the Group considers that the transactions do not fulfil the requirements to be classified as business combinations under IFRS 3, as none of the acquired assets and liabilities meet the definition of a business established in that standard.

Divestments

In the first half year 2019, Audax Renovables S.A. reached an agreement for the sale of 100% of shares of the company Parc Eòlic Mudefer, S.L.U. to a third and non-related company, Helia Renovables II F.C.R.; the agreement is subject to certain conditions precedent. Finally, on 31 July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant profit before tax amounting to EUR 5,606 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	11,299
Property, plant and equipment	59,294
Long-term financial investments	4
Deferred tax assets	1,500
Trade and other receivables	2,938
Short-term financial investments	3,850
Time period adjustments of current assets	44
Cash and other cash equivalents	3,817
Total assets	**82,746**
long-term provisions	569
Long-term debts	50,659
Deferred tax liabilities	2,639
Short-term debts	5,071
Trade and other payables	1,339
Total liabilities	**60,277**
Total net assets	**22,469**

Moreover, in the first half year 2019, Audax Renovables S.A. secured another agreement for the sale of its shares in Gestora Fotovoltaica de Castellón, S.L., which correspond to 76% of the shares of that company, to a third non-related company, Minerva Renovables S.A. The agreement was subject to certain conditions precedent. Finally, in July 2019 and after fulfilling those conditions, the sale transaction was carried out. The impact of the sale meant loss before tax amounting to EUR 890 thousand, recorded under the heading "Impairment and profit (loss) on disposal of fixed assets".

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	62
Property, plant and equipment	5,019
Deferred tax assets	46
Trade and other receivables	321
Time period adjustments of current assets	1
Cash and other cash equivalents	66
Total assets	**5,515**
Non-controlling interests	386
Long-term debts	1,670
Non-current payables to associated companies	203
Short-term debts	592
Current payables to associated companies	6
Trade and other payables	128
Total liabilities	**2,985**
Total net assets	**2,530**

Additionally, on 21 November 2019, Audax Renovables S.A, carried out the sale of 100% of its shares of Parque Eólico Hinojal, S.L., to a third non-related company Green Swell, S.L. The impact of the sale meant loss before tax amounting to EUR 1,398 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets". As at the date of preparation of these consolidated annual accounts the collection of the amount of EUR 2,800 has not yet been paid, pending the fulfilment of certain conditions.

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Goodwill	634
Intangible assets	15,197
Property, plant and equipment	24,284
Long-term financial investments	71
Deferred tax assets	254
Trade and other receivables	1,476
Short-term financial investments	1,784
Time period adjustments of current assets	54
Cash and other cash equivalents	4,611
Total assets	**48,365**
Long-term provisions	407
Long-term debts	20,179
Deferred tax liabilities	2,983
Short-term debts	3,014
Trade and other payables	716
Total liabilities	**27,299**
Total net assets	**21,066**

Finally, on 20 December 2019, Audax Renovables, S.A. signed an agreement for the sale of the entirety of its shares of Fercom Eólica, S.L.U, and Parc Eólic Coll de Som, S.L.U. to a third non-related company

Nearco Renovables, S.L. The impact of this sale meant profit before tax amounting to EUR 1,546 thousand, recorded under the heading of "Impairment and profit (loss) on disposal of fixed assets" As at the date of preparation of these consolidated annual accounts, the amount of EUR 1,175 thousand has not yet been collected.

The breakdown of the assets and liabilities sold as at the date of the transaction is as follows:

	EUR thousands
Intangible assets	59
Property, plant and equipment	79
Long-term financial investments	3,046
Deferred tax assets	27
Cash and other cash equivalents	3
Total assets	**3,214**
Short-term debts	53
Total liabilities	**53**
Total net assets	**3,161**

As a consequence of all these transactions, the Audax Renovables Group has ceased to hold shares directly or indirectly in the following companies: Berta Energies Renovables, S.L., Aprofitament d'Energies Renovables de l'Ebre, S.L, Subestación y Linea 2004, A.I.E, and Comunidad de Terra Alta.

Other transactions

In 2019 the company Fox Energía, S.A., a subsidiary of Unieléctrica Energía, S.A., acquired 77% of the shares of the company Cima Energía Comercializadora, S.L. Moreover, the company Nabalia Energía 2000, S.A., also a subsidiary of Unieléctrica Energía, S.A, acquireed 100% of the shares of Ahorre Luz Servicios Online, S.L. The cost of acquisition of these companies amounted to EUR 27 thousand. The purchase of these companies generated goodwill amounting to EUR 15 thousand.

Lastly, in December 2019, a merger between the Dutch companies Audax Netherlands, B.V. and Main Energie, B.V. was carried out. This transaction did not have any significant impact on these consolidated annual accounts.

Year 2018:

During the year 2018 the mergers by absorption between Audax Energía, S.A.U. as the acquiring entity and Orus Energía, S.L. and A-DOS Energía S.L. as the acquired entities were carried out as well as the non-cash contributions of ADS Energía 8.0, S.L.U. and Eryx Investments, S.L.

(EUR thousands)

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

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

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

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

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

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

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

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

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

(EUR thousands)

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

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

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

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

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

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

* incorporated at 1 January 2017
** includes Unielectrica, incorporated at the moment of acquisition (April 2018)

(EUR thousands)

The breakdown of assets and liabilities incorporated only by Unieléctrica Energía S.A. to the consolidated accounts was as follows:

	Unielectrica Energía S.A.
Goodwill	40,002
Intangible assets	42,319
Tangible assets	973
Other non-current assets	846
Current assets	37,108
Total assets	121,248
Non-controlling interest	3,673
Non-current debt	8,296
Deferred income taxes	10,558
Current liabilities	21,460
Total liabilities	43,987
Total acquired net assets	77,261

As a consequence of the integration of Eryx Investments 2017 S.L. to the consolidated group, the non-controlling interest increased by EUR 15,677 thousand and current and non-current liabilities increased by EUR 14,873 thousand, as a consequence of the measurement at the date of the acquisition of the outstanding payment for the acquisition of that company. Therefore, the amount of net assets incorporated to the group by both companies to the consolidated accounts amounts to EUR 46,711 thousand.

The most important factors that contributed to the recognition of the consolidation goodwill were the following:

- Fair value of the expected synergies and other benefits of the business combination. Those synergies are unique for each business combination, and different business combinations create different kinds of synergies and, therefore, different values.

- The workforce, the acquisition of the "Know How" of one of the competitors and other intangible assets which do not meet the criteria of identifiability.

- Additional benefits, which the Group will be able to obtain from the acquired business, beyond those that other market players would have been able to obtain.

- The benefits brought about by the corporate management of the retail of a greater number of megawatts.

- Gaining a more advantageous position on the national electricity market by improving the corporate position through an acquisition of a direct competitor of the Group. All this, in a sector constantly evolving and affected by diverse corporate transactions.

The accounting for the business combination was considered as definitive.

The fair value of the total acquisition of Unielectrica S.A. by Eryx Investments, SL. in 2017 amours to EUR 77,261 thousand.

The purchase price of Unieléctrica Energía S.A. included a postponed payment amounting as at 31

December 2018 to EUR 15,196 thousand, of which EUR 3,971 thousand are considered as current liabilities. Those payments are not connected with contingent considerations.

As at 31 December 2019, the postponed payment amounts to EUR 7,233 thousand, of which EUR 3,500 thousand is considered as current payable. The recorded values correspond to the present value of the agreed fixed payments.

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

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

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

The non-financial assets measured at fair value, which was different from the historic al book value, are as follows:

- Customer relations for the amount of EUR 21,417 thousand.
- Trademarks for the amount of EUR 20,816 thousand.

Within the fair value hierarchy, the valuation of non-financial assets was allocated to level 3.

The following main features and valuation methods were used:

For the valuation of customer relations the earnings method (MEEM) was used. The value of the assets was estimated by the sum of future "excess earnings" discounted at present value, less charges for contributed assets, the main assumptions used in order to determine the value were as follows:

- Sales attributable to customer relations: taking into account the difference between various typologies (Home, SME, Industrial) and assuming an average incremental sales factor of around 1%.

- Analysis of the customer churn rate and useful life: a customer churn rate based on the historical observed sales volume decrease was taken into account, concluding with useful life according to the customer typology (Home, SME, Industrial) of between 2 and 5 years.

- EBITDA margin calculated on the basis of an analysis of profitability according to customer typology.

- Other assumptions used: tax rate, charges for contributed assets, discount rate, tax benefit arising from repayment.

For the valuation of trademarks, the income approach was used, specifically the "Royalty Relief" (also known as "Relief from Royalties") method was applied, which is one of the most accepted valuation methods when different trademarks are to be measured. The main valuation parameters were as follows:

- Attributable sales: identifying different trademarks of the group and assigning a percentage of the total of the business attributed to each of them.

(EUR thousands)

- Useful life analysis: assuming indefinite useful life, according to the report of an independent expert, as there is no calculable limit of time when the asset is going to generate cash flows.

- Royalty rate: based on comparable market rates, this rate was established at between 0.5% and 1% depending on trademark.

- Other assumptions used: tax rate, discount rate, tax benefit arising from repayment.

There were no non-financial liabilities whose fair value would be different from their previous book value.

On 21 February 2019, Ernst & Young Servicios Corporativos S.L., as an independent expert, issued a valuation report for the measurement at fair value of certain assets and liabilities (Purchase Price Allocation) resulting from the acquisition of Grupo Unieléctrica by Eryx Investments 2017, S.L. on 6 April 2018. The reference date for the valuation was 31 March 2018. The report was issued as a usual instance of this kind of valuation works and does not include any reservations or objections.

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

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

	2018
Ordinary income	1,048,317
Procurements	(944,171)
Other operating income	2,593
Wages and salaries	(19,820)
Other operating expenses	(41,035)
Amortisation and depreciation	(25,079)
Impairment and profit (loss) on disposal of fixed assets	8,575
Operating profit (loss)	**29,380**
Financial income	4,124
Financial expenses	-20,898
Impairment and profit (loss) on disposal of financial instruments	(291)
Exchange differences	(94)
Financial profit (loss)	**(17,159)**
Profit (loss) of companies consolidated by equity accounting	(48)
Profit (loss) before tax from continuing activities	**12,173**
Income tax expense	(1,969)
Profit (loss) after tax from continuing activities	**10,204**
Consolidated profit (loss) for the year	**10,204**
Profit (loss) attributable to the parent company	9,141
Profit (loss) attributable to non-controlling interests	1,063

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

The criteria applied in the homogenisation have been as follows:

- Temporary homogenisation: the accounts of the companies in the consolidation scope are referred to 31 December 31 December 2019 and 2018.

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

- Homogenisation for internal transactions.

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

2.6 Transactions in foreign currency

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

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

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

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

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

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

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

(EUR thousands)

The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2019 and 2018 were as follows:

	31 December 2019		**31 December 2018**	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
US dollar	1.1081	1.1202	1.1450	1.1809
Polish zloty	4.2792	4.3009	4.3014	4.2614

2.7 Segment reporting

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

2.8 Intangible assets

a) Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Computer software

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

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

c) Trademarks and Client portfolio

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

The client portfolios are amortised by the straight-line amortisation method during their useful life which is estimated to be between 2 and 8 years and is determined according to the drop ratio based on historical data.

Trademarks are the ones acquired through business combinations referred to in the previous paragraph. Some trademarks have indefinite useful life, as there is no estimable limit to the period in which the asset will generate cash inflows, whereas others are amortised depending on their estimated useful life, mainly between 2 and 10 years.

d) Right-of-use assets

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

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

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

The recognition exemption has been applied in leases where the underlying asset is of low value (less than USD 5,000) and short term (lease term of 12 months or less). In these cases the lease payments are recognised as operating expenses applying the straight-line method over the lease term.

e) Other intangible assets and Licences

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

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

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

2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.10 Impairment of non-financial assets

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

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

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

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

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

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

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

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

2.11 Leases

Policy applicable from 1 January 2019.

Identification of a lease

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

Lessee accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessor accounting

In the contracts which contain one or more lease components and non-lease components, the Group allocates the consideration of the lease contract applying the accounting policy of Revenue from Contracts with Customers.

The Group classifies as finance lease the contracts which initially transfer substantially to the lessee all the risk and rewards incidental to ownership of the underlying assets. Where this is not the case, they are classified as operating leases.

Finance leases

The Group recognises a receivable at the present value of the lease receivable plus the unguaranteed residual value, discounted using the interest rate implicit in the lease (net investment in the lease). Initial direct costs are included in the initial measurement or the receivable and decrease the amount of the recognised income over the lease term. Financial income is allocated to the income statement using the method of the effective interest rate.

At the commencement date, the Group recognises in the lease receivable account the amounts to be collected related to the fixed payments, less the incentives payable, variable payments that depend on an index or rate, measured using the index or rate applicable at that date, any amount under residual value guarantees paid to the lessor by the lessee, its related party or any third party not related to the lessor with financial capacity to fulfil the obligation, the exercise price of a purchase option if it is reasonably certain that it will be exercised by the lessee and the payments of penalties for terminating the lease if the lease term reflects that the lessee is going to exercise the option to terminate the lease.

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

If the modification is not accounted for as a separate lease and the lease would have been classified as an operating lease, had the modification occurred at the commencement of the lease, the Group accounts for the modification as a new lease from the effective date of the modification and measures the book value of the underlying asset as a net investment in the lease immediately before the effective date of the modification. Otherwise, the Group applies the modification requirements indicated in the accounting policy for financial instruments.

The Group reviews regularly the unguaranteed residual values. If there is a reduction, the income allocation over the lease term is revised and any reduction in respect of the amounts accrued is recognised immediately in profit or loss.

Operating leases

The Group presents the assets leased to third parties under operating lease contracts according to the nature of the assets applying accounting principles.

The Group recognises income from operating leases, less the incentives granted, as income on a straight-line basis over the lease term, except for when another systematic base if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

The initial direct costs of the lease are added to the carrying amount of the underlying asset and are recognised as expense over the lease term on the same basis as the lease income.

The Group recognises variable payments as income when it is probable that they will be receivable, which generally is when circumstances occur that trigger the payment.

The Group recognises an operating lease modification as a new lease from the effective date of the modification, considering any prepayment or deferred payment for the original lease as a part of the lease payments of the new lease.

Policy applicable before 1 January 2019.

In the case of contracts concluded before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of the following circumstances:

- fulfilment of the arrangement depended on the use of a specific asset or assets; and
- the arrangement conveyed the right to use the asset. The arrangement conveyed the right to use the asset if one of the following conditions was met:

    - the purchaser had the ability or the right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or the right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - the facts and the circumstances indicated that it was remote that other parties would take more than an insignificant amount, and the unit price was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In this case the leased assets were measured initially at fair value of the asset or, if lower, at present value of the minimum lease payments. The minimum lease payments were the payments that the lessee should pay over the lease term, excluding any contingent payment. After the initial recognition, the assets were accounted for according to the policy applicable to the asset.

The assets kept under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. The payments made under the operating leases were recognised in the profit or loss on a straight-line basis over the lease term. The received lease incentives were recognised as an integral part of the total expense of the lease over its term.

As a lessor

When the Group acted as a lessor, it determined at the commencement of the lease whether each lease was a finance lease or an operating lease.

In order to classify each lease, the Group carried out a general assessment whether a lease transferred substantially all the risk and rewards incidental to ownership of the underlying asset. If that was the case, the lease was a finance lease; otherwise, it was an operating lease. As a part of this assessment, the Group considered certain indicators, such as whether the lease was for the major part of the economic life of the asset.

2.12 Impairment losses on non-financial assets

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

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

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

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

The recoverable amount must be calculated for an individual asset, unless the asset does not generate cash inflows which are largely independent of cash inflows from other assets or groups of assets. If this is the case, the recoverable amount is determined for the CGU (Cash-Generating Unit) to which it belongs.
Impairment loss of a CGU initially reduces the goodwill allocated to that CGU and, later on, to the other assets of the CGU pro rata the carrying amount of each one of the assets, with the limit for each one of them of whichever is the higher between its fair value less cost of sale or other disposal, its value in use, and zero.

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

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

2.13 Financial Instruments

1) Recognition and classification of financial instruments

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

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

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

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

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

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

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

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

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

The financial assets within the business model whose objective is to hold assets in order to collect contractual cash flows are managed for the purpose of generating cash flows in the form of contractual amounts collected over the life of the instrument. The Group manages the assets held in the portfolio for collection of those specific contractual cash flows. In order to determine whether the cash flows are collected through the reception of contractual cash flows from financial assets, the Group evaluates the frequency, the value and schedule of sales in previous years, the reasons for those sales and the expectations concerning future sale activities. However, the sales as such do not determine the business model and, therefore, should not be considered separately. It is the data on previous sales and on the expectations concerning future sales that provides the information indicative of the method of attaining the Group's declared objective regarding the management of financial assets and, more specifically, the method of collecting cash flows. The Group evaluates the data on previous sales in the context of the reasons for those sales and of the conditions existing at that moment and compared to the current ones. For this purpose, the Group considers that trade receivables and accounts receivable which will be the subject of transfer to third parties and which will not involve their derecognition, are held within this business model.

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

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

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

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

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

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

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

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

i) Principles of compensation

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

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

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

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

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

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

iii) Financial assets and liabilities at amortised cost

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

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

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

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

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

v) Financial assets measured at cost

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

vi) Reclassifications of financial instruments

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

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

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

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

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

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

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

vii) Financial guarantee contracts

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

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

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

viii) Impairment

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

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

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

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

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

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

- Internal and external credit risk ratings;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ix) Extinguishment of financial assets

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

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

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

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

x) Interests and dividends

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

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

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

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

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

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

xi) Derecognition and modification of financial liabilities

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

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

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

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

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

Contracts for purchase and sale of non-financial assets

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

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

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

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

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

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

The Group considers that the implicit derivative is closely connected with the main contract when it is not leveraged, does not include options and the payments are made in the functional currency of one of the main parties to the contract or the usual currency of commercial transactions for the underlying non-financial asset or the usual currency of contracts for the purchase or sale of the non-financial asset concluded in the economic environment in which the transaction takes place.

2.14 Derivatives and other financial instruments

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

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

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

Types of hedges:

a) Cash flow hedges:

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

b) Fair value hedge:

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

2.15 Share capital

Share capital is represented by ordinary shares.

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

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

2.16 Provisions and contingent liabilities

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

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

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

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

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

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

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

2.17 Corporate income tax

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

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

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

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

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

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

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

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

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

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

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

Measurement of deferred tax assets and liabilities

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

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

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

Tax uncertainties

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

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

Compensation and classification

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

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

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

2.18 Recognition of income from energy retailing

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.

There are five steps for the recognition of income:

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

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

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

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

Electricity 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, which has not yet been read on the customer's meter.

The sales of goods are recognised when the products have been delivered to the customer, when the customer has accepted them, even if they have not been invoiced, or as the case may be, the services have been provided and the collection of the respective accounts receivable is reasonably assured. The sales for the year include the estimate of the energy supply that has not yet been invoiced.

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

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

2.19 Cash flow statement

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

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

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

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

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

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

2.20 Profit or loss per share

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

2.21 Cash and other cash equivalents

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

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

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

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

2.22 Significant accounting estimates and assumptions.

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

a) *Impairment of non-financial assets*

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

b) *Provisions*

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

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

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

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

d) *Income recognition*

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

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

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

e) *Fair value of derivatives*

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

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

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

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

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

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

g) *Financial instruments*

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

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

h) *Impairment of receivables*

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

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

2.23 Actions causing an impact on the environment

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

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

2.24 Related party transactions

The Group carries out its transactions with related parties at arm's length. Additionally, the transfer prices are adequately justified so it is estimated that no significant risks exist, thus none of them is expected to generate any future obligation that needs to be considered.

2.25 Customer acquisition costs

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

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

2.26 Cash and other cash equivalents

Cash and cash equivalents include cash in hand and in financial institutions, deposits payable on demand in credit institutions and other short-term investments of high liquidity with original maturity not exceeding three months from the purchase date.

NOTE 3 – REGULATORY FRAMEWORK

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

a) Energy retailing segment

a.1) Electricity market

Spain

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

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

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.

Electricity tariff for 2019:

Order TEC/1366/2018, of 22 December, establishes access tolls from 1 January 2019 onwards and updates the remuneration of the system operator and market operator.

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

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

Italy

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

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

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

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

the Netherlands

The regulation of the electricity sector in the Netherlands is reflected basically in the Electricity Law of 1998 and the Law on Gas. The principal aspects regulated by the law are as follows:

- Rules of production, transport, retailing and supply of electricity and gas:

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

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

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

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

Poland

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

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

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

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

In 2019 the Polish government has been working towards introducing measures to avoid the impact of the price increase expected in 2019 on end consumers (Act amending the Act on Excise Duty and selected other acts – 28 December 2018), establishing restrictions on the retail price, temporarily freezing transmission and distribution tariffs and reducing the tax imposed on electricity (Excise Tax).

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

Germany

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

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

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

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

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

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

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

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

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

a.2) Natural gas market

Spanish legislative framework

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

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

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

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

In 2003 total liberalisation of the market was implemented. The consumers may freely choose among several retailers and negotiate the economic terms of the supply.

In this context, at the end of 2004, 80% of the consumed natural gas was traded already on the free market, with 11 active retailers offering their services there.

Later on, in 2005, the Standards of Technical System Management (NGTS), a set of detailed procedures and standards relating to the operation of the natural gas system and the conduct of the agents participating in the system and the users of the infrastructures.

In 2007, the Law 12/2007 was approved, transposing the second Gas Directive (Directive 2003/55/CE), eliminating the obligation of supply at consumers' tariff and obliging Enagás to separate its branches of transmission and of technical management of the system into two different companies.

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

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

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

a. The Law 8/2015 of 21 May 2015 updated the Law 34/1998 (Hydrocarbons Law) and established the institution of the Organised Gas Market and designated MIBGAS, S.A. as the market operator.

b. The Circular 2/2015 of the CNMC defined a new balance mechanism in the gas transmission network in line with the European network code.

c. The Royal Decree 984/2015 implemented the detailed regulation of the Organised Gas Market and updated the legislative framework of the system of third-party access to the natural gas facilities.

d. The Resolution of 23 December 2015 of the Secretary of State for Energy, which implements the procedure of purchase of self-supply gas by Enagás GTS, increasing significantly the MIBGAS's liquidity.

e. The Order ETU/1977/2016 of 23 December, which established the gas fees and levies, empowered MIBGAS, S.A. to trade term product with physical delivery.

f. The Resolution of 11 December 2017 of the Secretary of State for Energy, which established the terms for the mandatory market maker service provision by the dominant operators of the natural gas market.

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

European legislative framework

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

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

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

b) Renewable energy production segment

Spain

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

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

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

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

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

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

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

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

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

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

- Every 6 years all the parameters may be revised (fair profitability rate, legally fixed).
- Every 3 years the estimations of the income for sale of the generated energy, valued at the production market price.

- Every year, the values of the operative remuneration for the technologies whose operating expenses depend essentially on the fuel price.

- Under no circumstances, once the regulatory useful life or the standard value of the initial investment are recognised, will these values be able to be revised.

- Determines the beginning and the end of the first regulatory term: from the RDL 9/2013 entry into force (14 July 2013) until 31 December 2019 (6 years), with the first half-term ending 31 December 2016 (within 3 years).

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

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

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

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

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

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate. In connection with the Law 15/2012, on 6 October 2018 the Royal Decree-Law 15/2018, of 5 October, was published in the BOE, introducing urgent measures for energy transition and consumer protection. The RDL features provisions which adopt a series of measures connected with tax regulations with the main purpose to moderate the price evolution on the wholesale electricity market. To this end, the Tax on the value of electricity generation (IVPEE - a 7% tax) was temporarily suspended for six months, coinciding with the months of the largest demand and the highest prices on the wholesale electricity markets, in agreement with the ultimate aim of the current norm.

(EUR thousands)

France

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

- Law nº 2000-108/10 February 2000, on the modernisation and development of the electricity utilities.

- Decree nº 2000-877/7 September of that year on the authorisation for operating electricity facilities.

Once the authorisation is obtained, the electricity producers will be subject to the remunerative system as per Decree of 10 July 2006.

The remuneration of land wind-based electricity production is set for the first 10 years, indexed to inflation on 1 November of each year. In 2019, he tariff applied to the company in the Audax Renovables Group in France was of 9.536 cents euro per KWh until 1 November, and from that date, of 9.427 cents euro per KWh.

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

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

On 6 May 2017 an order was published establishing the conditions for an additional compensation for the electricity produced by the power plants which use mechanic wind energy (in addition to the decree of 13 December 2016), of up to 6 wind turbines and nominal power of 3 MW for each turbine at the most.

This order establishes the formulas for calculating the additional remuneration that will be available to a mechanic wind energy facility.

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

2017	**2018**	**2019**	**2020**	**2021**	**From 2022 onwards**
PME communautaires B ≤ €75,000: 28% B > €75,000 : 33$^{1/3}$% Autres 33$^{1/3}$%	B ≤ €500,000: 28% B > €500,000: 33$^{1/3}$%	B ≤ €500,000: 28% B > €500,000: 31%	28%	26.5%	25%

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

Poland

In Poland, the renewable energy sources are regulated by the Energy Law of 10 April 1997 ("Energy Law") supplemented with the transitory provisions of 20 February 2015 ("2015 RES Law") along with the amendments published in December 2015 and January 2016.
Under this regulation the producers of renewable energy are entitled to the following incentives:

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

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

This system of incentives works based on the price of certificates of origin limited to "substitution fee" which is currently 300.03 PLN/MWh. The price of certificates of origin (Green Certificates in the case of Postolin) on the TGE market, as of closing day for the current year, amounts to 144.91 PLN/MWh.

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

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

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

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

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

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

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

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

(EUR thousands)

NOTE 4 – SEGMENT REPORTING

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

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

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

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

Profit and loss by segment as defined above for the annual periods ended on 31 December 2019 and 2018 is as follows:

	RETAILING			GENERATION				TOTAL
31 December 2019	**Spain**	**Rest of Europe [1]**	**Total**	**Spain**	**Rest of Europe [2]**	**Rest of World [3]**	**Total**	**Total**
Ordinary income	762,142	246,684	**1,008,826**	22,203	9,940	-	**32,143**	**1,040,969**
Procurements	(694,520)	(222,698)	**(917,218)**	-	-	-	**-**	**(917,218)**
Other operating income	1,736	529	**2,265**	262	293	-	**555**	**2,820**
Operating expenses and remunerations	(35,805)	(15,471)	**(51,276)**	(5,200)	(1,792)	-	**(6,992)**	**(58,268)**
Amortisation and depreciation	(7,576)	(8,524)	**(16,100)**	(7,513)	(2,615)	-	**(10,128)**	**(26,228)**
Impairment and profit (loss) on disposal of fixed assets	27	56	**83**	4,864	-	-	**4,864**	**4,947**
Operating profit (loss)	26,004	576	**26,580**	14,616	5,826	-	**20,442**	**47,022**
Financial profit (loss)	(4,905)	(3,597)	**(8,502)**	(3,898)	(1,504)	-	**(5,402)**	**(13,904)**
Participation in profit (loss) for the year of associates	-	-	**-**	-	-	(87)	**(87)**	**(87)**
Income before tax	21,099	(3,021)	**18,078**	10,718	4,322	(87)	**14,953**	**33,031**
Corporate income tax	(2,525)	636	**(1,889)**	314	(118)	-	**196**	**(1,693)**
Consolidated profit (loss) for the year	18,574	(2,385)	**16,189**	11,032	4,204	(87)	**15,149**	**31,338**
a) Profit (loss) attributable to the parent company								**25,417**
b) Profit (loss) attributable to non-controlling interests								**5,921**

Rest of Europe [1] in Retailing includes Portugal, Italy, Poland, Germany and the Netherlands
Rest of Europe [2] in Generation includes France and Poland
Rest of World [3] in Generation includes Panama

	RETAILING			GENERATION				TOTAL
31 December 2018	**Spain**	**Rest of Europe [1]**	**Total**	**Spain**	**Rest of Europe [2]**	**Rest of World [3]**	**Total**	**Total**
Ordinary income	723,365	225,354	**948,719**	28,203	7,432	-	**35,635**	**984,354**
Procurements	(676,555)	(206,691)	**(883,246)**	-	-	-	**-**	**(883,246)**
Other operating income	2,647	(509)	**2,138**	-	455	-	**455**	**2,593**
Operating expenses and remunerations	(27,207)	(20,720)	**(47,927)**	(8,551)	(2,403)	-	**(10,954)**	**(58,881)**
Amortisation and depreciation	(5,385)	(8,113)	**(13,498)**	(9,457)	(2,124)	-	**(11,581)**	**(25,079)**
Impairment and profit (loss) on disposal of fixed assets	(6)	54	**48**	1,983	6,544	-	**8,527**	**8,575**
Operating profit (loss)	16,859	(10,625)	**6,234**	12,178	9,904	-	**22,082**	**28,316**
Financial profit (loss)	(5,311)	(5,066)	**(10,377)**	(5,014)	(1,701)	-	**(6,715)**	**(17,092)**
Participation in profit (loss) for the year of associates	-	-	**-**	-	-	(48)	**(48)**	**(48)**
Income before tax	11,548	(15,691)	**(4,143)**	7,164	8,203	(48)	**15,319**	**11,176**
Corporate income tax	(2,263)	1,455	**(808)**	(392)	(572)	-	**(964)**	**(1,772)**
Consolidated profit (loss) for the year	9,285	(14,236)	**(4,951)**	6,772	7,631	(48)	**14,355**	**9,404**
a) Profit (loss) attributable to the parent company								**8,412**
b) Profit (loss) attributable to non-controlling interests								**992**

Rest of Europe [1] in Retailing includes Portugal, Italy, Poland, Germany and the Netherlands
Rest of Europe [2] in Generation includes France and Poland
Rest of World [3] in Generation includes Panama

(EUR thousands)

Currently, in its renewable energy generation division the Group has operating wind farms in Spain, France and Poland and in Panama there is a wind farm of 66MW under construction. Moreover, the Group has incorporated into its generation portfolio320 MW in photovoltaic projects that will be developed in Spain. Audax is also a retailer of energy (electricity and gas) in Spain, Portugal, Italy, the Netherlands, Germany and Poland.

The breakdown of ordinary income by country is the following:

	31.12.2019	**31.12.2018**
Spain	711,668	640,816
Portugal	72,974	110,752
the Netherlands	150,385	127,594
Italy	59,136	78,410
Poland	25,689	14,656
Germany	18,355	9,513
France	2,762	2,613
Total ordinary income	**1,040,969**	**984,354**

The notes 5 and 6 of theses annual accounts include detailed information by sector segment and by country of the main elements of non-current assets: goodwill, intangible assets and property, plant and equipment. The Group's management use these data as a reference for their management and consider that this information is representative of the greater part of the company's balance sheet, and therefore no additional breakdowns are included.

(EUR thousands)

NOTE 5 – INTANGIBLE ASSETS

The movements for the years ended on 31 December 2019 and 2018 in the accounts under intangible assets have been as follows:

	Goodwill	Other intangible assets	Total intangible assets
Net book value 31/12/17	**98,468**	**81,784**	**180,252**
Investment	94	2,428	2,522
Additions to scope (Note 2)	40,002	42,319	82,321
Depreciation charge	-	(14,730)	(14,730)
Derecognitions	-	(297)	(297)
Other movements	-	8	8
Translation differences	-	(2)	(2)
Net book value 31/12/18	**138,564**	**111,510**	**250,074**
Cost	138,564	136,845	275,409
Accumulated depreciation	-	(25,335)	(25,335)
Net book value 31/12/18	**138,564**	**111,510**	**250,074**
Investment	-	15,446	15,446
Additions to scope (Note 2)	15	23,121	23,136
Amortisation charge	-	(17,305)	(17,305)
Derecognitions (Note2)	(634)	(26,572)	(27,206)
Other movements	-	79	79
Translation differences	-	1	1
Net book value 31/12/19	**137,945**	**106,280**	**244,225**
Cost	137,945	142,841	280,786
Accumulated amortisation	-	(36,561)	(36,561)
Net book value 31/12/19	**137,945**	**106,280**	**244,225**

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

	31.12.2018										31.12.2019		
	Gross value	Accumulated amortisation	Net book value	Investment	Additions to the scope	Amortisation charge	Derecognitions	Other movements	Translation differences	31/12/2018	Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	33,753	(4,967)	28,786	-	23,121	(1,741)	(22,980)	-	-	27,186	28,026	(840)	27,186
Industrial property, patents, trademarks and similar	2,244	(625)	1,619	-		(190)	(47)	-	-	1,382	2,197	(815)	1,382
Trademarks of indefinite useful life	21,266	-	21,266	-	-	-	-	-	-	21,266	21,266	-	21,266
Right of use (IFRS 16)	-	-	-	14,200	-	(1,278)	(3,369)	-	-	9,553	10,635	(1,082)	9,553
Computer software	12,712	(4,771)	7,941	1,246	-	(2,695)	(176)	423	1	6,740	14,206	(7,466)	6,740
Client portfolio	66,132	(14,957)	51,175		-	(11,401)	-	-	-	39,774	66,132	(26,358)	39,774
Advance and other intangible assets	738	(15)	723	-	-	-	-	(344)	-	379	379	-	379
TOTAL	**136,845**	**(25,335)**	**111,510**	**15,446**	**23,121**	**(17,305)**	**(26,572)**	**79**	**1**	**106,280**	**142,841**	**(36,561)**	**106,280**

	01.01.18										31.12.2018		
	Gross value	Accumulated amortisation	Net book value	Investment	Additions to the scope	Amortisation charge	Derecognitions	Other movements	Translation differences	31/12/2018	Gross value	Accumulated amortisation	Net book value
Rights, licences and similar	33,682	(3,044)	30,638	71	-	(1,923)	-	-	-	28,786	33,753	(4,967)	28,786
Industrial property, patents, trademarks and similar	2,244	(400)	1,844	-	-	(225)	-	-	-	1,619	2,244	(625)	1,619
Trademarks of indefinite useful life	450	-	450		20,816	-	-	-	-	21,266	21,266	-	21,266
Computer software	10,534	(1,872)	8,662	2,102	78	(2,899)		-	(2)	7,941	12,712	(4,771)	7,941
Client portfolio	45,004	(5,284)	39,720	0	21,425	(9,673)	(297)	-	-	51,175	66,132	(14,957)	51,175
Advance and other intangible assets	475	(5)	470	255	-	(10)	-	8	-	723	738	(15)	723
TOTAL	**92,389**	**(10,605)**	**81,784**	**2,428**	**42,319**	**(14,730)**	**(297)**	**8**	**(2)**	**111,510**	**136,845**	**(25,335)**	**111,510**

The additions to the scope relate to the acquisition of certain companies dedicated to the development of solar projects (Note 2.5.b).

Divestments relate to the assets of the companies Parc Eòlic Mudefer, S.L.U, Parque Eólico Hinojal and Gestora Fotovoltaica de Castellón, S.L. as a consequence of the transactions of sale of those companies (Note 2.5.b).

(EUR thousands)

In 2018 the recognitions resulting from changes in the scope correspond to incorporation of assets as a consequence of the non-cash contribution of ADS Energy 8.0 SLU and Eryx Investments, S.L. Moreover, intangible assets were incorporated due to the merger by absorption of Orus Energía, S.L. and A-DOS Energía S.L. as well as the merger between Audax Energía, S.A. and Audax Renovables, S.A. (Note 2).

As at 31 December 2019 intangible assets still in use and totally depreciated amount to EUR 1,081 thousand (EUR 25 thousand as at 31 December 2018).

Goodwill

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

Goodwill

	31.12.2019	31.12.2018
Wind energy generation		
Spain	-	634
France	860	860
Energy retailing		
Spain	40,087	40,072
the Netherlands	94,391	94,391
Poland	2,599	2,599
Other	8	8
TOTAL	**137,945**	**138,564**

Other intangible assets.

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

	31.12.2019	31.12.2018
Wind energy generation		
Spain	29,239	26,002
France	2,956	2,778
Poland	1,631	-
Energy retailing		
Spain	36,308	40,427
Italy	3,086	3,144
Germany	166	182
Poland	538	138
the Netherlands	32,336	38,827
Portugal	20	12
TOTAL	**106,280**	**111,510**

The breakdown of goodwill and intangible assets of indefinite useful life as at 31 December 2019 and

31 December 2018 classified by sectoral segment and by country is the following:

	31.12.2019			31.12.2018		
EUR thousands	**Goodwill**	**Other intangible assets**	**Total**	**Goodwill**	**Other intangible assets**	**Total**
Wind energy generation						
Spain	-	-	634	634	-	634
France	860	-	860	860	-	860
Energy retailing						
Spain	40,087	20,816	60,888	40,072	20,816	60,888
the Netherlands	94,391	-	94,391	94,391	-	94,391
Poland	2,599	-	2,599	2,599	-	2,599
Italy	-	450	450	-	450	450
Other	8	-	8	8	-	8
TOTAL	**137,945**	**21,266**	**159,830**	**138,564**	**21,266**	**159,830**

Other intangible assets of useful life relate to acquired trademarks.

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

The breakdown of impairment and profit or loss on disposal of fixed assets is the following:

	2019	**2018**
Profit (loss) on disposal of fixed assets	**4,947**	**-**
Impairment of fixed assets	**-**	**8,575**
Goodwill	-	-
Other intangible assets	-	-
Property, plant and equipment	-	8,525
Financial assets	-	50
Total Impairment and profit (loss) on disposal of fixed assets	**4,947**	**8,575**

The profit or loss on disposal of fixed assets corresponds to the profit or loss obtained by the Group as a consequence of the transactions of sale of the companies which were carried out (Note 2.5.b).

The Audax Renovables Group has conducted impairment tests using cash flow projections in order to determine recoverable amount. The impairment tests were made on 31 December 2019 and 2018. AS a result of these tests it was not necessary to record impairment nor reversal of the provision in the year 2019 (EUR 8,575 thousand of net provision reversal in the year 2018).

(EUR thousands)

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

	31.12.2019	**31.12.2018**
Wind energy generation		
Spain	-	1,963
Poland	-	6,564
Energy retailing		
Spain	-	(6)
Poland	-	(1)
the Netherlands	-	55
TOTAL	-	**8,575**

There was no tax effect of the impairment (reduction of related deferred tax liabilities) 2019 nor in 2018, and there was no effect on minority interest.

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

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

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

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

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

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

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

Year 2019

	2019					
	Spain	France	Poland	Italy	the Netherlands	Germany
Risk-free discount rate	1.32%	0.75%	2.82%	2.06%	0.24%	0.26%
Risk premium *	6.77%	6.56%	6.16%	7.16%	6.77%	6.65%
Capital cost	8.09%	7.31%	8.98%	9.21%	7.01%	6.90%
Cost of debt	3.00%	2.67%	3.24%	3.04%	3.00%	2.81%
After-tax weighted average cost of capital**	5.80%	5.22%	6.39%	6.43%	5.20%	5.06%

(EUR thousands)

Year 2018

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

* 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. If this calculation base was adjusted in order to reflect a rate before tax, the result would be as follows:

	Spain	France	Poland	Italy	the Netherlands	Germany
Before-tax weighted average cost of capital 2019	7.39%	8.79%	7.39%	8.70%	5.13%	5.30%

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

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

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

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

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

- Estimated life of the projects: In order to determine the number of years to plan in the sectoral segment of energy generation, the estimated useful life of the generating equipment, which is of 25 years, has been taken as a reference point in regard to the wind farms, without taking into account the residual value at the end of their useful life. The generating equipment is the more representative kind of assets of a wind farm. Moreover, it is necessary to take into account that the validity period of the administrative licences and lease contracts for the land of the power plants is longer than 25 years.

(EUR thousands)

In regard to the sectoral segment 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 increase rates have been estimated both for the projected period and for residual values of between 1% and 1.4%. These figures incorporate electricity volume increase and electricity price changes over time. The percentages of the residual value over the total recoverable amount for the main CGUs (Cash Generating Units) with goodwill or intangible assets of indefinite life are as follows:

Spain	the Netherlands	Poland	Italy	Germany
82%	58%	83%	71%	88%

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

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

The differences between the recoverable amount and the carrying amount (i.e. the existing "gap") for all of the energy generation CGUs, obtained through the analysis of impairment in the year 2019 and 2018 are as follows:

Energy generation sector	**31.12.2019**	**31.12.2018**
Spain and France	5,480	22,784
Poland	-	-
TOTAL	**5,480**	**22,784**

The difference between the recoverable amount and the carrying amount (i.e. the existing “gap”) for the entirety of the retailing CGUs of significant book value, obtained through the analysis of impairment in the year 2019 exceeds the amount of EUR100,000 thousand (EUR 75,019 thousand as at 31 December 2018), corresponding mainly to the CGU of the Netherlands.

***Sensitivity analysis*:**

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

Effect on net income (EUR thousands)	2019	2018
Increase of the discount rate of 10%		
Spain	-	-
Poland	(1,333)	(1,694)
Total	**(1,333)**	**(1,694)**
Decrease of the discount rate of 10%		
Spain	-	-
Poland	1,293	1,675
Total	**1,293**	**1,675**

Effect on net income (EUR thousands)	2019	2018
Increase of the sale price of electricity of 10%		
Spain	-	-
Poland	3,383	3,277
Total	**3,383**	**3,277**
Decrease of the sale price of electricity of 10%		
Spain	(19)	(192)
Poland	(3,076)	(3,277)
Total	**(3,095)**	**(3,469)**

The Group has decided to use a 10% rate of change in the sensitivity analysis, considering it as a good reference for the analysis of this kind of changes and given that it is the change which Audax Renovables Group has been routinely using to inform about the impact of the changes in key assumptions on the profit or loss. Keeping in mind the historical volatility of the variables subject to the sensitivity analysis, the Group considers that the use of a 10% change for the entirety of the variables is a good indicator to analyse the impact of reasonably possible changes in these assumptions on the profit or loss.

The impacts described above refer only to the generation segment, the recovery amount of the retailing segment CGU is greater than the net carrying value of its net assets, and changes of fair value in the assumptions would not involve impacts on the impairment of these assets.

(EUR thousands)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The movement in the years 2019 and 2018 in the accounts under Property, plant and equipment has been as follows:

	Property, plant and equipment energy generation	Property, plant and equipment energy retailing	total
Net book value 31/12/17	**164,779**	**3,128**	**167,907**
Additions to scope (Note 2)	-	1,153	1,153
Investment	174	236	410
Divestment	-	(119)	(119)
Depreciation charge	(9,659)	(690)	(10,349)
Impairment charge (Note 5)	8,525	-	8,525
Translation differences	(929)	(1)	(930)
Net book value 31/12/18	**162,890**	**3,707**	**166,597**
Cost	186,507	4,990	191,497
Accumulated depreciation	(23,617)	(1,283)	(24,900)
Net book value 31/12/18	**162,890**	**3,707**	**166,597**
Additions to scope (Note 2)	6,148	-	6,148
Investment	1,129	477	1,606
Divestment	(88,798)	(1,256)	(90,054)
Depreciation charge	(8,225)	(698)	(8,923)
Transfers	(1,991)	1,991	-
Translation differences	(27)	-	(27)
Net book value 31/12/19	**71,126**	**4,221**	**75,347**
Cost	78,345	5,805	100,274
Accumulated depreciation	(7,219)	(1,584)	(24,927)
Net book value 31/12/19	**71,126**	**4,221**	**75,347**

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

	31.12.2018										31.12.2019		
	Gross value	Accumulated depreciation	Net book value	Additions to the scope	Investment	Divestment	Depreciation charge	Impairment charge	Translation differences	31/12/2018	Gross value	Accumulated depreciation	Net book value
Land	16	-	16	-	-	(14)	-	-	-	2	2	-	2
Structures	1,113	(165)	948	-	39	-	(47)	-	-	940	1,152	(212)	940
Plant and machinery	179,186	(23,898)	155,288	-	728	(89,110)	(7,557)	-	(24)	59,325	81,884	(22,559)	59,325
Equipment, chattels and other fixed assets	9,176	(837)	8,339	-	375	(930)	(1,319)	-	(3)	6,462	8,618	(2,156)	6,462
Assets under construction and advance payments	2,006	-	2,006	6,148	464	-	-	-		8,618	8,618	-	8,618
TOTAL	**191,497**	**(24,900)**	**166,597**	**6,148**	**1,606**	**(90,054)**	**(8,923)**	**-**	**(27)**	**75,347**	**100,274**	**(24,927)**	**75,347**

	01.01.18										31.12.2018		
	Gross value	Accumulated depreciation	Net book value	Additions to the scope	Investment	Divestment	Depreciation charge	Impairment charge	Translation differences	31/12/2018	Gross value	Accumulated depreciation	Net book value
Land	7	-	7	-	9	-	-	-	-	16	16	-	16
Structures	262	(90)	172	849	2	-	(75)	-	-	948	1,113	(165)	948
Plant and machinery	183,907	(14,044)	169,863	4	15	(3)	(9,854)	6,542	(930)	165,637	179,186	(23,898)	155,288
Equipment, chattels and other fixed assets	8,608	(417)	8,191	301	383	(116)	(420)	-	-	8,339	9,176	(837)	8,339
Assets under construction and advance payments	23	-	23	-	-	-	-	1,983	-	2,006	2,006	-	2,006
TOTAL	**192,807**	**(14,551)**	**178,256**	**1,154**	**409**	**(119)**	**(10,349)**	**8,525**	**(930)**	**176,946**	**191,497**	**(24,900)**	**166,597**

Divestments relate mainly to the wind farms of the sold companies Parque Eólico Hinojal S.L. and Parc Eólic Mudéfer, S.L. (Note 2.5.b).

No significant financial expenses were capitalised in the year 2018 nor in 2019.

(EUR thousands)

As at 31 December 2019, the Group has commitments for the purchase of fixed assets for the amount of EUR 1,972 thousand (EUR 496 thousand as at 31 December 2018).

As at 31 December 2019 there are no payments nor advance payments to suppliers for the construction of fixed assets registered as an increase of value of assets under construction, nor there were such payments as at 31 December 2018.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The negative impact for the year 2018 and 2019 is due mainly to the depreciation of the Polish zloty against the euro.

As at 31 December 2019 the tangible assets still in use and totally depreciated amount to EUR 272 thousand (EUR 383 thousand as at 31 December 2018).

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

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

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

	31/12/2019	**31/12/2018**
Energy generation		
Spain	27,555	111,575
France	6,904	7,449
Poland	36,458	37,765
Other	101	101
Energy retailing		
Spain	3,525	2,791
Italy	24	30
Germany	5	9
Poland	19	17
the Netherlands	756	860
TOTAL	**75,347**	**160,597**

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

(EUR thousands)

NOTE 7 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The movement in the year 2019 in investments accounted for by the equity method is as follows:

	Balance 31.12.18	Participation in profit (loss)	Differences exchange	Balance 31.12.19
Company				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,992	(87)	-	6,905
Total	**6,992**	**(87)**	**-**	**6,905**

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

	Balance 01.01.18	Participation in profit (loss)	Differences exchange	Balance 31.12.18
Company				
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	6,931	(48)	109	6,992
Total	**6,931**	**(48)**	**109**	**6,992**

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

	Country	Assets	Liabilities	Income	Results	% Shareholding
31.12.19						
Parque Eólico Toabré, S.A.	Panama	93,070	90,994	-	(291)	30.00%
Total		**93,070**	**90,994**	**-**	**(291)**	

	Country	Assets	Liabilities	Income	Results	% Shareholding
31.12.18						
Berta Energies Renovables, S.L.	Spain	5,845	2,658	-	(383)	25.79%
Parque Eólico Toabré, S.A.	Panama	38,220	35,730	-	(160)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	215	11	20	(25)	30.30%
Total		**44,280**	**38,399**	**20**	**(568)**	

As a consequence of the sale of the companies Parque Eólico Hinojal, S.L., of Parc Eólic Mudéfer, Fercom Eólica, S.L. and Parc Eólic Coll de Som, S.L.(Note 2.5.b), the Group ceased to hold shares in the companies Berta Energías Renovables, S.L. and Subestación y Línea Los Siglos 2004, A.I.E.

The information on these associated companies and joint ventures has been obtained from their not audited financial statements as at 31 December 2019 and 2018.

As at 31 December 2019 and 2018 none of the associated companies is listed on the stock exchange.

(EUR thousands)

NOTE 8 – FINANCIAL ASSETS

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

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets designated at fair value through profit and loss						
Equity instruments						
Not traded	-	113	**113**	-	313	**313**
Total	**-**	**113**	**113**	**-**	**313**	**313**
Financial assets at amortised cost						
Unsecured claims						
Floating rate	-	1,003	**1,003**	-	1,238	**1,238**
Total	-	1,003	**1,003**	-	1,238	**1,238**
Trade and other receivables						
Receivables from sales and services	158,042	-	**158,042**	148,015	-	**148,015**
Other receivables	10,111	-	**10,111**	4,553	-	**4,553**
Less impairment	(19,817)	-	**(19,817)**	(16,492)	-	**(16,492)**
Total (Note 10)	148,336	-	**148,336**	136,076	-	**136,076**
Claims to group entities (Note 22)	49	66,753	**66,802**	2,715	90,720	**93,435**
Total	49	66,753	**66,802**	2,715	90,720	**93,435**
Deposits and sureties granted	2,612	8,037	**10,649**	455	4,509	**4,964**
Fixed-term deposits	19,786	400	**20,186**	12,640	2,200	**14,840**
Other financial assets	3,309	-	**3,309**	10,161	-	**10,161**
Total	25,707	8,437	**34,144**	23,256	6,709	**29,965**
Total	**174,092**	**76,193**	**250,285**	**162,047**	**98,667**	**260,714**
Equity instruments at fair value through other comprehensive income						
Listed	10,344	-	**10,344**	6,166	-	**6,166**
Hedge derivatives						
Contracted on organised markets (Note 8)	141	-	**141**	12,323	375	**12,698**
Total	**10,485**	**-**	**10,485**	**18,489**	**375**	**18,864**
Total financial assets	**184,577**	**76,306**	**260,883**	**180,536**	**99,355**	**279,891**

Transferred deposits and guarantees refer to:

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

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

Fixed-term deposits consist mainly of deposits made to different financial institutions, which during the years 2019 and 2018 yielded an accrued interest at market interest rate.

Other current financial assets refer primarily to the Debt Service Reserve Account (DSRA) amounting to EUR 3,276 thousand (EUR 8,866 thousand as at 31 December 2018) which constitute an additional guarantee for the bank syndicate and are subject to restrictions in application, as is described in Note 14.

(EUR thousands)

The amount of equity instruments at fair value with changes in other comprehensive income at 31 December 2019 and 31 December 2018 corresponds, mainly, to listed investment funds.

AS at 31 December 2019, the financial assets valuation adjustment, without taking into account the impairment of trade receivables, amounts to EUR 819 thousand.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As at 31 December 2019 and 31 December 2018 the breakdown of assets and liabilities related to derivative financial instruments is as follows:

	31 December 2019		**31 December 2018**	
	Non-current	**Current**	**Non-current**	**Current**
Assets arising from derivatives				
Energy price hedges	-	141	375	12,323
Total assets	**-**	**141**	**375**	**12,323**
Liabilities arising from derivatives				
Energy price hedges	2,393	4,060	1739	462
Interest rate swaps	1,616	-	9,634	-
Total liabilities	**4,009**	**4,060**	**11,373**	**462**

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

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

Interest rate derivatives

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

		31.12.19						
	Fair value	Notional Value (EUR thousands)						
		2018	2019	2020	2021	2022	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(1,616)	2,464	2,584	2,710	1,369	1,484	17,032	27,643

		31.12.18						
	Value Fair value	Notional Value (EUR thousands)						
		209	2020	2021	2022	2023	Subsequent	Total
INTEREST RATE DERIVATIVES:								
Financial swaps	(9,634)	8,695	9,072	9,836	10,029	9,015	57,810	95,442

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

Over this year, as a consequence of the sale of the companies (Note 2.5.b), current interest rate derivatives have been reduced significantly.

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2019 varies between 2.52% and 3.14%.

Energy price hedge derivatives.

As at 31 December 2019, the Group holds hedge contracts against the risk of energy price changes with certain entities. By way of this transaction the Group hedges against the risk of energy price changes for the maximum net volume of 71.94 MW for the year 2020, 28 MW for the year 2021, 10 MW for the year 2022 and 10 MW for the year 2023 and following. As at 31 December 2019 the net fair value of these derivative financial instruments is a liability amounting to EUR 6,311 thousand (total positive amount of EUR 10,497 thousand at 31 December 2018).

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

(EUR thousands)

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

The breakdown of Trade and other receivables is as follows:

	31.12.19	31.12.18
Trade receivables	157,651	147,579
Trade receivables from group companies	391	436
Other receivables	10,111	4,553
Valuation adjustments for bad debt	(19,817)	(16,492)
Total trade and other receivables	**148,336**	**136,076**

Under the heading of “Trade receivables” the Group puts mainly the invoicing amounts corresponding to the months of November and December 2019 that have not yet been collected.
As indicated in Note 2, since the usual time of meters readings does not coincide with the balance sheet date, the Group estimates the volume of sales to customers which has not yet been invoiced. The accumulated balance of electricity and gas retailing which has not yet been invoiced is featured in under the heading “Trade and other receivables". As at 31 December 2019, the estimates of the retailing companies amount to EUR 63,814 thousand (EUR 53,305 thousand as at 31 December 2018).

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

Balance at 31 December 2018	**(16,492)**
Allocations	(5,575)
Reversals	2,250
Balance at 31 December 2019	**(19,817)**

The breakdown of “Other current assets” is as follows:

	31.12.19	31.12.18
Prepaid expenses for insurance	137	115
Prepaid expenses for commissions	21,810	17,896
Prepaid expenses for renting	57	157
Other prepaid expenses	465	680
Advances to staff	7	-
Claims to Public Administrations	3,765	778
Total	**26,241**	**19,626**

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

(EUR thousands)

NOTE 11 - CASH AND OTHER CASH EQUIVALENTS

The heading “Cash and other cash equivalents” includes:

	31.12.19	**31.12.18**
Cash and banks	150,098	96,633
Short-term investments of high liquidity	686	1,680
Total	**150,784**	**98,313**

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

There are no significant restrictions to the disposition of cash and cash equivalents.

As at 31 December 2019 and 2018, there is no significant amount of cash and cash equivalents which would not be available at the Group's disposal.

NOTE 12 – NET EQUITY

a) Share capital

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

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

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

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

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

On 23 November 2018 the General Meeting of Shareholders agreed unanimously to carry out the merger by absorption of Audax Energía, S.A.U. (legal acquiree) by Audax Renovables, S.A. (legal acquirer), and the subsequent dissolution without liquidation of Audax Energía, S.A.U. As a result of the merger, Audax Renovables, S.A. became the new parent company of the Group. In order to carry out the merger, the General Meeting of Shareholders of the acquiring company, Audax Renovables, S.A., adopted the resolution to increase its share capital by EUR 210,201,093.20 by issuing 300,287,276 shares equal to those already existent, cumulative and indivisible, with a nominal value of EUR 0.70 each share, which were attributed entirely to Eléctrica Nuriel, S.L.U. Those shares were issued with a share premium of EUR 0.4770775549 per share, that is EUR 141,367,906.98. The information regarding this transaction is included in the notes to the consolidated annual accounts for the year 2018.

(EUR thousands)

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

As at 31 December 2019, the share capital of the Company as at 30 June 2019 was represented by 440,291,054 shares with a value of EUR 0.1 each. As at 31 December 2018, the share capital was was represented by 440,291,054 shares with a value of EUR 0.7 each.

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 2019 of the Parent Company’s shares was of EUR 2.14 per share (EUR 1.285 as at 31 December 2018).

The breakdown of the shareholders with more than 10% of stake of the Parent Company as at 31 December 2019 and 2018 is as follows:

	31.12.19	**31.12.18**
Shareholders	**%**	**%**
Eléctrica Nuriel, S.L. (*)	88.48%	90.73%
Rest of Shareholders	11.52%	9.27%
Total	**100%**	**100%**

(*) Additionally, Electrica Nuriel, S.L.U, has the right to purchase 8,000,000 shares of Audax Renovables, S.A., which represent 1.82% of the Parent Company

b) Share premium account

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

c) Legal Reserve

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

As at 31 December 2019 the Parent Company has a Legal Reserve valued at EUR 19,027 thousand (EUR 17,029 thousand as at 31 December 2018).

d) Treasury shares

As at 31 December 2019 and 2018 the Parent Company does not own treasury shares.

e) Translation differences

This account in the consolidated balance sheet includes the net exchange differences arising from the translation into euros of the balances of functional currencies of the consolidated companies whose functional currency is not the euro. At 31 December 2019 as well as at 31 December 2018 the balances reflect mainly the impact of the historical price fluctuations of the Polish zloty against the euro.

f) Distribution of earnings:

The proposed distribution of earnings of the Parent Company for 2019 that the Board of Directors will suggest to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	**EUR**
Profit and (loss)	16,812,748
Total	**16,812,748**

Base of distribution	**EUR**
For dividends	10,000,000
To compensate losses from previous years	6,812,748
Total	**16,812,748**

The General Meeting of Shareholders held on 29 April 2019 approved the following profit allocation of the Parent Company for the year 2018:

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

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

Profit / (loss) per share

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

	31.12.19	**31.12.18**
Number of shares	440,291,054	440,291,054
Average number of shares	440,291,054	171,438,810
Profit (loss) of the Parent Company (EUR thousands)	25,417	8,412
Profit / (loss) per share (euro per share)		
- Basic	**0.0577**	**0.0491**
- Diluted	**0.0577**	**0.0491**

For the calculation of the average number of shares in the year 2018, the assumption was made that the shares from the capital increase (Note 12.a) were issued by 23 November 2018, which was the moment when the General Meeting of Shareholders approved the transaction. Had the assumption been made that the average number of shares was 440,291,054, the profit per share would have been of EUR 0.017 per share.

(EUR thousands)

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

Non-controlling interests

The movement during the years 2019 and 2018 of non-controlling shares has been as follows:

Balance at 01 January 2018	**13,132**
Changes to the scope (Note 2)	19,350
Profit (loss) for the year	992
Dividend distribution	(167)
Other movements	(49)
Balance at 31 December 2018	**33,258**
Profit (loss) for the year	5,921
Valuation adjustments	(2,845)
Dividend distribution	(1,727)
Other movements	(1,114)
Balance at 31 December 2019	**33,493**

The breakdown of the non-controlling interests by entity as at 31 December 2019 and 31 December 2018 is as follows:

	31.12.2019	**31.12.2018**
Main Energie, B.V. (formerly Audax Netherlands, B.V)	11,325	11,861
Eryx Investments 2017, S.L.*	21,497	20,264
Eoliennes de Beausemblant, SAS	540	754
Gestora Fotovoltaica de Castellon, S.L.	-	356
Other	131	23
	33,493	**33,258**

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

As at 31 December 2019, the most significant data regarding the subsidiary companies holding significant non-controlling interests is as follows:

31.12.2018	**Total Activos**	**Total Pasivos**	**Ingresos Ordinarios**	**Resultados**
Main Energie, B.V. (anterioremente Audax Netherlands, B.V)	165.811	123.497	127.594	-4.157
Eryx investments 2017, S.L.	167.304	91.729	232.809	2.434

31.12.2019	**Total Activos**	**Total Pasivos**	**Ingresos Ordinarios**	**Resultados**
Main Energie, B.V. (anterioremente Audax Netherlands, B.V)	159.631	118.932	150.384	-1.017
Eryx investments 2017, S.L.	177.030	100.417	365.750	9.094

The non-controlling shareholders of the Dutch subgroup, whose parent company is Main Energie, B.V. (formerly Audax Netherlands B.V.) have formally announced that they will commence to exercise certain sale options over the entirety of the shares (Note 28).

(EUR thousands)

NOTE 13 – NON-CURRENT PROVISIONS

The breakdown of provisions as at 31 December 2019 and as at 31 December 2018 is as follows:

	Balance 31.12.19	Balance 31.12.18
Provision for liabilities	269	827
Dismantling provision	942	1,843
Total	**1,211**	**2,670**

Provision for liabilities

This account includes mainly the provisions created in order to tackle contingent liabilities towards certain public entities with a maturity of over one year. Throughout 2019 the majority of these provisions were settled or their maturity period became shorter than one year, therefore they were classified as current payables. As at 31 December 2019, the Management of the Parent Company considers that there are no contingencies requiring to be provisioned for.

Dismantling provision

As at 31 December 2019, the Group has recorded a provision of EUR 942 thousand (EUR 1,843 thousand as at 31 December 2018) to cover the costs of dismantling the wind farms that are now in operation. The reduction of the provision comes from the sale of certain power plants (Note 2.5.b).

NOTE 14 – FINANCIAL ASSETS

The breakdown of the financial liabilities, without including trade and other payables (Note 16), during the years 2019 and 2018 is as follows:

	31.12.19	31.12.18
Bonds and other negotiable securities	143,184	96,938
Amounts owed to credit institutions.	46,554	129,873
Lease liabilities	8,267	-
Financial derivative liabilities (Note 9)	4,009	11,373
Other non-current financial liabilities	19,605	34,409
Total non-current financial liabilities	**221,619**	**272,593**

	31.12.19	31.12.18
Bonds and other negotiable securities	67,534	67,985
Amounts owed to credit institutions.	71,121	103,713
Lease liabilities	1,362	-
Financial derivative liabilities (Note 9)	4,060	462
Other current financial liabilities	28,934	16,495
Total current financial liabilities	**173,011**	**188,655**

(EUR thousands)

Except for the liabilities arising from financial derivatives, the financial liabilities are measured at amortised cost. Deferred tax liabilities are measured at fair value. The fair value of liabilities bearing fixed interest rate is estimated on the basis of discounted cash flows over the remaining term of that liability. Discount rates were determined according to the market rates available at 31 December 2019 and 2018 on the financial liabilities with similar maturity and credit features.

The movement of financial liabilities during the year 2019 and 2018 has been as follows:

	31.12.2018	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2019
Bonds and other negotiable securities	96,938	45,808	-	438	-	143,184
Amounts owed to credit institutions.	129,873	5,268	(79,000)	(9,587)	-	46,554
Finance lease liabilities	-	8,267	-	-	-	8,267
Financial derivative liabilities (Note 9)	11,373	-	-	-	(7,364)	4,009
Other financial liabilities	34,409	-	(10,804)	(4,000)	-	19,605
Total non-current financial liabilities	**272,593**	**59,343**	**(89,804)**	**(13,149)**	**(7,364)**	**221,619**
Bonds and other negotiable securities	67,985	165,652	(165,665)	(438)	-	67,534
Amounts owed to credit institutions.	103,713	338,807	(380,986)	9,587	-	71,121
Finance lease liabilities	-	1,362	-	-	-	1,362
Financial derivative liabilities (Note 9)	462	-	-	-	3,598	4,060
Other financial liabilities	16,495	17,081	(8,642)	4,000	-	28,934
Total current financial liabilities	**188,655**	**522,902**	**(555,293)**	**13,149**	**3,598**	**173,011**

	01.01.18	Recognitions	Derecognitions	Transfers	Change in fair value	31.12.2018
Bonds and other negotiable securities	85,128	32,810	(8,700)	(12,300)	-	96,938
Amounts owed to credit institutions.	162,009	44,396	(41,896)	(34,635)	-	129,873
Financial derivative liabilities (Note 9)	10,633	-	-	-	740	11,373
Other financial liabilities	20,409	-	-	14,000	-	34,409
Total non-current financial liabilities	**278,179**	**77,205**	**(50,596)**	**(32,935)**	**740**	**272,593**
Bonds and other negotiable securities	28,941	56,172	(29,427)	12,300	-	67,985
Amounts owed to credit institutions.	69,126	56,693	(56,741)	34,635	-	103,713
Financial derivative liabilities (Note 9)	-	-	-	-	462	462
Other financial liabilities	38,333	28,091	(35,929)	(14,000)	-	16,495
Total current financial liabilities	**136,400**	**140,956**	**(122,097)**	**32,935**	**462**	**188,655**

The breakdown of financial liabilities cash flows in 2019 is as follows:

	31.12.2018	Cash flows movement	Movements which do not involve cash flows	31.12.2019
Bonds and other negotiable securities	164,923	46,686	(891)	210,718
Amounts owed to credit institutions.	233,586	(46,130)	(69,781)	117,675
Lease liabilities	-	-	9,629	9,629
Financial derivative liabilities (Note 9)	11,835	-	(3,766)	8,069
Otros pasivos financieros no corrientes	50,904	(2,365)	-	48,539
Total financial liabilities	**461,248**	**(1,809)**	**(64,809)**	**394,630**

Bonds and other negotiable securities

The Board of Directors of the Parent Company, Audax Energía, S.A., (the company absorbed by Audax Renovables, S.A.), on its meeting of 16 June 2014, and pursuant to the second resolution of the General Meeting of Shareholders of the same date, agreed to carry out an issuance of plain bonds of nominal amount of EUR 21,000 thousand of single nominal value fully paid on 29 July 2014, admitted to be incorporated into the Alternative Fixed-Income Market (MARF) at a nominal annual fixed interest rate of 5.75% till maturity. On 26 July 2019, the remaining capital and the relative interest amounting to EUR

(EUR thousands)

12,594 thousand was repaid. As at 31 December 2019, this bond is entirely settled.

In January 2017, Audax Energía, S.A. (company absorbed by Audax Renovables, S.A.), registered a programme of 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. As at 31 December 2019, the balance drawn down amounts to EUR 74,478 thousand.

In May 2017 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a programme of fixed-income securities by which it was agreed to carry out an issuance of plain bonds for the maximum nominal value of EUR 100 million, the subscription of which amounted to EUR 65,000 thousand of unit nominal value that as at 31 December 2019 have not yet been returned; the bonds were admitted and incorporated into the Alternative Fixed-Income Market (MARF) at a fixed annual nominal interest rate of 4.20% until their maturity in June 2022.

In September 2018 Audax Energía S.A. (company absorbed by Audax Renovables, S.A.) approved a new programme of fixed income securities under which it decided to carry out an issue of plain bonds for the amount of EUR 35,000 thousand, which were subscribed for in their entirety. These bonds were admitted and incorporated to the Alternative Fixed-Income Market (MARF) at an annual nominal interest rate of 5.5% until their maturity in October 2023. In October 2019, the Company expanded this issue of bonds by the amount of EUR 35,000 thousand. As at 31 December 2019 the Group's debt arising from this bond amounts to EUR 71,443 thousand.

Issuing of bonds is subject to meeting certain financial ratios. As at 31 December 2019 all the established ratios are met.

In the first half year 2019, the outstanding amount of EUR 4,160 thousand of a private contract on promissory notes issuing of 11 July 2018 for the maximum amount of EUR 5,000 thousand between Audax Renovables, S.A. and Toro Finance, S.L.U. (Bravo Capital).

The amount disclosed under the Liabilities and other negotiable securities as at 31 December 2019 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 2019 and 2018.

Amounts owed to credit institutions.

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

	31.12.19	**31.12.18**
Project Finance	29,181	102,711
Loans	17,373	27,162
Total non-current	**46,554**	**129,873**

	31.12.19	**31.12.18**
Project Finance	4,683	13,541
Loans	18,725	26,402
Lines of credit	13,391	21,684
Reverse factoring and similar	34,322	42,086
Total current	**71,121**	**103,713**

As at 31 December 2019 the average effective interest rate of the bank loans is of 2.76% (4.01% at 31 December 2018).

(EUR thousands)

Project Finance

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

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

Regarding the loan agreements for financing of the facilities which include the obligation to meet certain ratios, as at 31 December 2019 there are no indications of non-compliance with the requirements defined in those contracts. There are no breaches of financial obligations foreseen at the balance sheet date of the next period by any of the companies of the Group.

Furthermore, these loans require companies to record a Debt Service Fund Reserve (DSFR) through their bank accounts as an additional guarantee for the bank syndicate. At the balance sheet date of the year 2019 and 2018 the following amounts are held as guarantee:

Company	**31.12.2019**	**31.12.2018**
Eólica el Pedregoso, S.L.	768	768
Eólica del Pino, S.L.	385	385
Eoliennes de Beausemblant, SAS	632	632
Eólica Postolin Sp. z o.o.	1,491	1,478
Parc Eòlic Mudefer, S.L.	-	3,819
Parque Eólico Hinojal, S.L.	-	1,784
Total	**3,276**	**8,866**

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

Loans and lines of credit

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

The main loans of the Parent Company with credit institutions relate to loans with the following institutions: CaixaBank, S.A., Bankinter, Toro Finance and Finalbion, whose outstanding balances as at 31 December 2019 amount to EUR 12,197 thousand. Each of these loans accrues interest at the average rate of 2.61% and has a maturity date between 2020 and 2022.

As a consequence of the incorporation of Audax Netherlands B.V. and its subsidiaries into the Group in 2017 the consolidated financial debt increased. As at 31 December 2019 the debts with credit institutions related to this sub-consolidated company amount to EUR 13,503 thousand, of which the sum of EUR 2,077 thousand is classified as current (total amount of EUR 20,650 thousand as at 31 December 2018) and correspond mainly to two loans taken out with ING Bank and Rabobank.

(EUR thousands)

Reverse factoring

The reverse factoring contracts of the Group relate mostly to the loans obtained by the Group from diverse financial institutions in order to finance the payment of invoices to suppliers and creditors when the invoices become due. Usually the maturity period of these loans is 60 to 120 days. In this sense, the term does not include transactions carried out between Group companies.

Therefore, we consider the nature of the transaction as financial, including the liability arising in short-term amounts owed to credit institutions.

There are no deposits or guarantees associated with these transactions.

Other financial liabilities

The breakdown of other financial liabilities is as follows:

	31.12.19	31.12.18
Payables to Group entities (Note 22)	434	15,038
Other debts	19,171	19,371
Total non-current	**19,605**	**34,409**

	31.12.19	31.12.18
Payables to Group entities (Note 22)	28,388	11,307
Other debts	546	5,188
Total current	**28,934**	**16,495**

Other liabilities include also a debt of the Dutch company belonging to the Group, called called Main Energie B.V (formerly Audax Netherlands) amounting to EUR 19,171 of a subordinated loan with the entity Kartesia.

As at 31 December 2018 the account included a deferred payment for the purchase of the Unieléctrica Energía S.A. company for the amount of EUR 15,196 million, of which the amount of EUR 3,971 thousand was classified as current liability. Those payments were not connected with a contingent consideration. The recorded values corresponded to the present value of the agreed fixed payments. As at 31 December 2019, the amount of EUR 7,234 thousand is outstanding, of which the sum of EUR 3,500 thousand has been classified as current liability.

The following table describes consolidated gross financial liabilities as at 31 December 2019 and 2018 and their maturity dates, taking into account the impact of the derivatives, other financial liabilities and trade payables and other payables:

	Up to one year	two to five years	more than five years	Total financial liabilities
Trade and other payables	93,820	-	-	93,820
Bonds and other negotiable securities	67,534	143,184	-	210,718
Amounts owed to credit institutions.	71,121	33,032	13,522	117,675
Finance lease liabilities	1,362	2,800	5,467	9,629
Financial derivative liabilities (Note 9)	4,060	3,918	91	8,069
Other non-current financial liabilities	28,934	19,171	434	48,539
	266,831	**202,105**	**19,514**	**488,450**

As at 31 December 2019 and 31 December 2018, the following financial liabilities are subject to the requirement of meeting certain minimum ratios or to clauses which, if not complied with, may result in declaring the payment immediately due.

	EUR thousands	
	2019	**2018**
Bond of nominal value €21M approved in June 2014	-	12,601
Bond of nominal value €65M approved in May 2017	65,967	65,687
Bond of nominal value €70M approved in September 2018	70,125	32,660
Project Finance	33,864	116,252
Total	**169,956**	**227,200**

*(includes accrued interest and capitalised costs)

With regard to the Bonds, the conditions to be fulfilled refer to the ratios of Net financial debt/Ebitda. With regard to the Project finance, the ratios concern Cash flows generated in a year / Debt service of the Project finance, as well as leverage ratios, all of them referred individually for each financed company.

In regard to these financial liabilities with existing commitments to fulfil specific ratios, as at 31 December 2019 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.

NOTE 15 – SUBSIDIES

The company Eólica Postolin Sp. z o.o. received non-repayable grants from the European Union through the Polish Ministry of Economy for the construction of its wind farm amounting to PLN 38,354 thousand (EUR 9,019 thousand). The received subsidies are recorded in the profit (loss) according to the depreciation of the wind farm. In 2019 the amount of EUR 272 thousand (EUR 271 thousand in 2018) was recognised as "Other operating income".

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

Accounts payable

The breakdown as at 31 December 2019 and 2018 is as follows:

	31.12.19	**31.12.18**
Suppliers	77,141	75,365
Suppliers, group companies	135	803
Other payables	15,741	16,396
Staff	803	749
Trade and other payables	**93,820**	**93,313**

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

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

	2019	**2018**
	Days	**Days**
Average period of payment to suppliers	24	41
Paid transactions ratio	23	36
Transactions with outstanding payment ratio	24	41

	Amount in EUR thousands	
Total payments carried out	720,068	484,587
Total outstanding payments	47,571	53,912

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

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

Other current liabilities

The breakdown as at 31 December 2019 and 2018 is as follows:

	31.12.19	**31.12.18**
Public administrations and similar	51,230	57,062
Time adjustments of current liabilities	932	901
Advance payments from clients and other current payables	45,231	13,080
Other current liabilities	**97,393**	**71,043**

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

Other current payables include the amount to be paid for the purchase of 28.03% of Main Energie B.V. for the amount of EUR 15,227 thousand (Note 2.3).

NOTE 17 – RISK MANAGEMENT

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

In this regard, the Group is 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 the necessary mechanisms for the 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) Integration of the risk-opportunity vision into the Company's management and strategy.

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

c) Ensuring the appropriate use of hedging instruments.

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

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

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

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

Regardless of the above, the Group, being aware of their importance, has been taking the appropriate measures concerning the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall Group's risk management programme is 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 14). Furthermore, the Audax Renovables Group uses financial swaps to manage its exposure to interest rate fluctuations.

The structure of Obligations and amounts owed to credit institutions as at 31 December 2019 and 31 December 2018, taking into account the hedges through derivative contracts, is as follows:

(EUR thousands)

	31.12.19	31.12.18
Fixed interest rate	256,070	332,473
Floating interest rate	72,323	66,036
Total	**328,393**	**398,509**

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
2019	10%	(234)
	(10%)	212
2018	10%	(547)
	(10%)	498

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

Exchange rate risk

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

The main non-euro currencies with which the Audax Renovables Group operates in 2019 and 2018 are the dollar and the zloty.

Commodity price of electricity risk

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

In certain countries where the Group operates in the activity of energy generation the remuneration obtained by the Company comprises a regulated component and a component linked to the market price. In such countries there is the risk of the regulatory component not being able to compensate entirely the fluctuations of the market prices and, therefore, there is the risk of the total remuneration being volatile.

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

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

(EUR thousands)

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

	Energy price increase /(decrease)	Effect on profit and loss before tax
2019	10%	(725)
	(10%)	725
2018	10%	(827)
	(10%)	821

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

Credit risk

The credit risk lies in that the counterparty to an agreement might fail to fulfil their contractual obligations, thus bringing about economic or financial loss. The counterparties 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) based on an estimate of expected loss. In addition, in Spain a complementary individual analysis is carried out for the unpaid credits older than 180 days, clients in state of insolvency as well as the clients with relevant proceedings initiated against them.

As at 31 December 2019 the provision for bad debts amounts to EUR 19,817 thousand (EUR 16,492 thousand as at 31 December 2018).

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

On 31 December 2019 and 2018 the Group did not have significant credit risk concentrations.

Liquidity risk

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

Debt financing is an important source of finance for the Audax Renovables Group. The Group's aim, whenever possible, is to carry out its financing activities in a centralised way. However, circumstances may arise, under which the Group may consider it essential or more beneficial to have the financing available at the subsidiary level. This means that the majority of financing is carried out at the level of Audax Renovables, S.A. or through instruments with irrevocable guarantee granted by Audax Renovables, S.A.

(EUR thousands)

Exposure to unfavourable situations on the capital or debt markets or the Group's own adverse economic and financial situation could potentially hinder or impede its ability to meet the financial needs necessary to properly conduct its business activities. The Group's liquidity policy is focused on ensuring fulfilment of the obligations to pay entered into, without resorting to obtaining funds on burdensome conditions. This prudent liquidity risk management derives from the need for financing the Group's activity by temporary differences between the needs and cash generation and is based on divers management measures such as maintaining sufficient cash and marketable securities, the availability of funding through a sufficient amount of committed credit facilities, diversifying the maturity dates of the issued debt, as well as sufficient ability to close out market positions at a given moment.

Management follows up the liquidity reserve forecasts of the Group (which includes the availability of credit and cash or cash equivalents) on the basis of the expected cash flows. The schedule established for expected cash flows of financial debt (without taking into account financial interests) is included in Note 14, to which the payments corresponding to Trade and other payables maturing in 2019 should also be added (Note 16).

As at 31 December 2019 available liquidity amounts to EUR 150,784 thousand, which entirely belong to cash and other cash equivalents (EUR 98,313 thousand as at 31 December 2018).

Capital management

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

The leverage ratio is as follows:

	31.12.19	**31.12.18**
Non-current financial liabilities		
Financial liabilities from issuance of bonds and other negotiable securities	143,184	96,938
Financial liabilities to credit institutions	46,554	129,873
Lease liabilities	8,267	-
Other financial liabilities	19,171	19,372
Current financial liabilities		
Financial liabilities from issuance of bonds and other negotiable securities	67,534	67,985
Financial liabilities to credit institutions	71,121	103,713
Lease liabilities	1,362	-
Other financial liabilities	546	5,188
Derivatives	7,928	(863)
Cash and other cash equivalents		
Other financial assets	(32,497)	(17,177)
Cash and other cash equivalents	(150,784)	(98,313)
Net financial debt:	**182,386**	**306,716**
Of the Parent Company (Note 12)	122,221	106,308
Of the minority interests (Note 12)	33,493	33,258
Net equity:	**155,714**	**139,566**
Leverage (Net financial debt / (Net financial debt + Net equity))	**53.9%**	**68.7%**

Net financial debt includes lease liabilities as a consequence of applying IFRS 16 in the amount of EUR 9,629 thousand (Note 2.1). If these liabilities were to be omitted, the net financial debt would be reduced to EUR 172,757 thousand and the leverage would be of 52.6%.

The financial assets as well as financial liabilities to Group companies or related companies have been excluded from net financial debt.

Guarantee terms risk

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

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

As at 31 December 2019 and 2018, the Group does not incur this risk, therefore it carries out its daily operations with perfect normality.

Access to finance

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

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

NOTE 18 – TAX SITUATION

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

Excelsior Times, S.L.U	Unieléctrica Energía, S.A.	Audax Solar SPV XVI, S.L.
Orus Properties, S.L.U.	Explotación Eólica La Pedrera, S.L.U.	Audax Solar SPV XVII, S.L.
Orus Renovables, S.L.U.	Audax Fotovoltaica, S.L.U.	Audax Solar SPV XVIII, S.L.
Audax Renovables, S.A.	Audax Eólica, S.L.U.	Audax Solar SPV XXIII, S.L.
Eléctrica Nuriel, S.L.U.	Audax Solar SPV I, S.L.U	Audax Solar SPV XXIV, S.L.
Audax Green, S.L.U.	Audax Solar SPV II, S.L.	Audax Solar SPV XXV, S.L.
Generación Iberia, S.L.	Audax Solar SPV III, SLU	Audax Solar SPV XXVI, S.L.
ADS Energy 8.0., S.L.U.	Audax Solar SPV IV, SLU	Audax Solar SPV XXVII, S.L.
Aspy Global Services, S.L.U.	Audax Solar SPV V, SLU	Audax Solar SPV XXVIII, S.L.
Aspy Salud Gobal, S.L.U.	Audax Solar SPV VI, SLU	Audax Solar SPV XXIX, S.L.
Svendborg PV VII, S.L.	Audax Solar SPV VII, SLU	Audax Solar SPV XXX, S.L.
Aspy Prevención, S.L.U.	Audax Solar SPV VIII, SLU	Audax Solar SPV XXXI, S.L.
Aspy Formación, S.L.U.	Audax Solar SPV IX, SLU	Audax Solar SPV XXXII, S.L.
The Energy House Group, S.L.U.	Audax Solar SPV X, SLU	Audax Solar SPV XXXIII, S.L.
Eólica Del Pino, S.L.	Audax Solar SPV XI, SLU	Audax Solar SPV XXXIV, S.L.
Eólica El Pedregoso, S.L.	Audax Solar SPV XII, SLU	Audax Solar SPV XXXV, S.L.
Fersa Asesoramiento y Gestión, S.L.U.	Audax Solar SPV XIII, S.L.	Aznalcóllar solar, S.L.
Eryx Investments, S.L.U.	Audax Solar SPV XIV, S.L.	

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

Deferred income taxes

The following table reflects the movement throughout 2018 and 2019 in deferred taxes:

	Balance 31.12.18	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.19
Deferred tax assets	5,461	5,040	(1,958)	(1,799)	639	7	7,390
Deferred tax liabilities	(29,755)	(659)	7,800	5,623	(639)	(7)	(17,637)
Total	**(24,294)**	**4,381**	**5,842**	**3,824**	**-**	**-**	**(10,247)**

	Balance 31.12.17	Recognitions	Derecognitions	Change to scope	Transfers	Translation differences	Balance 31.12.18
Deferred tax assets	1,103	2,065	(514)	250	2,565	(8)	5,461
Deferred tax liabilities	(18,391)	(1,398)	2,791	(10,195)	(2,565)	3	(29,755)
Total	**(17,288)**	**667**	**2,277**	**(9,945)**	**-**	**(5)**	**(24,294)**

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

Main deferred tax assets correspond to the recognition of tax receivables from losses for previous years, as well as temporary differences from recognised expenses that have not yet become tax-deductible.

Deferred tax liabilities include mainly the tax effect of the purchase price allocation to certain intangible assets in business combination transactions, the most important of them being the tax deferred liability connected with the business combinations of Audax Netherlands B.V., which as at 31 December 2019 amounts to EUR 7,147 and of Unielectrica Energía S.A., which implied an increase for the year of EUR 9,397 thousand (Note 2).

The amount of deferred tax assets and deferred tax liabilities charged or credited to equity refer to the record of hedge derivatives and are as follows:

	EUR thousands
Deferred tax assets	-
Deferred tax liabilities	(1,812)
Total	**(1,812)**

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

Corporate Income Tax expenses

The reconciliation between the applicable tax rate and the effective tax rate for the year 2019 and 2018 is as follows:

	2019	%	2018	%
Income before tax	**33,031**		**11,761**	
Theoretical tax	**8,258**	**25%**	**2,940**	**25%**
Tax difference foreign subsidiaries	7		(114)	
Non-deductible cost and other permanent differences	(297)		199	
Divestment and other tax recoveries	(2,044)		(317)	
Reversal of non-deductible impairment	(1)		(2,123)	
Recovery of tax losses carried forward, deductions and similar	(2,029)		(704)	
Incorporation of former tax groups to profit and loss	-		-	
Unrecognised tax credits	747		2,525	
Recognition of tax credits	(2,886)		-	
Other deferred tax adjustments	-		(177)	
Other adjustments	(62)		(457)	
	1,693		**1,772**	

The main components of the income tax expenses are the following:

	EUR thousands
Current expenses for the year	6,663
Income from use of tax credits and tax losses carried forward	(2,029)
Recognition of tax credits	(2,886)
Deferred tax and others	(55)
Total	**1,693**

Tax loss carry-forward and other tax credits

As at 31 December 2019 the Group has tax loss carry-forwards available for offset, amounting to EUR 154,140 thousand, as well as a tax credit from deferred tax asset amounting to EUR 4,983 thousand (EUR 8,461 thousand at 31 December 2018). The breakdown of these unrecognised credits is as follows:

	31.12.19	31.12.18
Tax loss carry-forward	35,650	39,439
Deferred tax assets	4,983	8,461
Total	**40,633**	**47,900**

In 2019 and in relation to these amounts, the Audax Renovables Group has recognised in the consolidated annual accounts a tax credit of EUR 2,886 thousand, corresponding to the tax credits whose recoverability has been considered highly probable. The breakdown of these unrecognised tax credits according to their origin as at 31 December 2019 is as follows:

	EUR thousands
Companies belonging to the Excelsior tax group	36,319
Other Spanish companies	54
Other foreign companies	4,260
Total	**40,633**

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

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

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

NOTE 19 – INCOME AND EXPENSES

Ordinary income

The breakdown of ordinary income is as follows:

	2019			**2018**		
	Spain and Portugal	**Rest of Europe**	**Total**	**Spain and Portugal**	**Rest of Europe**	**Total**
Operating income						
Energy retailing	762,142	246,684	1,008,826	723,365	**225,354**	948,719
Energy generation	22,203	9,940	32,143	28,203	**7,432**	35,635
Total	**784,345**	**256,624**	**1,040,969**	**751,568**	**232,786**	**984,354**

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

Procurements

The breakdown of procurement is as follows:

	2019			**2018**		
	Spain and Portugal	**Rest of Europe**	**Total**	**Spain and Portugal**	**Rest of Europe**	**Total**
Procurement and others						
Energy retailing	694,520	222,698	917,218	676,555	**206,691**	883,246
Total	**694,520**	**222,698**	**917,218**	**676,555**	**206,691**	**883,246**

The Group company, 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 3 TWh/year. 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.

(EUR thousands)

Staff cost

The breakdown of staff costs for the year 2019 and 2018 is as follows:

	2019	2018
Wages and salaries	16,607	15,301
Employer contributions	3,877	3,470
Other social expenses	510	589
Total	**20,994**	**19,360**

The average number of employees for the years 2019 and 2018 is as follows:

	Average number	
	2019	**2018**
Management *	3	3
Managers, professionals, technicians and similar	104	114
Back office staff	365	284
Other salaried staff	71	67
Total	**543**	**468**

* including internal auditor.

In accordance with the provisions of the Gender Equality Act, Organic Law 3/2007/22 March, published in the Official State Gazette of 23 March 2007, the average number of employees of the Audax Renovables Group at the end of 2019 and 2018 broken down by category and gender is as follows:

	31.12.19		31.12.18	
	Women	**Men**	**Women**	**Men**
Management *	2	1	1	2
Managers, professionals, technicians and similar	57	50	26	79
Back office staff	202	169	227	128
Other salaried staff	29	34	33	37
Total	**290**	**254**	**287**	**246**

* including internal auditor.

The average number of employees with a disability equal to or greater than 33% (or equivalent local qualification) during the years 2019 and 2018, by category, is as follows:

	Average number	
	2019	**2018**
Back office staff	5	4
Other salaried staff	1	1
Total	**6**	**5**

(EUR thousands)

Other operating charges

The breakdown of Other operating expenses in the years 2019 and 2018 is as follows:

	2019	2018
Leases (note 25)	431	2,044
Repairs and maintenance	4,067	5,448
Assessment services	7,043	5,570
Insurance premiums and commissions	2,480	1,571
Supplies and other services	2,256	1,732
Other operating expenses	7,710	7,956
Taxes	9,816	9,426
Loss, impairment and change in provisions	3,471	5,774
Total	**37,274**	**39,521**

NOTE 20 – NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated profit and loss statement for the years 2019 and 2018 is as follows:

	2019	2018
Financial income from shareholding in third parties	103	133
Financial income from group companies receivables	3,464	2,270
Financial income from third party receivables	438	1,721
Financial expenses arising from bond issuing	(6,045)	(5,463)
Financial expenses from debt and other financial cost	(13,445)	(15,220)
Impairment and profit (loss) on disposal of financial instruments	1,662	(291)
Change in fair value of financial instruments	25	-
Exchange differences	(106)	(94)
Financial profit (loss)	**(13,904)**	**(16,944)**

(EUR thousands)

NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2019 and 2018 is as follows:

	2019	*2018**
Cash flows from operating activities		
Profit (loss) for the year before tax	**33,031**	**11,176**
Adjustments to results	**38,471**	**38,520**
Amortisation and depreciation	26,228	25,079
Valuation adjustments due to impairment	5,304	6,426
Changes in provisions	(3,468)	(6,993)
Profit (loss) on derecognition and disposal of fixed assets	(4,947)	-
Profit (loss) on derecognition and disposal of financial instruments	(27)	(61)
Financial income	(4,005)	(4,124)
Financial expenses	19,490	20,831
Exchange differences	106	932
Changes in fair value of financial instruments	(25)	(3,058)
Other income and expenses	(185)	(512)
Changes in working capital	**629**	**23,371**
Inventory	2,701	(4,457)
Accounts receivable	(17,578)	11,946
Other current assets	(6,763)	(6,687)
Accounts payable	2,223	24,428
Other current liabilities	21,239	-
Other non-current assets and liabilities	(1,193)	(1,859)
Other cash flows from operating activities	**(16,132)**	**(17,176)**
Payments of interest	(19,699)	(20,246)
Collections of interest	3,567	4,124
Income tax payments	-	(1,054)
Cash flows from operating activities	**55,999**	**55,891**

* Restated figures (Note 2.3)

NOTE 22 – INFORMATION ON RELATED PARTY TRANSACTIONS

Related parties are:

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

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

b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, “Directors” meaning members of the Board of Directors, and “Senior Management” meaning people who report directly to the Company’s Board of

(EUR thousands)

Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 23.

c) All the companies belonging to the Excelsior Group.

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

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

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

The balances and transactions carried out in the years 2019 and 2018 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

a) Balances with related parties:

Accounts payable and receivable with related parties as at 31 December 2019 and 31 December 2018 are as follows:

2019	**Group companies**	**Other related parties**	**Total**
Loans and receivables			
Claims (Note 8)	55,412	11,341	66,753
Total non-current assets	55,412	11,341	66,753
Trade and other receivables			
Short-term receivables from group companies and associates	391	-	391
Loans and receivables			
Claims (Note 10)	49	-	49
Other financial assets			-
Total current assets	440	-	440
Total assets	**55,852**	**11,341**	**67,193**
Long-term payables to group companies and associates	-	434	434
Total non-current liabilities	-	434	434
Short-term payables to group companies and associates	28,407	(19)	28,388
Trade and other payables			
Short-term payables to suppliers, group companies and associates	135	-	135
Total current liabilities	28,542	(19)	28,523
Total liabilities	**28,542**	**415**	**28,957**

(EUR thousands)

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

The receivables and payables balances with the group companies for 2019 an 2018 correspond mainly to loans granted and received by Audax Renovables, S.A. and its subsidiaries with Excelsior Times, S.L.U. As at 31 December 2019 the amount of non-current loans granted to Excelsior Times S.L.U. is of EUR 55,283 thousand, Audax Renovables, S.A. being the main lender, with maturities falling between 2023 and 2025 (EUR 80,009 thousand as at 31 December 2018), including principal and interest. Additionally, the current payables balances with Excelsior Times S.L.U. amount to EUR 18,937 thousand (EUR 14,000 thousand of non-current payables as at 31 December 2018).

Loans and non-current receivables with other related parties include loans granted to the companies incorporated as per equity accounting and to other investee companies which do not comprise the Group, in the amount of EUR 11,341 thousand (EUR 2,910 thousand as at 31 December 2018).

(EUR thousands)

b) Related party transactions

The amounts of the related party transactions are as follows:

2019	**Group companies**	**Other related parties**	**Total**
Income and similar			
Net sales	8,055	9	8,064
Sale of fixed assets	1,170		1,170
Services rendered	489	38	527
Financial Instruments			
Financial income	3,449	9	3,458
Total income	**13,163**	**56**	**13,219**
Expenses and similar			
Purchases	4,232	-	4,232
Purchase of shares	14,142	-	14,142
Purchase of fixed assets	-	322	322
Other received services	2,609	210	2,819
Financial Instruments			
Financial expenses	430	-	430
Total Expenses	**21,413**	**532**	**21,945**

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

"Sales of fixed assets" for the year 2019 corresponds to the sale of technical installations and similar to a company of the Excelsior Group called Orus Renovables, S.L. This transaction did not generate any profit or loss for the Company.

"Purchase of shares" for the year 2019 includes the purchase of photovoltaic projects by Audax Renovables, S.A. from Audax Fotovoltaica, S.L. for the total amount of EUR 14,142 thousand (see note 2.5.b).

In the year 2019 there were no transactions entered into with Directors and senior management, nor there were such transactions in the year 2018.

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

Remuneration of the members of the Board of Directors

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

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

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

In the year 2019 the amount accrued by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 153 thousand (EUR 104 thousand in 2018) 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 2019 the expenses for civil liability insurance premium of the Directors and Senior Management amount to EUR 42 thousand (EUR 29 thousand in 2018).

As at 31 December 2019 the Board of Directors of the Parent Company is composed of 6 men.

Other information on Directors

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

In this respect, it should be noted that in the year 2019, the director Rubén Clavijo entered into related party transactions, in an indirect way, through his shareholding in the company Enercapital Development, S.L. on photovoltaic projects for Audax Renovables, S.A., of a total amount of EUR 322 thousand. The total investment commitment of Audax Renovables for these three projects amounts to EUR 2,520,000 and 140 MWp, which will be paid at the completion of certain milestones.

Additionally to the information of the previous paragraph, in the years 2019 and 2018 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 Parent Company and its subsidiaries.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2019 by the Senior Management amounted to EUR 343 thousand (EUR 394 thousand for the year 2018). Furthermore, there is one contract which establishes the right to receive a severance payment in the event of termination of the employment relationship for certain reasons.

As at 31 December 2019 the Senior Management of the Group is made up of two women and one man, including the internal auditor (one woman and two men in 2018, including the internal auditor).

NOTE 24 - AUDITORS' FEES

The professional fees for the services rendered by the audit company KPMG Auditores, S.L. in auditing the annual financial statements of the Group in the years ended on 31 December 2019 and 2018, regardless of the moment of invoicing, are as follows:

	EUR thousands	
	2019	**2018**
Audit services	271	313
Other services	80	30
Total	**351**	**343**

Furthermore, in the years ended on 31 December 2019 and 2018 the Group was invoiced for net professional fees of other entities associated to KPMG International, according to the following breakdown:

	EUR thousands	
	2019	**2018**
Audit services	149	148
Other services	173	4
Total	**322**	**152**

On the other hand, other auditors have invoiced the Group in the year ended on 31 December 2019 for net fees for professional services in the amount of EUR 14 thousand (EUR 5 thousand as at 31 December 2018).

(EUR thousands)

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

As at 31 December 2019 the Group has been given bank guarantees amounting to EUR 80,177 thousand (EUR 75,041 thousand at 31 December 2018) to cover the relevant obligations with third parties. The guarantees have been granted mainly to cover the transactions of electricity purchase on the market.

The Group does not expect that significant liabilities arise from the guarantees and sureties that have been granted.
The majority of the guarantees or bank guarantees which the Group provides in order to carry out its activity have not required pledging or limitations to the cash disposition, except for two deposits in the amount of EUR 11,386 thousand, which are pledged to a financial institution and are classified as current financial assets.

Contractual commitments

From the year 2019, the Group applies the new IFRS 16, which eliminates the classification between operating leases and finance leases, recognised in the balance sheet as the right-of-use assets and liabilities of the same amount at present value of the future payments to be made over the lease term (Note 2.1.).

This way, the future lease payments are recognised in the Balance sheet under the "Lease liabilities" heading.

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

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

The Group’s operating lease expenses in the year 2018 amounted to EUR 1,940 thousand.

Contingencies

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

NOTE 26 - ENVIRONMENT

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

In the year 2019 and in relation to the operating facilities, the Group incurred environmental expenses amounting to EUR 121 thousand, mainly for wildlife conservation purposes (EUR 129 thousand in 2018).

NOTE 27 – GREENHOUSE GAS EMISSIONS RIGHTS

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

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

The wind farm of the Polish company Eólica Postolin Sp. z o.o. was endorsed to obtain Green Certificates. The volume of Green Certificates generated during the year 2019 by the company amounts to EUR 3,234 thousand (EUR 2,143 thousand in the previous year).

NOTE 28 - SUBSEQUENT EVENTS

In January 2020, Audax Renovables, S.A. signed a turnkey contract, or an EPC (Engineering, Procurement and Construction) contract between Da Vinci Energía, S.L.U (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. (belonging to the Risen Energy Co. Ltd group) for the construction of the photovoltaic plant Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 5 MWp. The construction works of this facility have already started.

In February 2020, Audax Renovables, S.A. signed another turnkey contract, or EPC contract between Las Piedras Solar, S.L.U. (100% subsidiary of Audax Renovables, S.A.) and Risen Energy Spain, S.L. for the construction of the photovoltaic plants Carolina I and II in the El Casar municipality (Guadalajara, Castilla-La Mancha) with a capacity of 10 MWp. The construction works of both power plants are due to begin shortly.

In February 2020, the non-controlling shareholders of the Dutch subgroup, whose parent company is Main Energie, B.V. (formerly Audax Netherlands B.V.), formally announced their intention to exercise certain sal options over the entirety of their shares for a price which does not differ significantly from the financial liability recorded by the Group as at 31 December 2019, that is EUR 15,227 thousand (Notes 2.3. and 12).

(EUR thousands)

ANNEX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2019

a) Shareholdings in subsidiary companies

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

				Shareholding	
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw	Poland	Retailing	100%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo (Burgos)	Spain	Generation	51%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Audax Solar SPV IV, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV VI, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Audax Solar SPV IX, SLU	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Aznalcóllar solar, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Botey Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Corot Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Las Piedras Solar, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Da Vinci Energía, S.L.	Avenida Republica Argentina 37, 4º dcha - 41011 Sevilla	Spain	Generation	100%	-
Elogia Calañas, S.L.	Calle Velázquez, 150, 5º - Madrid	Spain	Generation	100%	-
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.A.	Avenida Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	55%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	51%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	51%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%
Cima Energía Comercializadora, S.L.	Avenida Portugal, 27 4 º - oficina 8. 26001, Logroño, La Rioja	Spain	Retailing	-	41%
Ahorre Luz Servicios Online, S.L.	Plaza Urquinaona número 7 Barcelona	Spain	Retailing	-	46%

b) Shareholdings in associated companies and joint ventures

				Shareholding		
Company's name	**Registered address**	**Country**	**Objects**	**Direct**	**Indirect**	**Controlling relation**
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	Panama	Wind energy	30.00%	-	Significant influence

(EUR thousands)

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 December 2018

a) Shareholdings in subsidiary companies

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

				Shareholding	
Company's name	Registered address	Country	Objects	Direct	Indirect
ADS Energy 8.0., S.L.U.	Calle Ramón Rubial 6-8, 08911 Badalona (Barcelona)	Spain	Retailing	100%	-
Propensalternativa Unipessoal, LDA	Avda. das Naçoes Unidas, 23, Escritorio C, Telheiras,1600531 Lisboa (Portugal)	Portugal	Retailing	-	100%
Generación Iberia, S.L.	Calle Adolfo Pérez Esquivel 3, P1 PT12, 28232 Las Rozas de Madrid (Madrid)	Spain	Retailing	100%	-
Eólica El Pedregoso, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Eólica Del Pino, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	80%	-
Parc Eòlic Mudefer, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Fercom Eólica, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Gestora Fotovoltaica de Castellón, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Holding	76%	-
Fotovoltaica Fer, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Weinsberg Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Ecotec, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Joso Fotovoltaica, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Padua, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica Vergos, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica La Mola, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Trautt, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de Castelló, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Fotovoltaica de les Coves, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Inversions Vinroma, S.L.	Avenida Diagonal 459, P.2 PTA.2, 08036 Barcelona (Barcelona)	Spain	Generation	-	76%
Parque Eólico Hinojal, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eólica Postolin Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	100%	-
Fersa Asesoramiento y Gestión, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Parc Eòlic Coll De Som, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	100%	-
Eolica Warblewo Sp Z.o.o	Ul. Libelta 2/1, 85-080 Bydgoszcz, POLONIA	Poland	Generation	65%	-
Eoliennes De Beausemblant, S.A.S.	1 Chemin Lavigne 64800 Mirepeix (Francia)	France	Generation	80%	-
Castellwind 03, S.L.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	60%	-
Entreyeltes 1, S.L.	Calle Farmaceutico Obdulio Fernandez 11, Bajo, Burgos 09 (Burgos)	Spain	Generation	51%	-
Audax Energia, S.R.L.	Via Candiolo, 2, 10048 Vinovo (Torino) Italia	Italy	Retailing	100%	-
Audax Energie, GmbH	Otto Franke Strabe, 97, 12489 Berlin, Alemania	Germany	Retailing	100%	-
Audax Energía, SP. Z O.O.	Ul. Żurawia 6/12, 00-503 Warsaw (Polonia)	Poland	Retailing	100%	-
Audax Netherlands B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	the Netherlands	Retailing	72%	-
Main Energie, B.V.	Stammerkamp 1. 1112 Ve Diemen (The Netherlands)	The Netherlands	Retailing	-	72%
Eryx Investments, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Retailing	80%	-
Unieléctrica Energía, S.L.	Avda. Brillante 114, Córdoba	Spain	Retailing	-	80%
Explotación Eólica La Pedrera, S.L.U.	Avenida Navarra 14, 08911 Badalona (Barcelona)	Spain	Generation	-	80%
Fox Energía, SA	Avda. Alcalde Lorenzo Carbonell 18, local, Alicante	Spain	Retailing	-	54%
Nabalia Energía 2.000, S.A.	Plaça Urquinaona 7, Barcelona (Barcelona)	Spain	Retailing	-	46%
Acsol Energía Global, S.A.	Rd de Europa 60 (edificio Eurocentre), Vilanova i la Geltrú (Barcelona)	Spain	Retailing	-	50%
Vivo Energía Futura, S.A.	Avda. San Salvador 18, local, Badalona (Barcelona)	Spain	Retailing	-	50%
Iris Energía Eficiente, S.A.	Avda. Miguel de Cervantes 23, Murcia	Spain	Retailing	-	54%

b) Shareholdings in associated companies and joint ventures

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

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2019

The following Consolidated Directors' Report for the Year 2019 has been drawn up in accordance with the "Guide for Setting up Listed Companies' Management Reports" issued by the CNMV.

1. Entity's situation

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

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

Its principal objects include:

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

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

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

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

On 25 January 2019 the Commercial Register in Barcelona registered the merger by absorption approved on 23 November 2018 by the board of directors of both companies, Audax Renovables, S.A. as the absorbing company, and Audax Energía, S.A. as the absorbed company.

The distribution of the share capital of Audax as at 31 December 2019 is as follows:

Shareholder	**Shareholding**
Eléctrica Nuriel, S.L.	88.48%
Free float	11.52%
Total	**100.00%**

1.1. Organisational structure

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

The information on the entity's management structure, the functions and the different regulations of the Board of Directors' committees is available in the Corporate Governance Annual Report attached to this document.

1.2. Company's structure

The majority shareholder of Audax is Eléctrica Nuriel, S.L., which holds 88.48% of the shares as at 31 December 2019. In turn, 100% of shares of Eléctrica Nuriel, S.L. belong to Excelsior Times, S.L.U. with its registered address at: Avenida de Navarra número 14, 08911 Badalona (Barcelona).

The corporate chart of Audax as at 31 December 2019 is presented in Appendix I to this report.

1.3. Profile and strategy

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

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

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

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

In May 2019, the Group presented its guidelines for the future, with the aim to achieve certain objectives by the year 2022, the main of which are the following:

1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.

2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.

3. Replicate the success achieved in Spain on the international markets where the Group operates.

- **RETAILING:**

Spain and Portugal:

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

In regard to the retailing activity, as at 31 December 2019 Audax Renovables ranks 10th on the Spanish electricity market, with a market share of 1.43%. In Portugal the company is ranked 9th among the retailers on the Portuguese market, with a market share of 1.11%.

The Company retails at three rates:

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

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

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

Italy:

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

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

Poland:

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

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

Germany:

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

the Netherlands:

In March 2017 the Group acquired 71.97% of the company Main Energie, B.V. (Main) involved basically in electricity and gas retailing on the Dutch market, mainly in the SME segment of the real property sector.

The acquisition of Main has enabled a more accelerated consolidation of the international expansion strategy by increasing the presence on the European market.

- **REPRESENTATION:**

Generación Iberia, S.L. is a company incorporated in 2005 for the purpose of representing the energy generation plants. Its aim is to maximise the profitability of the electricity producers. The company manages the sales of energy from independent generators at OMIE for the daily and intraday market.

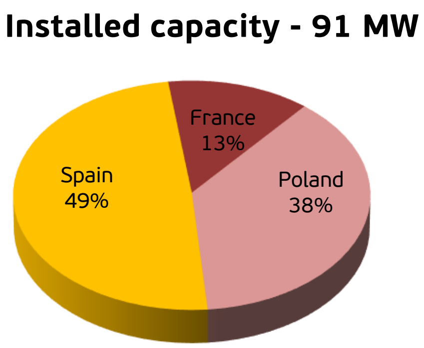
Furthermore, the company offers complementary management services, such as hedging and guarantees management to OMEL and MEFF.

- **GENERATION:**

Currently Audax manages a total portfolio of operating plants of 91 MW in Spain, France and Poland, which are of wind technology; there is a project under construction in Panama, of 66MW (a 30% shareholding in the company Eólica Toabré, S.A.).

In the year 2019 Audax incorporated 320 MW in photovoltaic projects located in Andalucía, Castilla la Mancha and Murcia. There are plans for the energy produced in the future by these photovoltaic projects to be retailed through the incorporation of a PPA in the retailing division of Audax.

As at 31 December 2019 the distribution of the Audax's operating plants is as follows:



<u>Spain:</u>

Currently Audax has in Spain 44.6 MW in operation, located in Cádiz. The incorporated photovoltaic projects of 320 MW will be also located in Spain.

<u>France:</u>

Currently Audax has an operating wind farm in France, of 12 MW, in the region of Drôme (in the south-east of the country).

<u>Poland:</u>

Audax has in Poland the Postolin wind farm of 34 MW, operating since December 2015. It is located in the north of the country, near the city of Sztum.

<u>Panama:</u>

Audax holds a 30% shareholding in the Parque Eólico Toabré, S.A. company, the owner of a wind farm under construction which, in the first stage, will have 66MW.

2. Evolution and results of the business

2.1. Significant events of the period

Audax Renovables ends the year 2019 with a Net Profit Attributable to the Parent Company of EUR 25,417 thousand, compared to EUR 8,412 thousand of the previous year. The EBITDA amounts to EUR 73,250 thousand, up by 37% from the same period of the previous year (EUR 53,395 thousand).

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

- On 18 February Audax renewed its current programme of promissory notes of EUR 50 million, expanding it with a new programme of up to EUR 75 million with a maturity period of up to 24 months.

- On 4 February Audax informed that it had commenced acting as a sales agent on the Portuguese market for the retail of electricity from the photovoltaic plant Ourika of 46 MWp, developed by WElink Group and owned by the company Morningchapter S.A., controlled by

Allianz Insurance Companies, on the basis of a 20-year Power Purchase Agreement (PPA).

- On 7 February the conclusion of a representation contract was announced, for the retail on the Portuguese market of the electricity generated by the photovoltaic plant Solara4, of 218.8 MWp, pursuant to a 20-year fixed-price PPA signed with WElink Investment Holdings (Ireland) Ltd., under which Audax will buy the energy produced by the projects in Spain and Portugal, with an option to achieve a total of 708 MW.

- On 19 March, an agreement was concluded, which regulates the long-term purchase and sale of electric power from diverse photovoltaic plants of the company Trina Solar (Spain) Systems S.L.U. in Spain. The Company will be buying, over the period of 20 years and under PPAs, all the electric power generated by the photovoltaic plants with a capacity of up to 300 MWp.

- In April, Audax announced that it was awarded a "BBB-" stable outlook rating by the rating agency AXESOR.

- On 29 April the General Meeting of Shareholders was held, where, apart from disclosing the resolutions adopted by the General Meeting, the main guidelines towards 2022 were presented:

    1. Strengthen the leadership of Audax as the top independent retailer in the SME segment in Spain.

    2. Double its profitability, covering 2/3 of the energy supplied under long-term PPAs with own generation and of third parties, pursuing a strategy of asset rotation.

    3. Replicate the success achieved in Spain on the international markets where the Group operates.

- On 8 May, Audax announced the incorporation of photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia, 60 MW of which are currently in a very advanced stage of development. Those projects were acquired through purchase at a total price of EUR 19,848 thousand. The energy produced in the future by these photovoltaic projects will be retailed through the incorporation of a PPA in the retailing division of Audax.

- On 28 May Audax Renovables celebrated the first edition of its Investor Day. The Company was represented by Mr José Elías, Chairman, founder and majority shareholder, by Mr Eduard Romeu, Vice-Chairman and CEO, and Ms Anabel López, General Manager. In their address, the three executives explained the history of the company, the main factors and the guidelines for the future.

Audax Group targets

	2018	2022
Clients	306k	+500k
Energy supplied	10 TWh	±15 TWh
PPA coverage of supplied energy	1,668 MW *	2/3
Revenues	±€1bn	±€1.5bn
EBITDA	€53m	+€100m
NFD NFD / EBITDA	€320m	±1.5x

* MW in PPA agreements 2018 – 1Q 2019

Audax is working towards achieving by the year 2022 a portfolio of more than 500 thousand clients, supplying more than 15 TWh of energy, attaining a revenue of around € 1.5 billion and an EBITDA of over €100 million, through the means of doubling its profitability and relaxing financial leverage due to substantial cash generation.

- On 3 July the conclusion of a PPA was announced, the agreement having been signed with Statkraft, the biggest renewable energy producer in Europe. Over a period of ten years and a half, Statkraft will be supplying to Audax Renovables 525 GWh of electricity per year. The energy will come from its Spanish solar portfolio.

- On 1 August an agreement was concluded for a transfer of direct shares of two of its Spanish subsidiaries. The transactions were the following:

  - Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a solar project located in the Tarragona province, with installed capacity of 57.6 MW;

  - Sale of direct shares of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;

  The buyers of those shares were, respectively, Helia Renovables II, F.C.R., a found managed by Plenium Partners Asset Management SGEIC, S.A., and Minerva Renovables, S.A., a company advised and managed by Kira Renovables, S.L.

- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.

- On 18 November the Group signed an agreement for the long-term purchase of energy (PPA) with the German multinational Innogy SE. Over a period of ten years, Innogy will be supplying to Audax Renovables 100 GWh of electricity per year. The energy will come from the Innogy's power plant in Alarcos (Ciudad Real).

- On 24 November an announcement was made of the conclusion of a sale agreement under which direct shares of 100% of share capital and loans associated to the company Parque Eólico Hinojal, S.L., a wind project located in the Cádiz province, with installed capacity of 36.0 MW;

- On 25 November, Audax announced the agreements reached in the General Assembly of the Syndicate of Noteholders, held on Friday, 22 November, regarding the issuances with code ISIN ES0305039010 and code ISIN ES0305039028.

2.2. Profit or loss for the financial year

The results of Audax presented in the notes to the Consolidated Annual Accounts for the year 2019 and its comparison to the year 2018 shall be regarded in the context of the merger by absorption already reflected in the consolidated annual accounts for the year 2018 and considering the following parameters:

- The financial statements related to the year 2018 have been restated, as the Group considers that the investment in the shares of the companies Main Energie B.V. y Audax Netherlands B.V. shall be considered at 100% of ownership instead of 71.97% as it was presented, as there is an agreement which makes it possible to reach 100%. The Consolidated Income Statement for the year 2018 has been amended in Financial Expenses, with an increase of EUR 585 thousand (see note 2.3 of the notes to the Consolidated Annual Accounts).

- The Consolidated Income Statement for the year 2019 incorporates the figures of UniEléctrica for the entire year 2019, however, in the profit and loss at the end of 2018 the figures of UniEléctrica from April to December were consolidated, due to its incorporation to the Group's consolidation scope from the date of the acquisition.

2.3. Analysis of the results

The most significant results figures for the year 2019 in comparison to the year 2018 are as follows:

Consolidated Income Statement	2019	2018	Var. (%)
Operating income	1,043,789	986,947	5.8
Gross margin	126,571	103,701	22.1
EBITDA	73,250	53,395	37.2
EBIT	47,022	28,316	n.a.
Net Profit / Loss	**25,417**	**8,412**	**n.a.**

EUR thousands
2019 audited / 2018 restated

(1) Operating income = Ordinary income + Other operating income
(2) Gross margin = Operating income + Procurement
(3) EBITDA (Gross operating income) = Gross margin + Employee benefits expense + Other operating expenses + Impairment and profit (loss) on disposal
(4) EBIT (Operating income) = Gross operating income (EBITDA) + Amortisation and depreciation

Operating Income has increased by 5.8%, due, among other factors, to the increase of sales in Spain, as well as, particularly, in the Netherlands, Poland and Germany in the retail sector. The income of the generation division has been affected by the exit from the scope by operating projects, however, the income of international power plants has been 34% higher than in the same period off the previous year.

Due to the increase of income together with the implementation of improvements in the procurement management, the Gross Margin is at 12.2% of the turnover, compared to 10.5% in the same period of the previous year.

The policy of cost containment in this period of global growth, as well as a reduction of the expenses by the implemented transfers of generating projects, have contributed to a 1% decrease of operating expenses in comparison to the previous year.

The Group's EBITDA has reached EUR 73,250 thousand, compared to EUR 53,395 thousand of the previous year, up by 37.2%.

Amortisation and depreciation of fixed assets decreased by 4.6%, primarily due to the transfers of power generating entities.

The financial income (expense) has improved by 18.7%, due to, among other factors, a reduced financial charge because of the sale of generation projects mentioned above, which had their financing linked to the project finance. Moreover, the financial liabilities to third parties and to related parties have been reduced throughout the year.

Audax Renovables ends the year 2019 with a Net Profit Attributable to the Parent Company of EUR 25,417 thousand, compared to the profit of EUR 8,412 thousand of the previous year, consolidating the objectives set for the year 2022.

2.4. Profit and loss by segments

The overview of the results up to EBITDA of the main business segments by geographical region is as follows:

2019	Retailing			Generation			
	Spain and Portugal	Rest of Europe (1)	Subtotal Retail	Spain	Rest of Europe (2)	Subtotal Gener.	TOTAL CONSOLIDATED
Operating income	764,175	246,915	1,011,090	22,465	10,234	32,699	1,043,789
Procurement and others	-694,829	-222,389	-917,218	0	0	0	-917,218
Gross margin	**69,346**	**24,526**	**93,872**	**22,465**	**10,234**	**32,699**	**126,571**
Operating expenses	-35,879	-15,398	-51,277	-5,200	-1,791	-6,991	-58,268
Impairment, reversal and profit (loss) on disposal	27	56	83	4,864	0	4,864	4,947
EBITDA	**33,494**	**9,184**	**42,678**	**22,129**	**8,443**	**30,572**	**73,250**
2018	**Retailing**			**Generation**			
	Spain and Portugal	**Rest of Europe (1)**	**Subtotal Retail**	**Spain**	**Rest of Europe (2)**	**Subtotal Gener.**	**TOTAL CONSOLIDATED**
Operating income	726,012	224,845	950,857	28,658	7,432	36,090	986,947
Procurement and others	-676,555	-206,691	-883,246	0	0	0	-883,246
Gross margin	**49,457**	**18,154**	**67,611**	**28,658**	**7,432**	**36,090**	**103,701**
Operating expenses	-27,207	-20,720	-47,927	-9,006	-1,948	-10,954	-58,881
Impairment, reversal and profit (loss) on disposal	-6	54	48	1,983	6,544	8,527	8,575
EBITDA	**22,244**	**-2,512**	**19,732**	**21,635**	**12,028**	**33,663**	**53,395**

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

EUR thousands

In the retail division of the Spain and Portugal region, the good performance of the business and the incorporation of UniEléctrica to the Group in April 2018 are reflected in the growth of EBITDA, which amounts to EUR 33,494 thousand, compared to EUR 22,244 thousand for the previous year (up by 51%).

The retail division in the rest of Europe places its EBITDA at EUR 9,184 thousand for the year 2019, compared to EUR -2,512 thousand for the same period of the previous year, thus materialising the strategy to replicate the success obtained in Spain on the international markets, mainly in Poland and Germany.

In the generation segment, the exit of Mudefer, Hinojal and Gestora lead to a reduction of income in Spain, but due to, among others, the good performance of Postolin in Poland, the operating income of this division decreased only by 9%. The asset rotation policy, with the exit of the operating projects mentioned above and the ongoing launch of 320 MW in photovoltaic projects, will soon bring an adjustment to this decrease.

Taking into account the effects of impairment, reversal and profit and loss on disposal in both financial years, the Group's EBITDA has been of EUR 73,250 thousand, compared to EUR 53,395 thousand of the previous year, thus increasing by 37.2%.

2.5. Principal operating figures

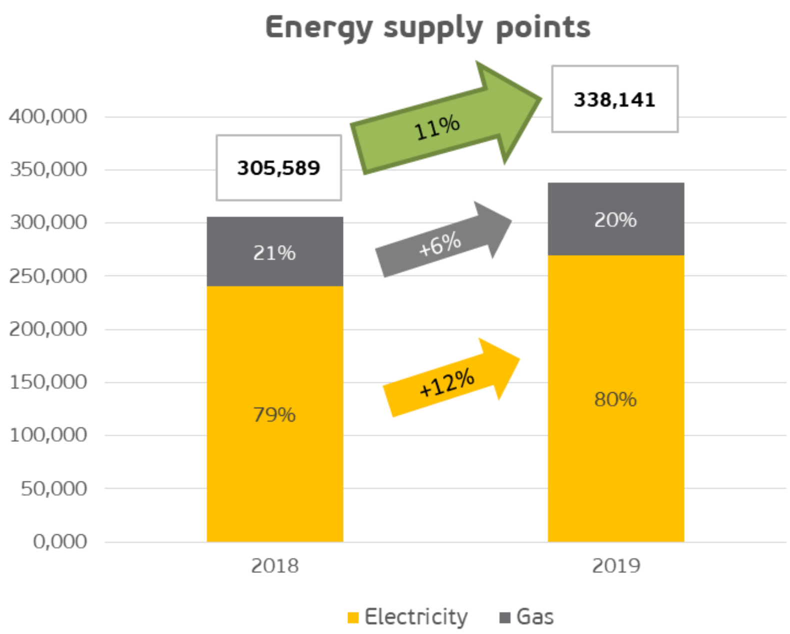
The principal figures arranged by segments are as follows:

- **Retailing:**

Supply points:

At the balance sheet date of the year 2019 Audax has more than 338 thousand active energy supply points, approximately 11% more than at the end of 2018.

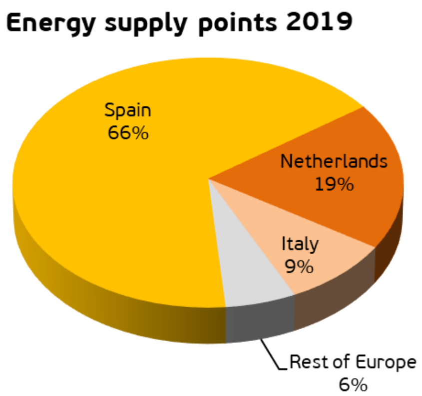
Of the total number of supply points, 80% are electricity supply points. In the year 2019 the number of electricity supply points increased by 12%.
Gas supply points represent 20% of the Group's total number (6% more in comparison to the same period of the previous year).



The following table shows the evolution of the supply points in the two years by geographical region:

Energy supply points	2019	2018	% Var.
Spain	**224,538**	**174,844**	**28.4**
Electricity	192,810	156,019	23.6
Gas	31,728	18,825	68.5
Netherlands	**64,547**	**66,220**	**-2.5**
Electricity	40,902	40,758	0.4
Gas	23,645	25,462	-7.1
Italy	**29,795**	**46,873**	**-36.4**
Electricity	18,139	26,721	-32.1
Gas	11,656	20,152	-42.2
Rest of Europe (RoE)	**19,261**	**17,652**	**9.1**
Electricity	17,333	16,743	3.5
Gas	1,928	909	n.a.
TOTAL ENERGY SUPPLY POINTS	**338,141**	**305,589**	**10.7**
Total Electricity	**269,184**	**240,241**	**12.0**
Total Gas	**68,957**	**65,348**	**5.5**

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

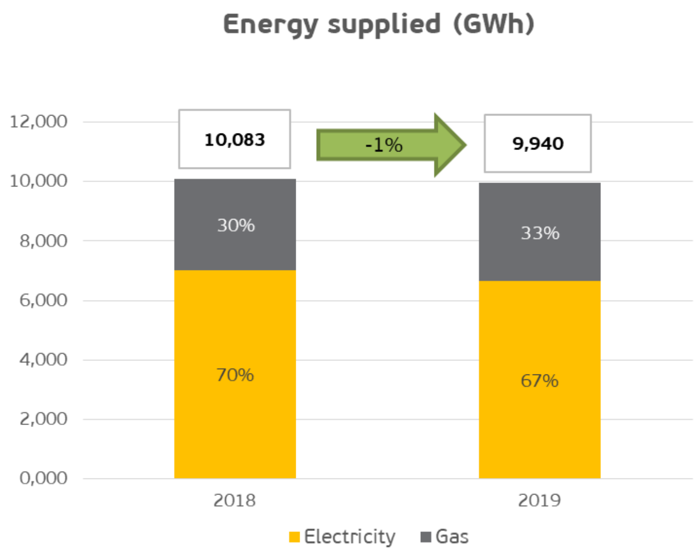


<u>Supplied energy:</u>

The total amount of energy supplied by Audax in the year 2019 is of 9.9 TWh, compared to 10.1 TWh of the previous year. This decrease is connected with the reduction over this period (12 months) by 1.7% of the demand on the peninsula, adjusted by a lower number of working days and higher temperatures, according to R.E.E.*

Within ghe Group, electricity represents 67%, whereas the gas constitutes 33% of the total.

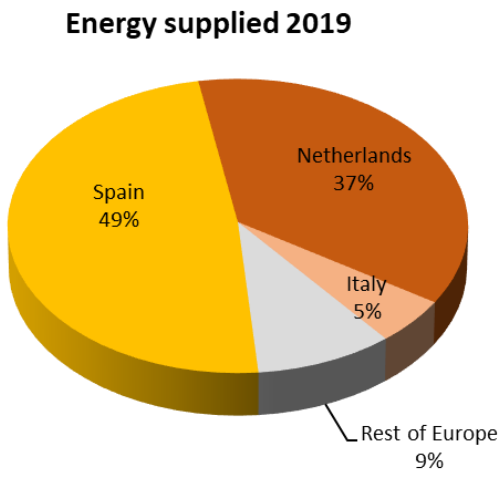
** R.E.E.: Official Gazette of Electric Power #36 - December 2019 - Spanish Electricity Network*



The following table shows the evolution of the supplied energy in the two years by geographical region:

Energy supplied (GWh)	2019	2018	% Var.
Spain	**4,827**	**4,415**	**9.3**
Electricity	3,980	4,006	-0.6
Gas	847	409	n.a.
Netherlands	**3,665**	**3,807**	**-3.7**
Electricity	1,619	1,638	-1.2
Gas	2,046	2,169	-5.7
Italy	**509**	**688**	**-26.0**
Electricity	218	305	-28.6
Gas	292	383	-23.9
Rest of Europe (RoE)	**938**	**1,173**	**-20.0**
Electricity	834	1,074	-22.3
Gas	104	99	5.2
TOTAL ENERGY SUPPLIED	**9,940**	**10,083**	**-1.4**
Total Electricity	**6,651**	**7,022**	**-5.3**
Total Gas	**3,289**	**3,061**	**7.4**

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



- **<u>Generation:</u>**

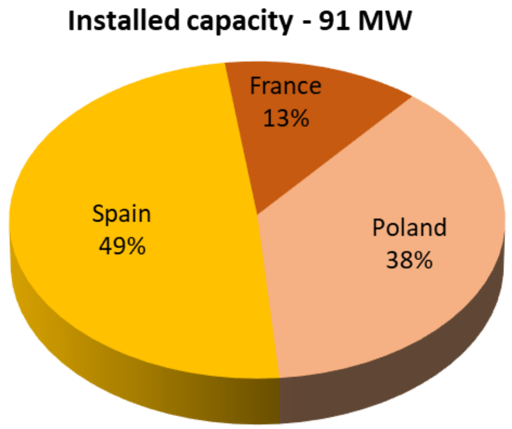
The Group’s renewable energy generation division has changed its installed capacity during the year 2019 in comparison to the year 2018, due to the transfers carried out. The transactions were the following:

- Sale of direct shares of 100% of share capital and loans associated to the company Parc Eòlic Mudéfer, S.L., a solar project located in the Tarragona province, with installed capacity of 57.6 MW;
- Sale of direct shares of 76% and credit claims associated to the company Gestora Fotovoltaica de Castellón, S.L., a solar project located in the Castellón province, with installed capacity of 1.0 MW;
- Sale of direct shares of 100% of share capital and loans associated to the company Parque Eólico Hinojal, S.L., a solar project located in the Cádiz province, with installed capacity of 36.0 MW.

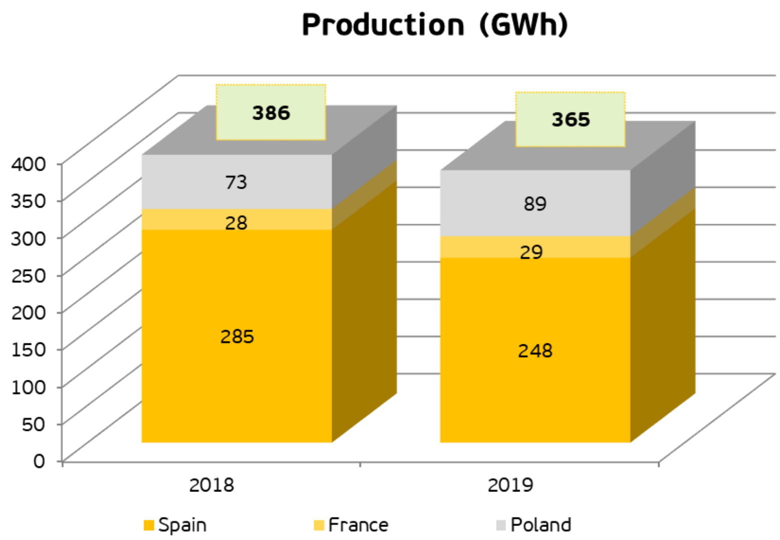
The aforementioned transactions match the objective to reduce the group's debt and are in line with the asset rotation strategy implemented by the Company, these objectives having been presented on the Investor Day celebrated last May. Thus, the installed capacity at the end of 2019 is of 91 MW, belonging wholly to wind technology.

On 8 May 2019, photovoltaic projects of 320 MW located in Andalucía, Castilla la Mancha and Murcia were incorporated, 60 MW of which are currently in a very advanced stage of development. These projects, when put into operation, will supply around 600 GWh of green energy per year, which correspond to the annual consumption of more than 175,000 households.

The distribution of this operating installed capacity by country is as follows:



The production for the year 2019 has reached 365 GWh, only 5% less than in the same period of the previous year, bearing in mind that the production of the wind farm Mudefer of 57.6 MW, of the photovoltaic plant Gestora of 1 MW and of the wind farm Hinojal of 36 MW are not included in these figures for the year 2019 from the dates of their respective sale. The production of comparable plants for the year 2018 was 6% higher, the good performance of the Postolin wind farm in Poland standing out.



3. Liquidity and Capital Resources

3.1. Leverage

Net Financial Debt	dec-19	dec-18	Var.	%
Financial Debt (1)	328,393	398,509	-70,116	-17.6
Other financial liabilities	29,346	24,560	4,786	19.5
Derivatives	7,928	-863	8,791	n.a.
Cash and other financial assets	-183,281	-115.490	-67,791	58.7
Net Financial Debt (2)	**182,386**	**306,716**	**-124,330**	**-40.5**
Net Equity (3)	**155.714**	**139.566**	**16,148**	**11.6**
Leverage (4)	**53.9%**	**68.7%**	**-14.8**	**-21.5**

EUR thousands

(1) Financial Debt = Debt of bonds and other marketable securities
+ Bank debts
(2) Net Financial Debt = Financial Debt + Other financial liabilities + Derivatives + Cash and other financial assets
(3) Net Equity = Parent Company Net Equity + minority interests
(4) Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

Net Financial Debt at the end of 2019 amounts to EUR 182,386 thousand, compared to EUR 306,716 thousand as at 31 December 2018 (a decrease of 40.5%). Likewise, the Leverage decreased by 21.5% (14.8 basis points).

The implementation of IFRS 16 "Financial Leases", applicable from 1 January 2019, has led to an increase of the account Other financial liabilities by EUR 9,629 thousand in comparison to December 2018. Without the implementation of IFRS 16, the Net Financial Debt would have been of EUR 172,757 thousand (decreasing by 43.7%) and the Leverage would have been of 52.6%, that is down 23.5% compared to December 2018.

The sale of the generation projects reduces the Net Financial Debt linked to them by an aggregate amount of EUR 66,977 thousand, of the total reduction for the year 2019 amounting to EUR 124,330 thousand.

3.2. Rating management

On 29 April, the rating agency AXESOR RISK MANAGEMENT S.L.U. awarded Audax Renovables, S.A. a "BBB-" stable outlook rating.

3.3. Debt structure

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

Financial Liabilities breakdown (1)	dec-19	% total
Bonds	136.240	38%
Project Finance	33.864	9%
Promissory notes	74.478	21%
Loans	36.099	10%
Reverse factoring and similar	34.322	10%
Credit facilities	13.391	4%
Other liabilities	19.716	6%
Financial leases	9.629	3%
Total Financial Liabilities	**357.739**	**100%**

(1) Financial Liabilities = Financial Debt + Other financial liabilities

EUR thousands

The issues of bonds and promissory notes on the MARF throughout the year 2019 contributed to increase this kind of financing, comprising 39% and 21% respectively of the total of the aforementioned financial liabilities.

The Project Finance structures pertain to financing granted for the construction of renewable energy generation plants, and they have decreased considerably this year due to the transactions carried out. Under the Project Finance scheme the shares of the borrower are pledged, thus reducing the Group's guarantee and risk. These loans comprise around 9% of the total financial liabilities.

The issues of bonds and promissory notes on the MARF throughout the year 2018 contributed to increase this kind of financing by EUR 50,854 thousand, comprising 24% and 11% respectively of the total of the aforementioned financial liabilities. The said issues were as follows:

- In February 2019 Audax registered a programme of promissory notes under the name of "Programa de Pagarés Audax 2019" on the Alternative Fixed-Income Market ("MARF") in the amount of EUR 75 million and with maturity period of 24 months.
- On 16 October, Audax informed of having obtained the registration on the Alternative Fixed-Income Market (MARF) of an increase of bond issuance, issued on October 2018 with ISIN ES0305039028, by the amount of EUR 35 million of nominal value. The bonds issued are fungible with the bonds issued in October 2018 and, therefore, they have the same economic rights. The issue is represented by 350 unsecured senior bonds of EUR 100,000 of nominal value each, with an interest rate of 5.5% and maturity on 10 October 2023.

See Note 14 of the notes to the consolidated annual accounts 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 Group 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 Group's general Policy of Risk Control and Management updated in 2019, 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 control by the Group

n) Group's specific risks
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 2019 the Group allocated EUR 653 thousand to the R+D+i activities.

6. Staff

As at 31 December 2019 the number of the Group’s employees is 550, the average of the year 2019 being 543 employees.

7. Environment

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

In the year 2019 the Group incurred environmental expenditure amounting to EUR 121 thousand, mainly for wildlife conservation.

8. Acquisition and disposal of treasury shares

As at 31 December 2019 the Company does not hold treasury shares.

9. Other important information

9.1. Stock market information

The price of the shares of Audax (ADX.MC) in the current year 2019 has increased by 66.54%, with high average trading volumes, which ensure the share liquidity on the market.

The stock market evolution of Audax during 2019 was as follows:

The following table shows the main trading data:

Audax Renovables - ADX.MC	2019	Units
Number of shares admitted to trading	440,291,054	Num.
Share price at the beginning of the period	1.285	€ / share
Share price at the end of the period	2.140	€ / share
Maximum trading price	2.780	€ / share
Minimum trading price	1.370	€ / share
Trading price fluctuation during the period	66.54	%
Capitalisation at the end of the period	942,222,856	€
Number of traded shares	176,841,551	Num.
Effective volume	370,358,782	€
Daily volume of traded shares (average)	693,496	Num.
Effective daily volume (average)	1,452,387	€

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.

9.3. Other information

Alternative Performance Measures (APM)

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) Audax reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures, in addition to the financial ones, are used for the purpose of establishing budgets and goals and of managing business, assessing its financial and operating performance and comparing it with previous periods and with the performance of the competitors. The presentation of such measures is assumed to be helpful because they can be used for analysis and comparison of profitability between companies and industries, as the impact of the financial structure of the accounting effects other than cash flows are excluded.

Non-financial measures are also presented, because these and other similar measures are generally used by investors, securities analysts and other brokers as complementary performance measures.

In general, these APM are used in the Directors' Report so there is direct traceability to the consolidated income statement and no reconciliation is needed.

The APM that the Group considers most important are set out below:

Consolidated Income Statement	2019	2018	Var. (%)
Operating income	1,043,789	986,947	5.8
Gross Margin	126,571	103,701	22.1
EBITDA	73,25	53,395	37.2
EBIT	47,022	28,316	n.a.

EUR thousands

The reconciliation between the EBITDA and the Consolidated profit and loss for the year is as follows:

	2019	2018
EBITDA	**73,250**	**53,395**
Assets amortisation	-26,228	-25,079
EBIT	**47,022**	**28,316**
Financial income	4,005	4,124
Financial expenses	-19,490	-20,831
Exchange differences	-106	-94
Profit/loss from disposal of financial instruments	1,687	-291
Financial profit/loss	**-13,904**	**-17,092**
Share in the profit/loss of associated companies	-87	-48
Profit/loss before tax	**33,031**	**11,176**
Corporate income tax	-1,693	-1,772
Consolidated profit/loss for the year	**31,338**	**9,404**
Profit/loss attributed to minority interests	-5,921	-992
Net Profit / Loss	**25,417**	**8,412**

(EUR thousands)

The main operating figures are as follows:

Production (GWh)	2019	%	2018	%	Var. (%)
Spain	**247.9**	68%	**285.4**	74%	-13.1
France	**28.9**	8%	**27.9**	7%	3.6
Poland	**88.5**	24%	**72.8**	19%	21.6
Total	**365.3**	100%	**386.1**	100%	-5.4

Energy supply points	2019	2018	% Var.
Spain	**224,538**	**174,844**	**28.4**
Electricity	192,810	156,019	23.6
Gas	31,728	18,825	68.5
Netherlands	**64,547**	**66,220**	**-2.5**
Electricity	40,902	40,758	0.4
Gas	23,645	25,462	-7.1
Italy	**29,795**	**46,873**	**-36.4**
Electricity	18,139	26,721	-32.1
Gas	11,656	20,152	-42.2
Rest of Europe (RoE)	**19,261**	**17,652**	**9.1**
Electricity	17,333	16,743	3.5
Gas	1,928	909	n.a.
TOTAL ENERGY SUPPLY POINTS	**338,141**	**305,589**	**10.7**
Total Electricity	**269,184**	**240,241**	**12.0**
Total Gas	**68,957**	**65,348**	**5.5**

Energy supplied (GWh)	2019	2018	% Var.
Spain	**4,827**	**4,415**	**9.3**
Electricity	3,980	4,006	-0.6
Gas	847	409	n.a.
Netherlands	**3,665**	**3,807**	**-3.7**
Electricity	1,619	1,638	-1.2
Gas	2,046	2,169	-5.7
Italy	**509**	**688**	**-26.0**
Electricity	218	305	-28.6
Gas	292	383	-23.9
Rest of Europe (RoE)	**938**	**1,173**	**-20.0**
Electricity	834	1,074	-22.3
Gas	104	99	5.2
TOTAL ENERGY SUPPLIED	**9,940**	**10,083**	**-1.4**
Total Electricity	**6,651**	**7,022**	**-5.3**
Total Gas	**3,289**	**3,061**	**7.4**

The Net Financial Debt is as follows:

Net Financial Debt	dec-19	dec-18	Var.	%
Non-current financial liabilities	**217,176**	**246,183**	**-29,007**	**-11.8**
Debt of bonds and other marketable securities	143,184	96,938	46,246	47.7
Bank loans	46,554	129,873	-83,319	-64.2
Financial leases liabilities (IFRS 16)	8,267	0	8,267	n.a.
Other financial liabilities	19,171	19,372	-201	-1.0
Current financial liabilities	**140,563**	**176,886**	**-36,323**	**-20.5**
Debt of bonds and other marketable securities	67,534	67,985	-451	-0.7
Bank loans	71,121	103,713	-32,592	-31.4
Financial leases liabilities (IFRS 16)	1,362	0	1,362	n.a.
Other financial liabilities	546	5,188	-4,642	-89.5
Derivatives	**7,928**	**-863**	**8,791**	**n.a.**
Cash and financial assets equivalents	**-183,281**	**-115,490**	**-67,791**	**58.7**
Current financial assets	-32,497	-17,177	-15,320	89.2
Cash and cash equivalents	-150,784	-98,313	-52,471	53.4
Net Financial Debt *	**182,386**	**306,716**	**-124,330**	**-40.5**
Of the Parent Company	122,221	106,308	15,913	15.0
Of the Minority interest	33,493	33,258	235	0.7
Net Equity **	**155,714**	**139,566**	**16,148**	**11.6**
Leverage ***	**53.9%**	**68.7%**	**-14.8**	**-21.5**

(EUR thousands)

* Net Financial Debt = Non-current financial liabilities + Current financial liabilities + Derivatives + Cash and others
** Net Equity = Net Equity of the Parent Company + of the Minority interest
*** Leverage = Net Financial Debt / (Net Financial Debt + Net Equity)

The implementation of IFRS 16 "Financial Leases", applicable from 1 January 2019, has led to an increase of the account Other financial liabilities by EUR 9,629 thousand in comparison to December 2018. Without the implementation of IFRS 16, the Net Financial Debt would have been of EUR 172,757 thousand (decreasing by 43.7%) and the Leverage would have been of 52.6%, that is down 23.5% compared to December 2018.

Net Financial Debt (without IFRS 16 effect)	dec-19	dec-18	Var.	%
Net Financial Debt	**172,757**	**306,716**	**-133,959**	**-43.7**
Net Equity	**155,714**	**139,566**	**16,148**	**11.6**
Leverage	**52.6%**	**68.7%**	**-16.1**	**-23.5**

(EUR thousands)

The following table shows the main stock market data:

Audax Renovables - ADX.MC			
Stock Market Data	**2019**	**2018**	**Units**
Number of shares admitted to trading	440,291,054	140,003,778	Num.
Share price at the beginning of the period	1.285	0.450	€ / share
Share price at the end of the period	2.140	1.865	€ / share
Maximum trading price	2.780	3.200	€ / share
Minimum trading price	1.370	0.450	€ / share
Trading price fluctuation during the period	12.79	314.44	%
Capitalisation at the end of the period	942,222,856	261,107,046	€
Number of traded shares	176,841,551	445,767,192	Num.
Effective volume	370,358,782	903,726,428	€
Daily volume of traded shares (average)	672,390	2,333,860	Num.
Effective daily volume (average)	1,452,387	4,731,552	€
Number of shares	440,291,054	140,003,778	Num.
Average number of shares	440,291,054	171,438,810	Num.
Profit/Loss attributable to Parent Company	25,417,362	8,411,853	€
Profit/Loss per share			
- Basic	0.0577	0.0491	€ / share
- Diluted	0.0577	0.0491	€ / share

10. Significant events subsequent to the balance sheet date

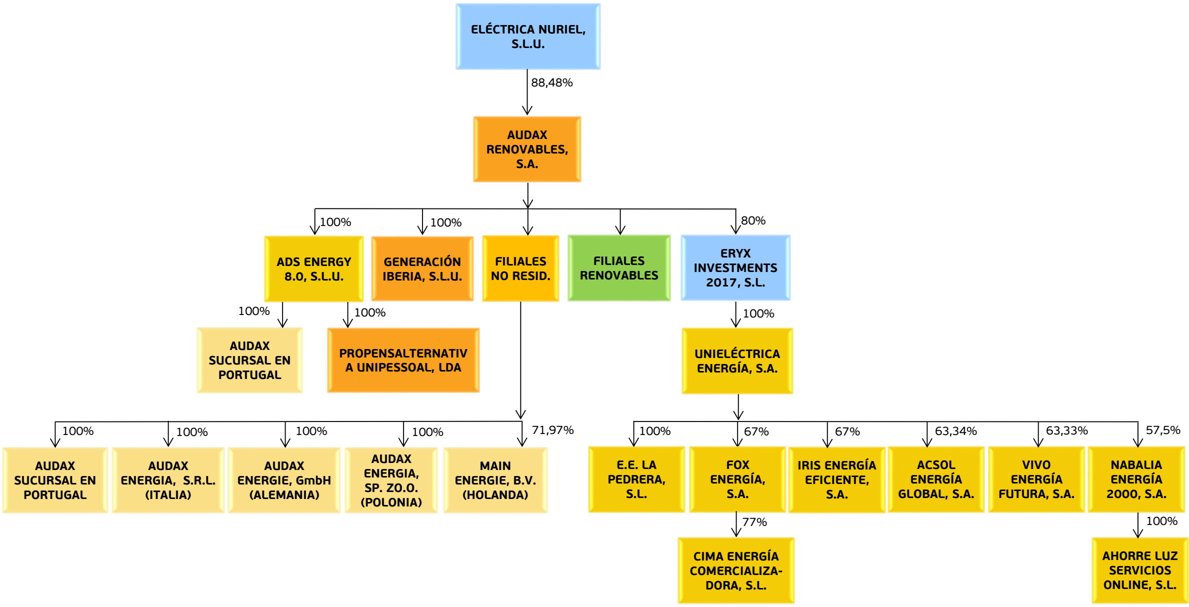
- On 20 January 2020 the Company announced the commencement of the construction of the photovoltaic plant of Cañamares in the Fontanar municipality (Guadalajara, Castilla-La Mancha) with 5 MWp capacity. Furthermore, the Company announced the plan to sign an EPC contract and commence the construction of the photovoltaic plants Carolina I and II of 10 MWp together, both being located in the municipality of El Casar (Guadalajara, Castill-La Mancha).

11. Non-financial information statement

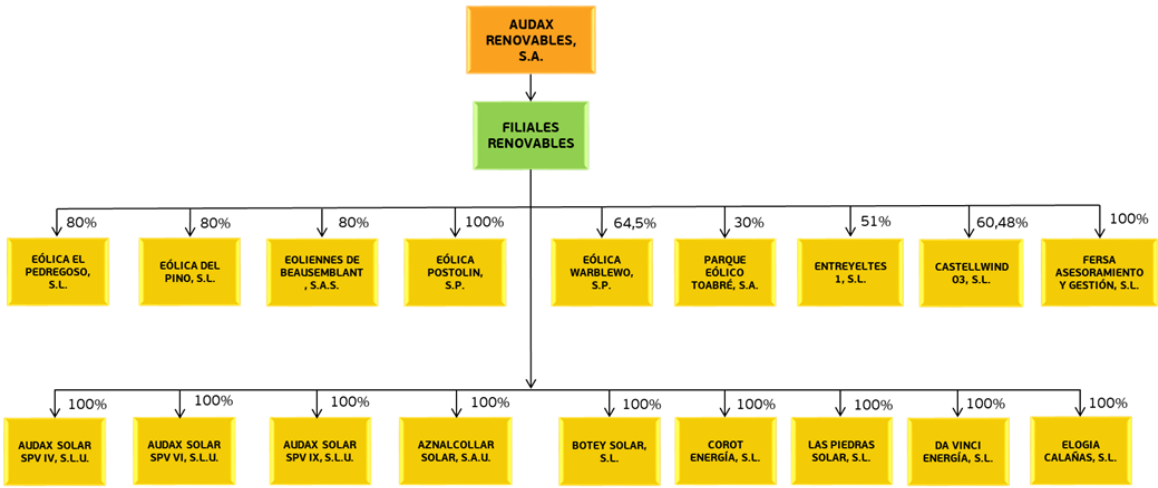
The Consolidated Non-Financial Information Statement has been prepared in accordance with the standards of the Global Reporting Initiative (GRI), constitutes part of the Directors' Report and is presented in a separate document.

<u>Annex I: Company's structure</u>

The following is a chart of the corporate structure of Audax Renovables, S.A., whose majority shareholder is Eléctrica Nuriel, S.L.U. which as at 31 December 2019 holds 88.48% of the shares.



Within the "RENEWABLE SUBSIDIARIES" there are the following companies:



The corporate chart of Audax as at 31 December 2019 indicating the shareholding in each of the companies is as follows:

Company	Holding direct + indirect	Country	Division
Generación Iberia, S.L.	100%	Spain	Retail
ADS Energy 8.0., S.L.U.	100%	Spain	Retail
Eryx Investments, S.L.U.	80%	Spain	Retail
Unieléctrica Energía, S.A.	80%	Spain	Retail
Fox Energía, SA	55%	Spain	Retail
Nabalia Energía 2.000, S.A.	46%	Spain	Retail
Acsol Energía Global, S.A.	51%	Spain	Retail
Vivo Energía Futura, S.A.	51%	Spain	Retail
Iris Energía Eficiente, S.A.	54%	Spain	Retail
Cima Energía Comercializadora, S.L.	41%	Spain	Retail
Ahorre Luz Servicios Online, S.L.	46%	Spain	Retail
Propensalternativa Unipessoal, LDA	100%	Portugal	Retail
Audax Energia, S.R.L.	100%	Italy	Retail
Audax Energie, GmbH	100%	Germany	Retail
Audax Energía, SP. Z O.O.	100%	Poland	Retail
Main Energie, B.V.	72%	the Netherlands	Retail
Eólica El Pedregoso, S.L.	80%	Spain	Generation
Eólica Del Pino, S.L.	80%	Spain	Generation
Fersa Asesoramiento y Gestión, S.L.U.	100%	Spain	Generation
Castellwind 03, S.L.	60%	Spain	Generation
Entreyeltes 1, S.L.	51%	Spain	Generation
Eoliennes De Beausemblant, S.A.S.	80%	France	Generation
Eólica Postolin Sp Z.o.o	100%	Poland	Generation
Eolica Warblewo Sp Z.o.o	65%	Poland	Generation
Parque Eólico Toabré, S.A.	30%	Panama	Generation
Explotación Eólica La Pedrera, S.L.U.	80%	Spain	Generation
Audax Solar SPV IV, S.L.U.	100%	Spain	Generation
Audax Solar SPV VI, S.L.U.	100%	Spain	Generation
Audax Solar SPV IX, S.L.U.	100%	Spain	Generation
Aznalcóllar Solar, S.L.	100%	Spain	Generation
Botey Solar, S.L.	100%	Spain	Generation
Corot Energía, S.L.	100%	Spain	Generation
Las Piedras Solar, S.L.	100%	Spain	Generation
Da Vinci Energía, S.L.	100%	Spain	Generation
Elogia Calañas, S.L.	100%	Spain	Generation

Annex II: Corporate Governance Annual Report