Audax Renovables, S.A. (formerly Fersa Energías Renovables, S.A.)

Consolidated Annual Accounts

31 December 2017

Consolidated Directors’ Report

2017

(With Independent Auditor's Report Thereon)

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

KPMG Auditores, S.L.
Torre Realia
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08908 L'Hospitalet de Llobregat
(Barcelona)

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

Independent Auditor's Report on the Consolidated Annual Accounts

To the shareholders of Audax Renovables, S.A. (formerly Fersa Energías Renovables, S.A.):

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Audax Renovables, S.A. and subsidiaries (the "Group") which comprise the consolidated balance sheet at 31 December 2017, 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 2017 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.

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.

Valuation of intangible assets and property, plant and equipment See notes 2, 5 and 6 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has intangible assets and property, plant and equipment totalling Euros 196,981 thousand at 31 December 2017, allocated to the corresponding cash-generating units (CGU). For the purpose of assessing impairment and because wind power is the Group's most important segment, each wind farm constitutes a cash-generating unit. There is a risk that the carrying amount of the cash-generating units may exceed their recoverable amount, provided that an event or change in circumstances indicates that the recognised amount may not be recoverable. The Group assesses the existence of indications of impairment of the assets allocated to the cash-generating units for the purpose of determining their recoverable amount. These recoverable amounts are calculated by applying valuation techniques which require the exercising of judgement by the Directors and use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the property, plant and equipment, this has been considered a key audit matter.	Our audit procedures comprised the following: - evaluating the design and implementation of key controls related to process of estimating the recoverable amount of intangible assets and property, plant and equipment, - evaluating the criteria used by the directors in identifying indications of impairment, - evaluating the methodology and assumptions used to estimate the recoverable amount using the cash flow discount method 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 impairment tests to changes in assumptions and relevant judgements such as the discount rate, production hours, energy selling prices and future cash flows. - In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors’ Report

Other information solely comprises the 2017 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors’ report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels for this information:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group 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 consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence 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.
- 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 23 February 2018.

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 the original in Spanish)

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

23 February 2018

AUDAX RENOVABLES, S.A
and SUBSIDIARIES

Consolidated Annual Accounts
as at 31 December 2017

INDEX OF CONSOLIDATED ANNUAL ACCOUNTS OF AUDAX RENOVABLES GROUP

AUDAX RENOVABLES S.A. AND SUBSIDIARIES – CONSOLIDATED BALANCE SHEET
(EUR thousands)

ASSETS	Note	31.12.17	31.12.16
NON-CURRENT ASSETS		**212,780**	**225,638**
Intangible assets:	**5**	32,202	34,167
Goodwill		1,494	1,494
Other intangible assets		30,708	32,673
Property, plant and equipment	**6**	164,779	172,478
Investments as per equity accounting	**7**	6,931	7,442
Non-current financial assets	**8**	5,813	5,704
Deferred tax assets	**18**	3,055	5,847
CURRENT ASSETS		**31,326**	**25,311**
Trade and other receivables:	**10**	6,910	5,892
Trade receivables for sales and services rendered		6,832	5,678
Other receivables		78	214
Current financial assets	**8**	10,182	3,636
Other current assets		56	115
Cash and other cas equivalents	**11**	14,178	15,668
TOTAL ASSETS		**244,106**	**250,949**

LIABILITIES AND NET EQUITY	Note	31.12.17	31.12.16
NET EQUITY	**12**	**80,860**	**71,159**
SHAREHOLDERS' EQUITY		**94,220**	**86,871**
Capital		98,003	98,003
Share premium account		278,948	278,948
Reserves		(290,081)	(258,472)
Profit (loss) for the year attributable to the Parent Company		7,350	(31,608)
VALUE ADJUSTMENTS		**(14,517)**	**(16,214)**
Hedging operations	**9**	(8,244)	(10,115)
Translation differences	**12**	(6,273)	(6,099)
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY		**79,703**	**70,657**
NON-CONTROLLING INTEREST		**1,157**	**502**
NON-CURRENT LIABILITIES		**136,772**	**152,083**
Non-current provisions	**13**	1,762	1,666
Non-current financial liabilities:	**14**	120,659	133,412
Bank loans and bonds and other negotiable securities		106,810	117,870
Other non-current financial liabilities		13,849	15,542
Deferred tax liabilities	**18**	7,386	9,485
Other non-current liabilities	**15**	6,965	7,520
CURRENT LIABILITIES		**26,474**	**27,707**
Current financial liabilities:	**14**	19,861	19,042
Bank loans and bonds and other negotiable securities		19,046	18,554
Other financial liabilities		815	488
Trade and other payables:	**16**	6,029	8,001
Other payables		5,865	8,001
Current tax liabilities		164	-
Other current liabilities	**15**	584	664
TOTAL LIABILITIES AND NET EQUITY		**244,106**	**250,949**

Notes 1 to 28 and Appendices I and II are an integral part of the consolidated annual accounts as at 31 December 2017.

AUDAX RENOVABLES S.A. AND SUBSIDIARIES – CONSOLIDATED INCOME STATEMENT (EUR thousands)			
	Note	**2017**	**2016**
Net turnover	4	36,891	30,168
Other operating income		268	917
Staff costs	19	(884)	(1,795)
Other operating expenses		(11,169)	(12,908)
Amortisation and depreciation	5.6	(11,591)	(12,835)
Surplus provisions	14	-	658
Impairment and profit (loss) on disposal of fixed assets	2.5.b and 5,6	203	(30,747)
OPERATING PROFIT (LOSS)		**13,718**	**(26,542)**
Financial income		179	25
Financial expenses		(8,021)	(9,309)
Exchange differences		217	(101)
NET FINANCIAL INCOME (EXPENSES)	**20**	**(7,625)**	**(9,385)**
Profit (loss) of companies consolidated by equity accounting	7	(133)	(191)
PROFIT (LOSS) BEFORE TAX		**5,960**	**(36,118)**
Corporate Income Tax	18	1,674	4,425
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**7,634**	**(31,693)**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**7,634**	**(31,693)**
a) Profit (loss) attributed to the Parent Company		7,350	(31,608)
b) Profit (loss) attributed to minority interest		284	(85)

PROFIT / (LOSS) PER SHARE (euros per share)		**2017**	**2016**
Basic	12	0.052	(0.226)
Diluted	12	0.052	(0.226)

Notes 1 to 28 and Appendices I and II are an integral part of the consolidated annual accounts as at 31 December 2017.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR thousands)			
	Note	**2017**	**2016**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR		**7,634**	**(31,693)**
INCOME AND EXPENSES CHARGED DIRECTLY TO NET EQUITY		**(931)**	**(2,699)**
a) Items that can be reclassified to income statement			
Cash flow hedges		(1,007)	(2,008)
Translation differences	**12**	(174)	(1,193)
Tax effect		250	502
b) Items that cannot be reclassified to income statement		-	-
TRANSFERS TO THE INCOME STATEMENT		**2,693**	**2,971**
Cash flow hedges	**9**	3,588	3,961
Tax effect		(895)	(990)
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**9,396**	**(31,421)**
Attributed to the Parent Company		9,047	(31,430)
Attributed to minority interest		349	9

Notes 1 to 28 and Appendices I and II are an integral part of the consolidated annual accounts as at 31 December 2017.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES - CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(EUR thousands)

	Share capital	Share premium account	Reserves	Profit and loss	Value adjustments	Total Parent Company	Minority interest	Total
Balance at 31-12-15	**98,003**	**278,948**	**(205,042)**	**(53,467)**	**(16,392)**	**102,050**	**665**	**102,715**
Comprehensive income for the year	-	-	-	(31,608)	178	(31,430)	9	(31,421)
Transactions with shareholders and minority interest								
Dividends	-	-	-	-	-	-	(135)	(135)
Other changes in net equity								
Distribution of earnings	-	-	(53,467)	53,467	-	-	-	-
Other movements	-	-	37	-	-	37	(37)	-
Balance at 31-12-16	**98,003**	**278,948**	**(258,472)**	**(31,608)**	**(16,214)**	**70,657**	**502**	**71,159**
Comprehensive income for the year	-	-	-	7,350	1,697	9,047	349	9,396
Transactions with shareholders and minority interest								
Dividends	-	-	-	-	-	-	(99)	(99)
Divestments	-	-	-	-	-	-	405	405
Other changes in net equity								
Distribution of earnings	-	-	(31,608)	31,608	-	-	-	-
Other movements	-	-	(1)	-	-	(1)	-	(1)
Balance at 31-12-17	**98,003**	**278,948**	**(290,081)**	**7,350**	**(14,517)**	**79,703**	**1,157**	**80,860**

Notes 1 to 28 and Appendices I and II are an integral part of the consolidated annual accounts as at 31 December 2017.

AUDAX RENOVABLES, S.A. AND SUBSIDIARIES CONSOLIDATED CASH FLOW STATEMENT (EUR thousands)	Notes	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		**7,543**	**8,910**
Profit (loss) before tax		5,960	(36,118)
Adjustments to results:			
Amortisation and depreciation	**5,6**	11,591	12,835
Value adjustments due to impairment and disposal of fixed assets	**5,6**	(203)	30,747
Changes in provisions	**14**	84	(658)
Allocation of grants		(271)	(353)
Interest income	**21**	(179)	(25)
Borrowing costs	**21**	8,021	9,309
Exchange differences	**21**	217	101
Profit (loss) from companies consolidated by equity accounting	**7**	133	191
Changes in working capital:		**(9,658)**	**2,106**
Trade and other receivables		(1,018)	996
Other current assets		-	53
Trade and other payables		(539)	2,631
Other non-current assets and liabilities	**8**	(8,101)	(1,574)
Other cash flows from operating activities:		**(8,152)**	**(9,225)**
Interests paid		(8,021)	(8,890)
Interests collected		179	-
Payments of corporate income tax		(310)	(335)
CASH FLOWS FROM INVESTMENT ACTIVITIES		**809**	**839**
Payment of investments		**(263)**	**(1,212)**
Intangible assets		(7)	**-**
Property, plant and equipment	**6**	(256)	(830)
Other financial assets	**16**	-	(382)
Collection on divestments		**1,072**	**2,051**
Property, plant and equipment		**39**	
Other financial assets		1,033	2,051
CASH FLOWS FROM FINANCING ACTIVITIES		**(9,977)**	**(10,018)**
Collections / (payments) for financial liability instruments		**(9,878)**	**(9,883)**
Issuing of grants	**16**	-	1,961
Loans given		(4,000)	-
Loans taken		8,695	-
Repayment and settlement	**15**	(14,573)	(11,844)
Payments for dividends and remuneration of other net equity instruments	**13**	(99)	(135)
Effect of changes in exchange rates		135	(51)
INCREASE/DECREASE IN NET CASH OR EQUIVALENTS		(1,490)	(320)
Cash and equivalents at the beginning of the year		15,668	15,988
Cash and equivalents at the end of the year		14,178	15,668

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE AUDAX RENOVABLES GROUP FOR THE YEAR 2017

NOTE 1 – GENERAL INFORMATION

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

Its current registered address is Avenida Navarra, nº 14, Badalona, previously it was Ronda General Mitre, nº 42, Bajos, Barcelona.

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

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

On 29 June 2017 the General Meeting of Shareholders of the Parent Company passed a resolution to change the company's name Fersa Energías Renovables, S.A to Audax Renovables S.A.

Audax Renovables, S.A., is a holding company that is the parent company of a group of subsidiary companies, joint ventures and associated companies that are engaged in the generation of electricity from renewable sources (wind and solar), which constitute the Audax Renovables Group (hereinafter, the Audax Renovables Group or the Group).

Whereas the Audax Renovables Group is part of the Excelsior Group whose parent company is Excelsior Times.S.L.U. with its registered address located in Avenida Navarra, nº 14, Badalona. The Excelsior Group's consolidated annual accounts for the year 2016, formulated on 31 March 2017, 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 2016 were approved by the General Meeting of Shareholders on 29 June 2017.

The consolidated annual accounts of the Group for the year 2017 were formulated for the Directors of the Parent Company on 23 February 2018 and will be subject to approval at the General Meeting of Shareholders and are expected to be approved without modification.

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

NOTE 2 - BASIS 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 2017 have been prepared by the Parent Company's Directors 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 of the accounting principles and standards and the mandatory valuation criteria along, with the Commercial Code, the Spanish Companies Act, the Sock Exchange Market Law and any other applicable commercial legislation have also been considered.

2.2 Fair view and accounting principles

The consolidated annual accounts present fairly the consolidated net equity and the consolidated financial position of the Audax Renovables Group at 31 December 2017, 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 have been prepared under the historical cost method, modified albeit by the revaluation of the financial instruments which under the standards for financial instruments are recorded at fair value, taking into account the criteria for recording business combinations.

The consolidated annual accounts for the year 2017 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 Parent Company's Directors.

2.3 Comparison of the information

As requested by the IFRS, the information contained in the annual consolidated accounts for the year 2017 is presented uniquely and exclusively for comparative purposes with the relative information for the year ended 31 December 2016.

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 2017 and 2016.

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 accounting 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 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 IAS 39 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 taken to consolidated profit or loss from the effective date of the operation.

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

The participation of third parties in net equity and the net income of the group companies is presented under “Minority interest” on the consolidated balance sheet and under “Net income attributable to minority interests” 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 shares 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 shares 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, or where, if these percentages are not held, the Company has a significant influence on their management. The Appendix I also sets a list of the companies consolidated by equity accounting.

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.

(EUR thousands)

Investments in associates are recorded using equity accounting. 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) Consolidation scope

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 2017.

Year 2017:

The table below shows the changes in the consolidation scope which took place in the year 2017:

	At 31.12.17			At 31.12.16	
Company	**% shareholding**	**Consolidation method**	**Effective date of transaction**	**% shareholding**	**Consolidation method**
Parc Eòlic L'Arram, S.L.	0.00%	N/A	29/03/2017	100.00%	I.G.
Fersa Aventalia, S.L.	0.00%	N/A	15/09/2017	80.00%	I.G.
Ferrolterra renovables S.L.	0.00%	N/A	10/11/2017	36.99%	P.E
Eólica Cieplowody Sp.zoo	0.00%	N/A	28/12/2017	100.00%	I.G.

P.E.-As per equity accounting
I.G.- Full consolidation

In the year 2017, Audax Renovables conducted the process of dissolving and liquidation the Spanish companies Parc Eòlic L'Arram S.L. and Fersa Aventalia, S.L. as well as the Polish company Eólica Ciepłowody Sp. z o.o. The impact of these operations is presented in the account "Impairment and profit (loss) from disposal of fixed assets" of the consolidated income statement, in the amount of EUR 233 thousands. As a result of these liquidations, a write-off of Non-Controlling Interest was recorded in the amount of EUR 405 thousand (Note 12).

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

Year 2016:

The changes in the consolidation scope during the year 2016 were as follows:

a) Changes in shareholding or changes in consolidation method:

	At 31.12.16			At 31.12.15	
Company	**% shareholding**	**Consolidation method**	**Effective date of transaction**	**% shareholding**	**Consolidation method**
Aprofitament d'Energies renovables de la Terra Alta, S.A.	15.73%	N/A	25/02/2016	29.67%	P.E
Aprofitament d'Energies Renovables l'Ebre, S.L.	15.14%	N/A	25/02/2016	11.56%	N/A

P.E.-As per equity accounting

On 25 February 2016, a stock swap transaction was carried out under which the company from the Fercom Eólica, S.L. Group transferred the entirety of its shares in the Aprofitament d'Energies Renovables de la Terra Alta, S.A. company and in exchange was given shares in the Aprofitament d'Energies Renovables del Ebre, S.L. company. As a result of this transaction the shareholding of the Audax Renovables Group in the Aprofitament d'Energies Renovables de la Terra Alta, S.A. company was reduced from 29.67% to 15.73%. The loss of control meant the exclusion of this company from the consolidation process based on equity accounting. The impact this operation had on the Group's equity was not significant.

b) Additions to the consolidation scope:

In the year 2016 no addition to the scope of consolidation was made.

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 2017 and 2016.

- 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.

(EUR thousands)

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

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

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

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

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

The exchange rates against the euro of the main currencies of the companies in the Audax Renovables Group as at 31 December 2017 and 2016 have been:

	31 December 2017		31 December 2016	
	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.1993	1.1307	1.0541	1.1021
Polish zloty	4.1770	4.2556	4.4103	4.3659

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. 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) Other intangible assets

Intangible assets are recorded at their cost of acquisition or fair value when acquired through business combinations, less accumulated amortisation, which begins when the asset is made available for use, and less any impairment in value 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.

There are no intangible assets with an indefinite useful life other than goodwill.

Licenses for computer software purchased from third parties are capitalised on the basis of the costs incurred during their purchase and the preparation of particular software for use. These costs are amortised on a straight-line basis over their estimated useful life (four years).

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

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 IAS 16 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:

	Years of estimated useful life
Furniture and other plant	5 - 10
Computer hardware	4
Machinery and plant	25

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

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

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

2.10 Impairment of non-financial assets

Assets are reviewed for impairment as long as an event or change in circumstances indicate that the amount booked may not be recoverable. Additionally, goodwill is tested annually. Accordingly, the assets and goodwill are allocated to the Cash Generating Units (CGUs); in the Wind segment, each wind farm corresponds to a CGU.

An impairment loss is expensed in the amount of the difference between the net book value of the asset and the recoverable amount. The recoverable amount is the greater of the fair value of an asset less the costs of sale or its value in use. In order to evaluate the impairment, the assets are grouped at the lowest level for which there are separately identifiable cash flows. When evaluating value in use, the estimated future cash flows are calculated at present value.

2.11 Financial assets and liabilities

<u>Financial assets:</u>

a) Loans and receivables:

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

These financial assets are initially stated at their fair value, including the directly attributable transaction costs, and later stated at their amortised cost, recognising the interest accrued based on their effective interest rate, understood as the revaluation rate equalises the book value of the instrument to all its estimated cash flows until maturity.

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

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

b) Available-for-sale financial assets:

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

Non-derivative financial assets that are carried under this account are recognised initially at their fair value.

The unrealised gains and losses from changes in fair value are recognised in net equity. When sold or impaired, the accumulated adjustments in value adjustment reserve are taken to the consolidated income statement.

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

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

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

c) Investments held to maturity:

Financial assets held to maturity are debt instruments with fixed or determinable collections and fixed maturities which Group Management effectively intends, and has the capacity to, hold until they mature. If the Group sells a significant amount of financial assets held to maturity, the whole category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months as from the balance sheet date, which are classified as current assets.

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

d) Cash and other cash equivalents:

Cash and other cash equivalents include cash, short-term highly liquid time deposits and other short-term investments with an initial maturity within no more than three months as from the acquisition date. Furthermore, cash equivalents include the Debt Service Reserve Account (FRSD) created in accordance with the provisions of the financing agreements (see notes 11 and 14).

The financial assets are written-off from the balance sheet when the risks and rewards of ownership of the asset have been substantially transferred. In the specific case of accounts receivable, this occurs in general when the insolvency and default risks have been transferred.

The valuations at fair value made are classified using a prioritisation of fair value reflecting the variables used to make these measurements. This prioritisation has three levels:

- Level 1: Valuations based on the share price of identical instruments in an official market.
- Level 2: Valuations based on variables that can be observed for assets or liabilities.
- Level 3: Valuations based on variables that are not based on observable market information.

Financial liabilities:

a) Borrowings:

Borrowings are recognised initially at their fair value, net of the costs of the transaction. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless they mature in twelve months as from the balance sheet date, or include tacit renewal clauses to be exercised by the Audax Renovables Group.

b) Trade and other payables:

Trade and other payables are short-term financial liabilities stated at fair value and no explicit interest accrues on them, and they are recorded at their nominal value.

Trade payables are obligations to pay for goods or services acquired from suppliers during normal trading activities. Trade payables are recorded as current liabilities if the payments accrue within one year or less (or accrue during normal trading activities, if longer). Otherwise, they are recorded as non-current liabilities. Trade payables are initially recognised at fair value and are subsequently valued at their amortised cost using the effective interest rate method.

2.12 Derivatives and other financial instruments

The 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, with an effectiveness ranging from 80% to 125%.

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.

The adoption of the IFRS 13 has required an adjustment to the Group's valuation techniques for obtaining the fair value of derivatives. The Group has incorporated a set of bilateral credit risk in order to reflect both their own and counterparty risk in the fair value of derivatives, which was deducted under "other non-current liabilities” in the consolidated balance sheet as at 31 December 2017 and 2016, by the gross amount of EUR 95 thousand and EUR 183 thousand, respectively.

2.13 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.

2.14 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 moment and the amount of the settlement cannot be determined.

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

2.15 Corporate income tax

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

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.

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.

2.16 Recognition of income

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.

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.

2.17 Leases

Leases in which the lessee substantially holds all the risks and reward of ownership are classified as finance leases.

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

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

2.18 Cash flow statement

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

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

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

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

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

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

2.19 Profit or loss per share

Basic profit or loss per share is calculated using consolidated profit or loss for the year attributable to the parent Company between the average number of ordinary shares in circulation during this period, excluding the average number of treasury shares held by the Group.

Diluted profit or loss per share is calculated using the consolidated profit or loss for the year attributable to the ordinary shareholders adjusted by the effect attributable to the potential ordinary shares having a 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.

2.20 New accounting standards IFRS-EU and interpretations IFRIC

a) Effective standards and interpretations in the current year

The standards, amendments and interpretations that came into force in 2017 (which are detailed below), were taken into account effective 1 January 2017 with no significant impact on the preparation of these consolidated annual accounts:

	Mandatory application for annual periods beginning on
Amendments to IAS 7 Disclosure initiative (issued in January 2016)	1 January 2017
Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (issued in January 2016)	1 January 2017

b) Issued standards and interpretations which are not in force

At the date of preparation of these consolidated annual accounts, the following standards, amendments and interpretations had been published by the IASB but had not yet entered into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not been yet adopted by the European Union:

(EUR thousands)

New standards, amendments and interpretations	Mandatory application for annual periods beginning on
IFRS 9 Financial instruments	1 January 2018
IFRS 15 Revenue from contracts with customers and Clarifications to IFRS 15	1 January 2018
IFRS 16 Leases	1 January 2019
Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
Not yet approved for its use in the European Union as at the issue date of this document	
Classification and measurement of share-based payment transactions	1 January 2018
Reclassification of property investments	1 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	1 January 2018
Annual improvements project 2014-2016 / 2015-2017	1 January 2018 and 1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IFRS 17 Insurance contracts	1 January 2021 or later
Amendments to IAS 28 Investments in associates and joint ventures	1 January 2019 or later
Amendments to IFRS 9 Prepayment features with negative compensation	1 January 2019 or later

IFRS 9 Financial instruments

IFRS 9, issued in July 2014, establishes the requirements for recognition, classification and measurement of financial assets, financial liabilities and certain contracts for purchase or sale of non-financial items. This standard replaces IAS 39.

i) Classification and measurement

IFRS 9 introduces a new way of classification depending on the characteristics of contractual cash flow of financial assets and the business model of managing said assets, determining three categories of financial asset measurement:

- measurement at amortised cost
- measurement at fair value through other comprehensive income
- measurement at fair value through profit or loss

There are two options for irrevocable designation at initial recognition:

- The entity may choose the option to present later changes of fair value of certain investments in equity instruments in other global gains and losses, and to present only dividend income in profit and loss.
- Financial assets may be measured at fair value and changes recognised in the profit and loss account, if it serves to limit or eliminate accounting asymmetry.
  Concurrently, the standard states that changes in contracts in financial liabilities, which do not result in their amortisation, are recognised as changes in measurement with the retention of the initial effective interest rate.

ii) Impairment

IFRS 9 introduces a new impairment model, common for all financial assets, including measurement based on expected loss, with the option of applying a simplified method for select assets.

iii) Hedge accounting

At implementing IFRS 9 the Group has the option of continued implementation of requirements of hedge accounting determined in IAS 39 instead of the requirements determined in IFRS 9. the Group has elected to implement the new requirements determined in IFRS NIIF 9.

IFRS 9 requires the Group to ensure the compatibility of hedging relationships with the Group's risk management strategies and objectives as well as to implement a more qualitative and perspective approach to measure ineffectiveness. Concurrently, IFRS 9 also introduces new requirements regarding hedging rebalancing and prohibits discontinuing hedge accounting.

iv) Implementing the standard and the estimated effect

The Group has not applied this standard in advance and intends to implement it as soon as it enters into force retroactively, without re-expressing the comparative amounts, with the exception of hedge accounting, which is generally implemented in the perspective approach.

Based on a conducted analysis, the Group intends to continue to measure liabilities and receivables as well as financial liabilities at fair value, and then at amortised cost. As to impairment, the Group does not own financial assets in any significant amount that could be impacted by the new impairment model as a result of implementing the expected loss model. There is also no historical basis for delays in payments of receivables, therefore the entry into force of the new expected loss model is not likely to have a significant impact. Concurrently, regarding the hedges owned by the Group, designated as effective hedges, no significant impact is to be expected, because IFRS 9 and IAS 39 do not differ significantly on this point.

<u>IFRS 15 Revenues from contracts with customers</u>

IFRS 15 refers to all contracts with customers with the following exceptions:

- Lease contracts regulated by the IAS 17
- Insurance contracts regulated by the IFRS 4
- Financial instruments subject to the IFRS, IFRS 10, IFRS 11, IAS 27 and IAS 28
- Non-monetary exchanges

The new standard replaces the following standards: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31.

i) Measurement

IFRS 15 establishes a new model for recognition of revenues from contracts with clients in such a way as to reflect the transaction of transferring goods or services in an amount that reflects the value of the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new standard defines a new model for procedure in five steps:

- Identification of the contract with a customer
- Identification of the individual obligations in the contract
- Determining the transaction price
- Allocating the transaction price to the obligations in the contract
- Recognising the revenue when the entity satisfies a performance obligation

ii) Implementing the standard and the estimated effect

The Group has not applied this standard in advance and intends to implement it as soon as it enters into force retroactively, without re-expressing the comparative amounts. Concurrently, the Group estimates that implementing the new standard will have no significant impact due to the nature of its business, which is generating renewable energy (wind and solar energy).

<u>IFRS 16 Leases</u>

IFRS 16 will enter in force in 2019 and will replace IAS 17, IFRIC 4, SIC-15 and SIC-27

i) Measurement

IFRS 16 introduces a new single accounting model to include in the balance sheet the majority of leases in a similar way to the recognition of financial leases established in the currently existing IAS 17 in reference to the accounting of lessees. IFRS 16 emphasises control of assets and provides two exemptions for the purpose of facilitating the implementation of the new standard: short-term leases of up to twelve months and low-value asset leases.

The accounting model for lessors in IFRS 16 remains similar to the model defined in the currently existing standard.

The new standard requires a larger information breakdown.

ii) Implementing the standard and the estimated effect

IFRS 16 enters into force beginning with annual period starting on 1 January 2019 or later. The Group does not foresee an earlier implementation of the standard and is currently conducting a survey of general impact of implementing IFRS 16 on the Group's consolidated annual accounts, including the transitional options.

2.21 Significant accounting estimates and judgements

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

a) *Non-financial asset impairment*

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.

c) *Corporate income tax and deferred income tax assets*

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) *Revenue recognition*

Revenue 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 revenue for the estimate of the energy produced pending invoicing and no adjustments are expected in the future.

e) *Fair value of derivatives*

The fair value of the financial instruments that are traded on official markets is based on market prices at the balance sheet date. The market quotation price that is used for financial assets is the current buyer price.

The fair value of the financial instruments that are not listed on an official market is determined using valuation techniques. 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 (amortisation period).

2.22 Actions causing an impact on the environment

They are registered annually as an expense or as an investment, depending on the nature, the carried out payments that are needed to comply with the legal requirements related with environmental issues. Imports registered as an investment are amortized as a function of their useful life.

No provision for risks and costs related with environment issues has been considered given that there exist no significant contingencies related with the environment protection.

2.23 Related party transactions

The Group undertakes operations with related parties at market values. 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.

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.

Spain

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

On 13 July 2013 the RDL 9/2013 was published repealing the RD-661/2007 decree, in force until that date. This Royal Decree establishes the principles of a new remunerative system for the renewable energy-generating plants and is submitted to the Government for the new remunerative system to be approved by a Royal Decree. Under this new regulatory framework, the income from the special system plants will comprise:

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

In accordance to 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 euros for aforementioned remunerations for each type of technology and installation used to generate energy from renewable sources.

Due to the existence of differences between the estimated market price and the actual price, article 22 of the Royal Decree 413/2014 establishes an adjustment mechanism for specific remuneration for the purpose of adjusting the market price. As a result, future remunerations will include a compensation for the difference between the actual market price in the years 2014 - 2016 and the market price defined by the Ministerial Order IET 1045/2014. As a result, the Group has registered a non-current credit in the amount of EUR 1,574 thousand (Note 8).

On 2 December 2016 was published a draft of indexation for remuneration parameters for the aforementioned plants for the second half-term (from 1 January 2017 to 31 December 2019) in which were also established possible amounts of the operative remuneration which will be applied in the first half year of 2017, thus implementing the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2015, of 2 July.

Additionally, it should be recalled that within the existing regulations in this sector there is the Law 15/2012, of 27 December, of fiscal measures for the energetic sustainability. Under the current law it is stipulated, among others, a new tax, the Tax on the Value of Production of electrical energy, which levies a tax on the production activities and incorporations to the electrical energy system of a 7% rate.

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.

(EUR thousands)

- 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 2016, the tariff applied to the company in the Audax Renovables Group in France was of 9.134 cents euro per KWh until 1 November, and from that date, of 9.171 cents euro per KWh.

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

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

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

2017	2018	2019	2020	2021	From 2022 on
PME communautaires B ≤ 75.000€ : 28% B > 75.000€ : $33^{1/3}$% 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: refers to income 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 45.29 PLN/MWh.

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

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

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

The regulations established in the “2015 RES Law” were amended by the law of 22 June 2016 to promote the auctions and the renewable energy plants with a stable generation profile.

This amendment stipulates that the right to benefit from the system of incentives and to sell all the produced energy on the average market price of the last quarter (currently amounting to 162.50 PLN/MWh), will be valid only until 1 January 2018. From that date onwards, the final suppliers will be able to renegotiate or even terminate the contracts with the producers.

Furthermore, the Polish government have adopted during 2016 other measures which do not consider eliminating the excess supply of the certificates of origin now present in the market.

Lastly, it should be noted that the regulatory framework related to the real property tax payable to the municipality have been 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% affects the investment in the construction of a wind farm in its entirety.

The Audax Renovables Group had already taken into account that new impact related to the new Polish legislation while performing the impairment test as at 31 December 2016, which brought about the impairment of its assets in the previous year (Note 5).

(EUR thousands)

NOTA 4 – SEGMENT REPORTING

a) Format for presentation of business segment reporting

The business segments of the Audax Renovables Group are wind and solar energy. Profit and loss by segment breaks down as follows:

	Wind						Solar	TOTAL
31 December 2017	**Spain**	**Other Western Europe countries**	**Eastern Europe**	**Asia**	**Latin America**	**Total**	**Western Europe**	
Turnover by segments	29,229	2,919	3,910	-	-	36,058	833	36,891
EBITDA (*)	20,126	2,370	1,968	-	-	24,464	642	25,106
Depreciation charge	(9,122)	(754)	(1,454)	-	-	(11,330)	(261)	(11,591)
Surplus provisions	-	-	-	-	-	-	-	-
Profit (loss) on disposal of fixed assets	285	(32)	(50)	-	-	203	-	203
Operating profit (loss)	11,289	1,584	464	-	-	13,337	381	13,718
Net financial income (expense)	(5,544)	(229)	(1,656)	-	-	(7,429)	(196)	(7,625)
Participation in profit (loss) of the year of associates	-	-	-	-	(133)	(133)	-	(133)
Profit (loss) before tax								5,960
Corporate income tax								1,674
Profit (loss) from continuing operations								7,634
Net profit (loss) from discontinued operations								-
Consolidated profit (loss) for the year								7,634
a) Profit (loss) attributed to the parent company								7,350
b) Profit (loss) attributed to minority interest								284

EBITDA(*):Operating profit plus depreciation and charge to the provision for fixed assets and surplus provisions

	Wind						Solar	Biogas	TOTAL
31 December 2016	**Spain**	**Other Western Europe countries**	**Eastern Europe**	**Asia**	**Latin America**	**Total**	**Western Europe**	**Eastern Europe**	
Turnover by segments	23,806	2,398	3,163	-	-	29,367	801	-	30,168
EBITDA (*)	13,653	1,705	713	-	(56)	16,015	367	-	16,382
Depreciation charge	(9,145)	(749)	(2,680)	-	-	(12,574)	(261)	-	(12,835)
Surplus provisions	658	-	-	-	-	658	-	-	658
Profit (loss) on disposal of fixed assets	(420)	(23)	(30,462)	158	-	(30,747)	-	-	(30,747)
Operating profit (loss)	4,746	933	(32,429)	158	(56)	(26,648)	106	-	(26,542)
Net financial income (expense)	(6,940)	(291)	(1,891)	-	(8)	(9,130)	(255)	-	(9,385)
Participation in profit (loss) of the year of associates	(112)	-	-	-	(79)	(191)	-	-	(191)
Profit (loss) before tax									(36,118)
Corporate income tax									4,425
Profit (loss) from continuing operations									(31,693)
Net profit (loss) from discontinued operations									-
Consolidated profit (loss) for the year									(31,693)
a) Profit (loss) attributed to the parent company									(31,608)
b) Profit (loss) attributed to minority interest									(85)

EBITDA(*): Operating profit plus depreciation and charge to the provision for fixed assets and surplus provisions

b) Format for presentation of financial information according to geographic segments

Given the Audax Renovables Group´s presence in various countries, information is grouped by geographic actions. The Audax Renovables Group´s registered office, where its main operations are carried-out, is currently in Spain. The areas of operations cover different geographic groups, including, of special note:

(EUR thousands)

- Western Europe, which includes Spain and France.
- Eastern Europe, which includes Poland.
- Latin America, which includes Panama.

Net turnover of the Audax Renovables Group by geographic sector is set out below:

	2017	2016
Western Europe	**32,981**	**27,005**
Spain	30,062	24,607
France	2,919	2,398
Eastern Europe	**3,910**	**3,163**
Total	**36,891**	**30,168**

Currently the Group owns operating wind farms in Spain, France and Poland.

The assets and liabilities by segments are as follows:

a) By business segment

	Assets	Investment as per equity accounting	Goodwill	Liabilities
At 31.12.17				
Wind	196,778	6,931	1,494	145,878
Solar	5,675	-	-	3,448
Total	**202,453**	**6,931**	**1,494**	**149,326**

	Assets	Investment as per equity accounting	Goodwill	Liabilities
At 31.12.16				
Wind	205,221	7,442	1,494	161,321
Solar	5,937	-	-	4,139
Total	**211,158**	**7,442**	**1,494**	**165,460**

(EUR thousands)

a) By geographic segment

At 31.12.17	Assets	Investment as per equity accounting	Goodwill	Liabilities
Western Europe	167,995	-	1,494	113,472
Eastern Europe	34,357	-	-	35,854
Latin America	101	6,931	-	-
Total	**202,453**	**6,931**	**1,494**	**149,326**

At 31.12.16	Assets	Investment as per equity accounting	Goodwill	Liabilities
Western Europe	176,896	-	1,494	129,389
Eastern Europe	34,161	-	-	36,071
Latin America	101	7,442	-	-
Total	**211,158**	**7,442**	**1,494**	**165,460**

The assets by segments consist mainly of property, plant and equipment, intangible assets, customers and debtors. Financial assets, goodwill, deferred taxes receivable, cash and other cash equivalents are excluded. The assets that have not been considered in this segmentation amount to EUR 41,653 thousand as at 31 December 31 2017 and to EUR 39,791 thousand as at 31 December 2016.

Liabilities by segments consist of operating liabilities. Excluding financial debt and deferred taxes payable. The liabilities that have not been considered in the above disclosure by segments amount to EUR 13,920 thousand as at 31 December 2017 and to EUR 14,330 thousand as at 31 December 2016.

The detailed list of the main non-current assets, featuring Spain and the rest of the foreign countries is the following:

At 31.12.17	Goodwill	Intangible assets	Property, plant and equipment	Total
Spain	634	27,726	123,096	151,456
Poland	-	-	33,582	33,582
France	860	2,982	7,999	11,841
Rest of the world	-	-	102	102
Total	**1,494**	**30,708**	**164,779**	**196,981**

At 31.12.16	Goodwill	Intangible assets	Property, plant and equipment	Total
Spain	634	29,486	130,648	160,768
Poland	-	-	33,236	33,236
France	860	3,187	8,492	12,539
Rest of the world	-	-	102	102
Total	**1,494**	**32,673**	**172,478**	**206,645**

As a consequence of the history of asset provisions made, the totality of the accounting amount of these fixed assets related with Spanish wind farms under development has been impaired.

(EUR thousands)

As at 31 December 2017 and 2016 the non-current assets in Spain, France and Poland correspond exclusively to operating wind farms.

NOTE 5 – INTANGIBLE ASSETS

The movement for the year at 31 December 2017 and 2016 in the accounts under Intangible assets is as follows:

	Goodwill	**Other intangible assets**	**Total intangible assets**
Net book value at 31/12/15	**7,062**	**51,321**	**58,383**
Amortisation	-	(2,701)	(2,701)
Impairment provision	(5,363)	(15,495)	(20,858)
Translation differences	(205)	(452)	(657)
Net book value at 31/12/16	**1,494**	**32,673**	**34,167**
Cost	51,086	146,025	197,111
Accumulated amortisation	-	(18,831)	(18,831)
Impairment provision	(49,592)	(94,521)	(144,113)
Net book value at 31/12/16	**1,494**	**32,673**	**34,167**
Investment	-	7	7
Amortisation	-	(1,934)	(1,934)
Write-offs	-	(38)	(38)
Translation differences	-	-	-
Net book value at 31/12/17	**1,494**	**30,708**	**32,202**
Cost	43,949	122,167	166,116
Accumulated amortisation	-	(20,766)	(20,766)
Impairment provision	(42,455)	(70,693)	(113,148)
Net book value at 31/12/17	**1,494**	**30,708**	**32,202**

Translation differences of 2016 included basically the impact on the valuation of the assets belonging to the investments done in Poland.

During the year 2017 the Group proceeded to sell and liquidate several companies whose assets were totally provisioned (Note 2.5.b). As a consequence, the amount of the cost of these assets was offset against its corresponding provision.

As at 31 December 2017 the intangible assets, still in use and completely amortised amount to EUR 493 thousand (EUR 394 thousand as at 31 December 2016).

(EUR thousands)

<u>Impairment test:</u>

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 2017 and 2016. As a result of these tests, a net impairment provision has been recorded in the negative amount of EUR 63 thousand in the year 2017 (negative amount of EUR 30,883 thousand in the year 2016) which breaks down as follows:

	2017	2016
Profit (loss) on disposal of non-current assets	**266**	**136**
Impairment of assets	**(63)**	**(30,883)**
Goodwill	-	(5,363)
Other intangible assets	-	(15,495)
Property, plant and equipment	(63)	(12,031)
Other non-current liabilities (Note 16)	-	2,179
Financial assets	-	(173)
Total impairment and profit (loss) on disposal of non-current assets	**203**	**(30,747)**

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

	2017	2016
Western Europe	(21)	(420)
Eastern Europe	(42)	(30,463)
Latin America	-	-
Total	**(63)**	**(30,883)**

There was no tax effect of the impairment (reduction of related deferred tax liabilities) in 2017 (a positive effect amounting to EUR 3,946 thousand in 2016), and there was no effect on minority interests.

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 (10-year Government bonds in the year 2016).

- 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.

(EUR thousands)

The detail of the Weighted average cost of capital (WACC) resulting for the main geographic segments is the following:

Year 2017

2017

	Spain	France	Eastern Europe (Poland)
Risk-free discount rate	2.84%	1.48%	4.72%
Risk premium *	6.77%	6.56%	6.92%
Capital cost	9.61%	8.03%	11.64%
Cost of debt	3.00%	2.67%	3.24%
After-tax weighted average cost of capital **	6.63%	5.62%	7.86%

Year 2016

2016

	Spain	France	Eastern Europe (Poland)
Risk-free discount rate	1.38%	0.68%	3.63%
Risk premium *	7.08%	6.89%	5.96%
Capital cost	8.46%	7.57%	9.59%
Cost of debt	3.89%	3.03%	4.97%
After-tax weighted average cost of capital **	6.64%	5.45%	7.43%

* 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.

b) Production hours: the production hours employed in the calculation of the impairment test have been based, for the operating farms, on the average of the historical value of the hours employed in former years (eliminating those years that appear as outliers because of high or low wind levels) and for the farms under development, on the estimated wind hours predicted by the wind studies carried out both internally and externally.

c) 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.

   The net total energy prices for the year 2017, which have been considered for the main geographic segments, are the following:

   - Spain: between 7.31 c€/KWh and 9.86 c€/KWh (including in this price the remuneration to the investment divided by the estimated kWh).

(EUR thousands)

- France: 9.28 c€/KWh
- Poland: 20.09 cPLN/KWh (including in this price the remuneration for Green Certificates)

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:

- Useful life of the project: 25 years, without considering any residual value at the end of its useful life.

- Operating expenses: For future years, the operating expenses have been estimated on the basis of past experience and by applying an estimated inflation rate.

There was no significant impact on the impairment in the year 2017.

The main impacts on the impairment of year 2016 were the following:

As a consequence of the new legislation passed in Poland in 2016, which affected the renewable energy sector and caused, among others, a significant increase in tax cost for local taxes, and also due to the drop in prices of the Green Certificates, the Group registered a provision of EUR 30,389 thousand of assets related to that wind farm.

Moreover, in 2016 an impairment of fixed assets in Spain was registered amounting to EUR 420 thousand.

As a result of the impairment, there are certain CGUs whose book value is equal to the recoverable value, therefore any increase in discount rate or decrease in selling price for energy would cause another impairment. 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 book value (i.e. the existing "gap") for all of the wind farms of the Audax Renovables Group by geographic segments are as follows:

	31/12/2017	31/12/2016
Western Europe	16,585	13,300
Eastern Europe	-	-
TOTAL	**16,585**	**23,244**

The percentage increase in the after-tax discount rate and the percentage decrease in the sale price of energy that would equal the recoverable amount and the book value for all of the wind farms of the Audax Renovables Group by geographic segments are as follows:

	31/12/2017	
	Discount rate increase	**Sale prices of electricity decrease**
Western Europe	24.9%	(10,9%)
Eastern Europe	0%	0%

	31/12/2016	
	Discount rate increase	**Sale prices of electricity decrease**
Western Europe	22.6%	(10,7%)
Eastern Europe	0%	0%

The percentages shown here correspond to the percentage of variation concerning to the applied discount rates, they are not variations of basis points, but percentage increases in the rate.

***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)	
	2017	**2016**
Increase of the discount rate of 10%		
Western Europe	-	(1,529)
Eastern Europe	(1,699)	(1,725)
Total	**(1,699)**	**(3,254)**
Decrease of the discount rate of 10%		
Western Europe	-	-
Eastern Europe	1,944	1,908
Total	**1,944**	**1,908**

	Effect on net income (EUR thousands)	
	2017	**2016**
Increase of the sale price of electricity of 10%		
Western Europe	-	-
Eastern Europe	3,433	3,380
Total	**3,433**	**3,380**
Decrease of the sale price of electricity of 10%		
Western Europe	(1,936)	(5,095)
Eastern Europe	(3,383)	(3,380)
Total	**(5,319)**	**(8,475)**

(EUR thousands)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The changes for 2017 and 2016 in the accounts under Property, plant and equipment are as follows:

	Property, plant and equipment in use	Property, plant and equipment under construction	Total property, plant and equipment
Net book value 31/12/15	**195,298**	**101**	**195,399**
Investment	556	274	830
Depreciation charge	(10,134)	-	(10,134)
Impairment charge (note 5)	(11,757)	(274)	(12,031)
Translation differences	(1,586)	-	(1,586)
Net book value 31/12/16	**172,377**	**101**	**172,478**
Cost	262,888	21,850	284,738
Accumulated depreciation	(78,782)	-	(78,782)
Impairment provision	(11,729)	(21,749)	(33,478)
Net book value 31/12/16	**172,377**	**101**	**172,478**
Investment	270	-	270
Divestment	(1)	-	(1)
Depreciation charge	(9,657)	-	(9,657)
Impairment charge (note 5)	(63)	-	(63)
Translation differences	1,752	-	1,752
Net book value 31/12/17	**164,678**	**101**	**164,779**
Cost	265,600	17,856	283,456
Accumulated depreciation	(88,558)	-	(88,558)
Impairment provision	(12,364)	(17,756)	(30,120)
Net book value 31/12/17	**164,678**	**101**	**164,779**

No significant financial expenses were capitalised in the year 2017 nor in 2016.

As at 31 December 2017, the Group does not have commitments for the purchase of fixed assets (nor did it have such commitments as at 31 December 2016).

As at 31 December 2017 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 were there such payments as at 31 December 2016.

Translation differences mainly include the impact on the measurements of assets relating to the investments in Poland. The positive impact for the year 2017 is due mainly to the appreciation of the Polish zloty against the euro.

As at 31 December 2017 the tangible assets still in use and totally depreciated amount to EUR 166 thousand (EUR 76 thousand as at 31 December 2016).

The construction of the Postolin wind farm (in Poland) was partially financed with a non-refundable grant by the European Union through the Polish Ministry of Economy, in the amount of PLN 38,354 thousand (EUR 9,019 thousand) (note 15).

The assets associated to the farms holding loans from credit entities under the modality of Project

(EUR thousands)

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.

NOTE 7 – INVESTMENTS AS PER EQUITY ACCOUNTING

The movement for 2017 in investments recorded by equity accounting is as follows:

-	Balance 31.12.16	Changes in consolidation scope	Participation in the results	Impairment	Transfers	Translation differences	Balance 31.12.17
Company							
-							
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	7,442	-	(133)	-	-	(378)	6,931
Total	**7,442**	**-**	**(133)**	**-**	**-**	**(378)**	**6,931**

The movement for 2016 in investments recorded by equity accounting was as follows:

-	Balance 31.12.15	Changes in consolidation scope	Participation in the results	Impairment	Transfers	Translation differences	Balance 31.12.16
Company							
-							
Aprofitament d'Energies Renovables de la Terra Alta, S.A.	290	(285)	(5)	-	-	-	-
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	3,693	-	(79)	-	3,803	25	7,442
Subestación y Línea Los Siglos 2004, A.I.E.	107	-	(3)	(104)	-	-	-
Total	**4,090**	**(285)**	**(87)**	**(104)**	**3,803**	**25**	**7,442**

The most significant information relating to the associates consolidated as per equity accounting is as follows:

	Country	Asset	Liability	Income	Net income	% Shareholding
At 31-12-17						
Berta Energies Renovables, S.L.	Spain	6,157	2,587	-	(275)	25.79%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panama	6,068	3,771	-	(444)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	236	6	37	(10)	30.30%
Total		**6,304**	**6,364**	**37**	**(729)**	

	Country	Asset	Liability	Income	Net income	% Shareholding
At 31-12-16						
Berta Energies Renovables, S.L.	Spain	6,274	2,474	-	(361)	25.79%
Ferrolterra Renovables, S.L.	Spain	284	-	-	(8)	36.99%
Parque Eólico Toabré S.A. (formerly Fersa Panamá SA.)	Panama	6,306	3,184	-	(253)	30.00%
Subestación y Línea Los Siglos 2004, A.I.E.	Spain	244	5	40	(8)	30.30%
Total		**13,108**	**5,663**	**40**	**(630)**	

The information on these associates has been obtained from their not audited financial statements as of 31 December 2017 and 2016.

(EUR thousands)

As at 31 December 2017 and 2016 neither of the associated companies is listed on the stock exchange.

NOTE 8 - FINANCIAL ASSETS

The breakdown of the financial assets, excluding Trade and other receivables, is as follows:

At 31 December 2017	Available-for-sale financial assets	Loans and other receivables	Investments held to maturity	Total
Equity instruments	188	-	-	188
Other non-current financial assets	-	5,625	-	5,625
Non-current financial assets	**188**	**5,625**	**-**	**5,813**
Other current financial assets	-	7,010	3,172	10,182
Current financial assets	**-**	**7,010**	**3,172**	**10,182**

At 31 December 2016	Available-for-sale financial assets	Loans and other receivables	Investments held to maturity	Total
Equity instruments	339	-	-	339
Other non-current financial assets	-	5,365	-	5,365
Non-current financial assets	**339**	**5,365**	**-**	**5,704**
Other current financial assets	-	-	3,636	3,636
Current financial assets	**-**	**-**	**3,636**	**3,636**

In 2017 as in 2016 no issues, repurchases or redemptions of securities representing debt took place.

Claims and receivables

The breakdown as at 31 December 2017 and 2016 is as follows:

	31.12.17	31.12.16
Surety bonds and deposits	163	176
Other claims	5,462	5,189
Total claims and other non-current items	**5,625**	**5,365**
Other claims	7,010	-
Total claims and other current items	**7,010**	**-**

Other non-current claims

The Royal Decree 413/2014 and the Ministerial Order IET 1045/2014 establish explicitly special remuneration for every technology and type of installation of renewable energy which would allow the plants to recover the investments and obtain a reasonable return during the useful life of the plant to which they apply. Due to the existence of differences between the estimated market price and the actual price, article 22 of the Royal Decree 413/2014 establishes an adjustment mechanism for specific remuneration for the purpose of adjusting the market price. As a result, the Group has registered a non-current claim for this purpose in the amount of EUR 1,488 thousand.

(EUR thousands)

Other non-current receivables also include loans given consolidated companies through the method of ownership rights and to other associated companies, which are not part of the Group, for the amount of EUR 3,888 thousand.

Other current receivables

In the year 2017 Audax Renovables S.A. granted a short-term loan to its main shareholder, Audax Energía, S.A., for the total amount of EUR 4,000 thousand. As at the day of formulating these annual accounts, the loan has been paid back in full.

Moreover, the account 'Other current receivables' includes the negative balance with Excelsior Times, S.L. in the amount of EUR 3,010 thousand as a result of registering the corporate income tax within the system of tax consolidation (Note 18 and 22).

There are no significant differences between the book values and the fair values for Loans and other receivables.

Investments held to maturity

The amount of investments held to maturity as at 31 December 2017 and 31 December 2016 relates primarily to a deposit with maturity date between January and December 2017.

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 energy selling prices in Spain.

To summarise, the fair value of the derivative financial instruments is as follows:

	At 31.12.17		At 31.12.16	
	Assets	**Other financial liabilities**	**Assets**	**Other financial liabilities**
Derivative financial instruments				
Interest rate cash flow hedge				
Non-current (Note 14)	-	(9,660)	-	(12,935)
Current	-	-	-	-
Interest rate cash flow negotiation				
Non-current (Note 14)	-	(973)	-	(1,335)
Current	-	-	-	-
Energy price cash flow hedge				
Non-current (Note 14)	-	(664)	-	-
Current (Note 14)	-	(652)	-	(334)
Total	**-**	**(11,949)**	**-**	**(14,604)**

As at 31 December 2017 the Audax Renovables Group (except for the companies Eólica el Pedregoso, S.L. and Eólica del Pino, S.L.) does not have any derivatives that do not meet the criteria for hedge accounting under IFRS-EU, and, accordingly, the variations in the value of these financial instruments are recorded (net of tax) under net equity. As at 31 December 2017 the impact of the measurement of the hedging derivatives on the Group's equity amounts to EUR 8,244 thousand (EUR 10,115 thousand as at 31 December 2016).

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.

So, 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 cash flow derivatives

The breakdown of the derivative financial instruments as at 31 December 2017 and 2016, their fair value and the breakdown by maturities of the notional values are as follows:

	Fair Value	At 31.12.17 Notional value (EUR thousands)						
		2018	2019	2020	2021	2022	Years beyond	Total
INTEREST RATE DERIVATIVES:								
Swap	(10,633)	9,611	9,752	10,390	10,267	8,834	53,985	102,839

	Fair Value	A 31.12.16 Notional value (EUR thousands)						
		2017	2018	2019	2020	2021	Years beyond	Total
INTEREST RATE DERIVATIVES:								
Swap	(14,270)	9,609	9,611	9,752	10,390	10,267	60,722	110,351

On 27 March 2015 the companies Eólica el Pedregoso, S.L. and Eólica del Pino, S.L., as a result of the refinancing process of their “Project Finance” (see Note 14) proceeded to pay off their respective hedging contracts on Euribor interest rates fluctuation associated to these loans by forming new contracts for derivatives on Euribor interest rates fluctuation in order to secure a maximum interest rate. The new derivatives cover 80% of the nominal of the loans with maturity until October 2022.

As at 31 December 2017 the derivatives purchased by the companies Eólica el Pedregoso, S.L. and Eólica del Pino. S.L. do not meet the criterion for hedge accounting under IFRS-EU, and thus in 2017 the changes of the value of those financial instruments have been recorded as income in the consolidated income statement for the year amounting to EUR 362 thousand (positive impact amounting to EUR 39 thousand in 2016).

The hedging contracts paid off by those two companies during the refinancing process have been transferred, at the date of the pay-off, to the consolidated income statement for the time of their useful life. The negative impact for the current year 2017 amounts to EUR 285 thousand (negative impact amounting to EUR 446 thousand in 2016).

The amount subtracted from net equity of the rest of the Group's derivatives considered as accounting hedge and included in the financial result for the years 2017 and 2016 amounts to EUR 3,588 thousand and EUR 3,961 thousand, respectively.

The fixed interest rate hedged by the different financial instruments the Group owns at 31 December 2017 varies between 2.45% and 4.55%.

(EUR thousands)

Energy price cash flow derivatives

As at 31 December 2017 the Group holds two hedge contracts against the risk of energy price changes, signed with the associated company A-Dos Energia, S.L.U. As a result of this transaction the Group hedges against the risk of energy price changes for the maximum production of 10 MW for the years 2018, 2019 and 2020. As at 31 December 2017 the fair value of these derivatives amounts to EUR 1,316 thousand, of which EUR 652 thousand is considered current (EUR 332 thousand as at 31 December 2016).

NOTE 10 - TRADE AND OTHER RECEIVABLES

The breakdown of this account is as follows:

	At 31.12.17	At 31.12.16
Trade receivables	6,832	5,678
Total trade receivables for sales and services rendered	**6,832**	**5,678**

	At 31.12.17	At 31.12.16
Other receivables	41	76
Public Administration	37	138
Total other receivables	**78**	**214**
Total trade and other receivables	**6,910**	**5,892**

Inside the account "Trade receivables" the Group includes, mainly, the invoicing corresponding to the months of November and December 2017 that has not yet been collected.

There are no trade receivables or other debtors falling due in more than 12 months.

A provision for impairment of accounts receivable is not required as of 31 December 2017 and 2016. In general, on the invoices pending to receipt no interest is accrued, since their due date is less than 60 days.

There are no financial assets in default at the date of presentation of these consolidated annual accounts of the Audax Renovables Group.

NOTE 11 – CASH AND OTHER CASH EQUIVALENTS

Cash and other cash equivalents include:

	At 31.12.17	At 31.12.16
Cash and banks	5,261	8,770
Short-term financial investments	8,917	6,898
Total	**14,178**	**15,668**

Effective interest accrues on short-term investments as at 31 December 2017 at a rate of 0.03% (0.16% in 2016).

There are restrictions on the draw of cash as at 31 December 2017 amounting to EUR 8,777 thousand (EUR 6,795 thousand as at 31 December 2016).

(EUR thousands)

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 the wind farms in Spain and abroad, specifically in India, France and Poland, and resulted in the incorporation of MW 562.7 and contributions totalling EUR 274,874 thousand.

On 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.

All of 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 2017 of the Parent Company's shares was EUR 0.44 per share (EUR 0.50 as at 31 December 2016).

The breakdown of significant shareholders (more than a 10% of share) of the Parent Company as at 31 December 2017 and 2016 is as follows:

Shareholders	At 31.12.17 %	At 31.12.16 %
Audax Energía, S.A.	70.86%	70.86%
Rest of shareholders (*)	29.14%	29.14%
Total	**100.00%**	**100.00%**

(*) None of them holds more than10%

b) Share premium account

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

(EUR thousands)

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 December2017 and 2016 the Parent Company has a Legal Reserve valued at EUR 16,266 thousand.

d) Treasury shares

As at 31 December 2017 and 2016 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.

The movement in the balance of this account during 2017 and 2016 is as follows:

	2017	2016
Opening balance	(6,099)	(4,906)
Write-offs and divestments	-	-
Transfers	-	-
Variation in exchange differences	(174)	(1,193)
Closing balance	**(6,273)**	**(6,099)**

The following is a breakdown of the translation differences as at 2017 and 2016 by functional currency:

Functional currency	At 31.12.17	At 31.12.16
Polish zloty	(6,403)	(6,356)
U.S. dollar	130	257
Total	**(6,273)**	**(6,099)**

f) Distribution of earnings:

The proposed distribution of earnings of Audax Renovables, S.A. for 2017 that the Board of Directors will propose to the General Meeting of Shareholders for its approval is as follows:

Base of distribution	EUR
Profit	7,634,995
Total	**7,634,995**

Base of distribution	EUR
To the Legal Reserve	763,500
To compensate the losses from previous years	6,871,495
Total	**7,634,995**

The General Meeting of Shareholders of 29 June 2017 agreed to distribute the loss for the year 2016 of the Parent Company amounting to EUR 31,247 thousand in the following way:

Base of distribution	**EUR**
Loss	(31,247,863)
Total	**(31,247,863)**

Base of distribution	**EUR**
To compensate the loss from previous years	(31,247,863)
Total	**(31,247,863)**

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:

	At 31.12.17	**At 31.12.16**
Number of shares	140,003,778	140,003,778
Average number of shares	140,003,778	140,003,778
Profit (loss) attributed to the Parent Company (EUR thousands)	7,350	(31,608)
Average number of shares in circulation	140,003,778	140,003,778
Profit / (loss) per share (euros per share)		
- Basic	**0.052**	**(0.226)**
- Diluted	**0.052**	**(0.226)**

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

(EUR thousands)

Non-controlling interests

The movement during the years 2017 and 2016 of non-controlling shares has been as follows:

Balance at 31.12.2015	**665**
Profit (loss) attributed to minority interest	(85)
Effect attributed to profit (loss) for the year	(85)
Expenses charged directly to net equity	94
Dividends	(135)
Other	(37)
Balance at 31.12.2016	**502**
Profit (loss) attributed to minority interest	282
Effect attributed to profit (loss) for the year	282
Expenses charged directly to net equity	67
Dividends	(99)
Divestments (Note 2)	405
Balance at 31.12.2017	**1,157**

The breakdown of the main minorities of the Group at 31 December 2017 is as follows:

Entity	**Investee company**	**Percentage of shares**	**Minority interest**
Centrale des Vignes S.A.	Eoliennes de Beausemblant SAS	20%	752
Other entities			405
TOTAL			**1,157**

The breakdown of the main minorities of the Group at 31 December 2016 was as follows:

Entity	**Investee company**	**Percentage of shares**	**Minority interest**
Centrale des Vignes S.A.	Eoliennes de Beausemblant SAS	20%	648
Other entities			(146)
TOTAL			**502**

(EUR thousands)

NOTE 13 – PROVISIONS

	Balance 31.12.15	Additions	Write-offs	Translation differences	Balance 31.12.16	Additions	Translation differences	Balance 31.12.17
Provision for liabilities	655	-	(655)	-	-	-	-	-
Provision for dismantling	1,596	80	-	(10)	1,666	84	12	1,762
Totals	**2,251**	**80**	**(655)**	**(10)**	**1,666**	**84**	**12**	**1,762**

Provision for liabilities

This account includes provisions recognised for liabilities arising mainly from probable lawsuits. As at 31 December 2017 the Directors of the Parent Company consider that there are no contingencies requiring to be provisioned for.

The information on the nature of the disputes with third parties and the Group's position for each of them is stated in the Contingencies section of Note 25.

Dismantling provision

As at 31 December 2017 the Group has recorded a provision of EUR 1,762 thousand (EUR 1,666 thousand as at 31 December 2016) to cover the costs of dismantling the wind farms that are now in operation.

NOTE 14 – FINANCIAL LIABILITIES

The movement in the accounts under financial liabilities, without including trade and other payables (Note 16), during the years 2017 and 2016 is as follows:

	Balance 31.12.16	Recognitions	Write-offs	Cancellation by payment	Translation differences	Transfers	Balance 31.12.17
Bank loans	117,870	(100)	-	(581)	1,221	(11,600)	106,810
Financial derivative liabilities (Note 9)	14,270	-	(2,973)	-	-	-	11,297
Other financial liabilities	1,272	1,280	-	-	-	-	2,552
Total non-current financial liabilities	**133,412**	**1,180**	**(2,973)**	**(581)**	**1,221**	**(11,600)**	**120,659**
Bank loans	18,554	7,088	-	(18,196)	-	11,600	19,046
Financial derivative liabilities (Note 9)	334	318	-	-	-	-	652
Other financial liabilities	154	9	-	-	-	-	163
Total current financial liabilities	**19,042**	**7,415**	**-**	**(18,196)**	**-**	**11,600**	**19,861**

	Balance 31.12.15	Recognitions	Write-offs	Cancellation by payment	Translation differences	Transfers	Balance 31.12.16
Bank loans	133,423	(81)	-	-	(197)	(15,275)	117,870
Financial derivative liabilities (Note 9)	16,083	-	(1,813)	-	-	-	14,270
Other financial liabilities	1,201	71	-	-	-	-	1,272
Total non-current financial liabilities	**150,707**	**(10)**	**(1,813)**	**-**	**(197)**	**(15,275)**	**133,412**
Bank loans	15,232	7,161	-	(19,005)	(109)	15,275	18,554
Financial derivative liabilities (Note 9)	-	334	-	-	-	-	334
Other financial liabilities	149	5	-	-	-	-	154
Total current financial liabilities	**15,381**	**7,500**	**-**	**(19,005)**	**(109)**	**15,275**	**19,042**

The book value and the fair value of the non-current financial liabilities are as follows:

	Book value		Fair value	
	At 31.12.17	**At 31.12.16**	**At 31.12.17**	**At 31.12.16**
Bank loans	106,810	117,870	98,158	107,437

(EUR thousands)

The fair value of liabilities bearing fixed interest rates is estimated on the basis of the discounted cash flows over the remaining term of the liability. The discount rates were determined on the market rates available at 31 December 2017 and 2016 on the financial liabilities with similar maturities and credit characteristics.

On 1 February 2012, Audax Renovables S.A. signed a financial contract with the financial entities Banco Santander, S.A., Banco Popular Español S.A., Banco Español de Crédito, S.A., Bankinter, S.A. and CaixaBank, S.A. by which it was agreed to restructure the financial debt these entities had granted to Audax Renovables. With this restructuring agreement the financial debt hold by Audax Renovables has been substituted by a Syndicated Loan contract which has been structured in two different tranches:

- First tranche: a loan of EUR 22,961 thousand, totally settled ahead of schedule on 28 December 2015.

- Second tranche: a credit line for EUR 4,600 thousand with a unique due date on 31 January 2015.

During 2015 the whole outstanding amount of the first tranche was settled and on 29 January 2015 a novation of the corporate financing was signed, prolonging the maturity period of the second tranche till 31 January 2017.

On 30 January 2017, another novation of the contract for the second tranche was signed prolonging the maturity period till 31 January 2018.

On 31 January 2018, as a subsequent event, the abovementioned syndicated loan was cancelled and two bilateral loans were signed with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand due on 31 July 2020 (Note 28).

The following tables describe the gross consolidated financial liabilities by instrument at 31 December 2017 and 2016 and their maturities, taking into consideration the impact of the derivative instruments and the other financial liabilities:

	2018	2019	2020	2021	2022	2023 and beyond	Total
At 31 December 2017:							
Commercial banks and other financial liabilities							
Fixed	17,089	11,264	11,734	12,038	9,965	43,231	105,321
Floating	2,772	4,140	4,313	4,424	3,662	15,888	35,200
Total	**19,861**	**15,403**	**16,047**	**16,463**	**13,627**	**59,121**	**140,520**

	2017	2018	2019	2020	2021	2022 and beyond	Total
At 31 December 2016:							
Commercial banks and other financial liabilities							
Fixed	16,429	10,718	11,189	11,659	11,963	52,029	113,987
Floating	2,613	3,939	4,112	4,285	4,397	19,122	38,468
Total	**19,042**	**14,657**	**15,301**	**15,944**	**16,360**	**71,151**	**152,454**

If we were to exclude the impact of derivatives on the financial liabilities, all the financial liabilities, both for 2017 and 2016, would accrue interest at a floating rate.

The following tables describe the gross financial liabilities by foreign currency as of 31 December 2017 and 2016 and their maturities, taking into account the impact of the derivatives and the other financial liabilities:

(EUR thousands)

At 31 December 2017:	2018	2019	2020	2021	2022	2023 and beyond	Total
Borrowings denominated in euro	17,945	13,527	14,171	14,586	11,751	42,701	114,679
Borrowings denominated in zloty	1,916	1,876	1,876	1,876	1,876	16,419	25,841
Total	**19,861**	**15,403**	**16,047**	**16,463**	**13,627**	**59,121**	**140,520**

At 31 December 2016:	2017	2018	2019	2020	2021	2022 and beyond	Total
Borrowings denominated in euro	17,283	12,781	13,425	14,068	14,484	54,730	126,770
Borrowings denominated in zloty	1,759	1,876	1,876	1,876	1,876	16,421	25,684
Total	**19,042**	**14,657**	**15,301**	**15,944**	**16,360**	**71,151**	**152,454**

The main features of these loans are as follows:

Geographic segment	Drawdown amount	Average interest rate	Maturity
Western Europe	114,679	1.76%	Entre 2018 y 2028
Eastern Europe	25,841	4.83%	Entre 2018 y 2030
Total	**140,520**		

The companies included in the consolidation scope Eólica del Pino S.L., Eólica el Pedregoso S.L., SAS Eoliennes de Beausemblant, Parque Eólico Hinojal S.L., Parc Eòlic Mudéfer S.L., Gestora Fotovoltaica de Castellón S.L. and Eólica Postolin Sp. z o.o. have bank loans under Project Finance agreements for which they have pledged their treasury shares.

Moreover, the loans granted to Eólica del Pino S.L., Eólica el Pedregoso S.L., SAS Eoliennes de Beausemblant, Parque Eólico Hinojal S.L., Parc Eòlic Mudéfer S.L., Gestora Fotovoltaica de Castellón S.L. and Eólica Postolin Sp. z o.o. contain conditions that limit the payout of dividends and require compliance with certain minimum ratios, such as the Debt Service Coverage Ratio or Leverage Index.

Regarding the loans for financing the wind farms that contain ratio compliance clauses, as at 31 December 2017 there are no indications of non-compliance with the requirements defined in those contracts or, in other cases, exemptions from compliance have been obtained from financial entities (Waivers).

There are no breaches of the financial obligations foreseen at the close of the next period by any of the companies of the Group.

(EUR thousands)

Furthermore, these loans require companies to record a Debt Service Fund Reserve (DSFR) through their banks accounts, as an additional guarantee for the bank syndicate. At the end of the years 2017 and 2016 following amounts are held as guarantee (Note 11):

Company	31.12.2017	31.12.2016
Eólica el Pedregoso, S.L.	768	300
Eólica del Pino, S.L.	385	150
SAS Eoliennes de Beausemblant	632	632
Parque Eólico Hinojal, S.L.	1,899	700
Parc Eólic Mudefer, S.L.	3,573	3,573
Eólica Postolin Sp. z o.o.	1,520	1,440
Total	**8,777**	**6,795**

NOTE 15 – OTHER LIABILITIES

The following is a breakdown of “Other Liabilities” as at 31 December 2017 and 2016:

	At 31.12.17	At 31.12.16
Grants received	6,381	6,192
Long-term deferred payments	584	1,328
Other non-current liabilities	**6,965**	**7,520**
Short-term deferred payments	584	664
Other current liabilities	**584**	**664**

The company Eólica Postolin Sp. z o.o. has 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 registered in the profit (loss) according to the amortisation of the wind farm.

As a consequence of recognising a provision for assets related to the wind farm Postolin, the Group also recorded in the income account the proportional part of the amount of the subsidies received pending transfer to the income account amounting to EUR 2,179 thousand (Note 5).

‘Deferred payments' include outstanding payments for the purchase of various wind farms. As at 31 December 2017 it is estimated that EUR 584 thousand (EUR 664 thousand at 31 December 2016) will be payable next year and that EUR 584 thousand (EUR 1,328 thousand at 31 December 2016) will be paid in more than 12 months. As at 31 December 2017 and 31 December 2016 the total amount of deferred payments is related to the purchase of the company Parque Eólico Toabré, S.A. (formerly Fersa Panamá, S.A.). As at 31 December 2017 the effective payment schedule will be as follows:

	2018	2019	Total
Total deferred payments	584	584	1,168

No interest accrues on these deferred payments.

NOTE 16 - TRADE AND OTHER PAYABLES

The breakdown at 31 December 2017 and 2016 is as follows:

	At 31.12.17	At 31.12.16
Public Administration	2,017	1,369
Other payables	3,849	6,632
Current tax liabilities	164	-
Trade and other payables	**6,029**	**8,001**

Most of the accounts payable fall due between 30 and 90 days and no interest is accrued 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:

	2017	2016
	Days	Days
Average period of payment to suppliers (1)	55.49	70.98
Paid operations ration	57.22	36.54
Ratio of the operations with outstanding payment	29.81	131.45
	(EUR thousand)	(EUR thousand)
Total payments carried out	10,617	7,283
Total outstanding payments	714	4,147

(1) Under the law 11/2013/26 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.

(EUR thousands)

NOTE 17 - RISK MANAGEMENT

The Audax Renovables Group has developed appropriate procedures for identifying, analysing, managing and mitigating all risks to which, in light of its activities, it is exposed, highlighting the following:

- Segregation of duties and responsibilities in key areas.
- Compliance with internal standards and legislation in force.
- Application of oversight and control systems.
- Use of hedging instruments for certain risks.
- Reporting transparency policies between the different departments affected by risk.

The Group has taken measures for the main financial risks: market risk (including exchange rate risk) and liquidity risk. The overall group risk management program 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.

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

The Audax Renovables Group uses financial swaps to manage its exposure to interest rate fluctuations.

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

	At 31.12.2017	**At 31.12.2016**
Fixed interest rate	105,320	113,987
Floating interest rate	35,200	38,467
Total	**140,520**	**152,454**

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

	Increase/decrease in interest rate	Effect on net income before tax	Net effect on net equity
2017	10%	(98)	629
	(10%)	98	(629)
2016	10%	101	1,034
	(10%)	(101)	(1,034)

This effect does not include the impact that would result from interest rate fluctuations on asset impairments, considered in Note 5.

(EUR thousands)

Exchange rate risk

The variations in exchange rates can affect the fair value of 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 various non-euro currencies with which the Audax Renovables Group has operated in 2017 and 2016 are the dollar and the zloty. The sensitivity of net income and consolidated net equity (corresponding to Reserves for translation differences) of the Fersa Group to a 10% variation (increase and decrease) in the exchange rate against the euro is as follows:

	Increase/decrease in the exchange rate of functional currency	**Effect on net equity**	**Effect on net income**
2017	Polish zloty	631	1
	U.S. dollar	523	(106)
	Increase of 10%	**1,154**	**(105)**
	Polish zloty	(631)	(1)
	U.S. dollar	(523)	106
	Decrease of (10%)	**(1,154)**	**105**
2016	Polish zloty	3,576	2
	U.S. dollar	110	(181)
	Increase of 10%	**3,686**	**(179)**
	Polish zloty	(3,576)	(2)
	U.S. dollar	(110)	181
	Decrease of (10%)	**(3,686)**	**179**

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 average price of electricity.

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 investment, is as follows:

	Increase/decrease in the price (electricity sale price)	Effect on net income before tax
2017	10%	3,040
	(10%)	(3,040)
2016	10%	2,814
	(10%)	(2,814)

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

As at 31 December 2017 and 2016 there are no bad debt provisions as they are not considered necessary.

As at 31 December 2017 and 2016 the Audax Renovables Group did not have delays in payment on financial assets.

In order to mitigate the credit risk arising from financial positions, the contracting of derivatives and the placement of treasury surpluses is carried out with highly solvent banks and financial entities.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury Management aims to maintain flexibility in funding by keeping committed credit lines available.

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 Note14, to which the payments corresponding to Trade and other payables maturing in 2018 should also be added (Note 16).

As at 31 December 2017 available liquidity amounts to EUR 14,178 thousand, which entirely belong to cash and other cash equivalents (EUR 15,668 thousand as at 31 December 2016).

Capital management

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

The Audax Renovables Group's debt is broken down between corporate debt and debt for the financing of projects (Project Finance). Corporate debt finances the parent Company's activities. Projects are generally financed by 20 / 30% of net equity and 80 / 70% of external financing by means of Project Finance which, by its own structure, guarantees the debt service (cover and leverage index and recording of a reserve fund for the debt service).

(EUR thousands)

The leverage ratio is as follows:

	At 31.12.17	At 31.12.16
Long-term financial liabilities (Note 14)	106,810	117,870
Short-term financial liabilities (Note 14)	19,046	18,554
Cash and other cash equivalents (Note 11)	(14,178)	(15,668)
Derivatives (Note 9)	11,949	14,603
Net financial liabilities:	**123,627**	**135,359**
Parent Company (Note 12)	79,703	70,657
Minority interest (Note 12)	1,157	502
Net equity:	**80,860**	**71,159**
Leverage (Net financial liability / (Net financial liability + Net equity))	**60.46%**	**65.54%**

NOTE 18 – TAX SITUATION

The correlation between the applicable tax rate and the effective tax rate for 2017 and 2016 is as follows:

	2017	%	2016	%
Profit (loss) before tax	**5,960**		**(36,118)**	
Theoretical tax	**1,490**	**25%**	**(9,030)**	**25%**
Impairment of assets	12		3,761	
Divestments	(8,309)		(329)	
Unrecognised tax credits	2,595		1,127	
Deferred tax	571		-	
Incorporation of profit (loss) proceeding from former Tax Group	1,878		-	
Other	89		46	
Corporate income tax accrued	**(1,674)**		**(4,425)**	

Due to the fact that several Group's companies are subject to the tax consolidation system, the overall income tax balance for a year constitutes as receivable from Excelsior Times, S.L. amounting to EUR 2,109 thousand (Note 22).

As at 31 December 2017 the Group has tax losses carried forward available for offset and not recognised, amounting to EUR 144,138 thousand (EUR 129,009 thousand as at 31 December 2016), as well as an unrecognised deferred tax asset balance of EUR 9,539 thousand (EUR 10,127 thousand as at 31 December 2016). The breakdown of these unrecognised credits is as follows:

	At 31.12.17	At 31.12.16
Tax credit loss carry-forwards	35,709	31,939
Deferred tax assets	9,539	10,127
Total	**45,248**	**42,066**

(EUR thousands)

In both cases, the Audax Renovables Group has decided not to recognise these amounts in its consolidated annual accounts, as it considers that they do not meet the requirements under IFRS-EU to be accounted for as assets.

The income tax expense (revenue) for the year is as follows:

Corporate income tax	**2017**	**2016**
Current tax	(1,642)	310
Deferred tax	(32)	(4,735)
Total	**(1,674)**	**(4,425)**

The following table reflects the movements during 2017 and 2016 of deferred tax:

	Balance 31.12.16	**Recognitions**	**Write-offs**	**Transfers**	**Translation differences**	**Balance 31.12.17**
Deferred tax assets	5,847	280	(1,382)	(1,724)	34	3,055
Deferred tax liabilities	(9,485)	(52)	427	1,724	-	(7,386)
Total	**(3,638)**	**228**	**(955)**	**-**	**34**	**(4,331)**

	Balance 31.12.15	**Recognitions**	**Write-offs**	**Transfers**	**Translation differences**	**Balance 31.12.16**
Deferred tax assets	5,850	311	(314)	-	-	5,847
Deferred tax liabilities	(13,568)	(599)	4,568	-	114	(9,485)
Total	**(7,718)**	**(288)**	**4,254**	**-**	**114**	**(3,638)**

Deferred tax assets include mainly the tax effect of the hedging contracts (Note 9). The write-offs in deferred tax assets for the years 2017 and 2016 relate mainly to the effect of the change in measurement of these hedging contracts. The realisation period of these deferred tax assets is mostly more than 12 months.

Deferred tax liabilities include primarily the tax effect of the purchase price allocation to certain intangible assets in joint venture transactions in previous years. The realisation period of these deferred tax liabilities is mostly more than 12 months.

There are no significant deferred tax liabilities connected with temporary differences in shareholding in subsidiaries, investees, associate companies and joint ventures.

In accordance with current tax legislation, tax returns cannot be considered as definitive until they have been audited by the Tax Authorities or the four-year prescription period has expired.

The consolidated companies that make up the Group are opened to tax inspection for all applicable taxes for the last four years.

From 1 January 2017 Audax Renovables, S.A. is subject to Corporate Income Tax under the consolidated tax system along with the following companies where Excelsior Times, S.L. is the head entity of the tax group:

(EUR thousands)

Excelsior Times, S.L.U	Generación Iberia, S.L.U	Parque Eólico Hinojal, S.L.U
A-Dos Energía, S.L.U	Svendborg PV VII, S.L.U	Parc Eolic Mudefer, S.L.U
Eléctrica Nuriel, S.L.U	Aspy Global servicies, S.L.U	Explotación La pedrera, S.L.U
Audax Energía, S.A.	Aspy Prevención, S.L.U	Fercom Eólica, S.L.U
Orús Energía, S.L.	Spay Seguridad y Salud, S.L.U	Parc Eòlic Coll de Som, S.L.U
Banana Phone, S.L.U	Aspy Salud Global, S.L.U	Parc Eòlic l´Arram, S.L.U
Audax Green, S.L.U	Aspy Formación, S.L.U	Audax Solar SPV I, S.L.U
Orús Properties, S.L.U	Audax Renovables, S.A.	
Orús Renovables, S.L.U	Fersa Asesoramiento y Gestión, S.L.U	

Previously, Audax Renovables, S.A. was the head entity of its own tax group.

NOTE 19 – STAFF COSTS

The breakdown of staff costs for the years 2017 and 2016 is as follows:

	2017	2016
Wages and salaries	746	1,617
Employer contributions	138	178
Total staff costs	**884**	**1,795**

The total amount of employer contributions relates to Social Security.

The average number of employees for the years 2017 and 2016 is as follows:

	2017	2016
Management*	2	3
Technicians	10	13
Other	-	1
Total	**12**	**17**

* 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 2016 and 2015 broken down by category and gender is as follows:

At 31.12.17	Men	Women	Total
Management*	1	1	**2**
Technicians	7	3	**10**
Total	**8**	**4**	**12**

* including internal auditor.

At 31.12.16	Men	Women	Total
Management*	1	1	**2**
Technicians	7	3	**10**
Total	**8**	**4**	**12**

* including internal auditor.

(EUR thousands)

NOTE 20 - NET FINANCIAL INCOME (EXPENSE)

The breakdown of this account in the consolidated income statement for 2017 and 2016 is as follows:

	2017	2016
Interests	179	25
Total financial income	**179**	**25**
Cost of borrowings	(8,021)	(9,309)
Exchange losses	217	(101)
Total financial expenses	**(7,804)**	**(9,410)**
Net financial income (expenses)	**(7,625)**	**(9,385)**

NOTE 21 – CASH FLOWS

Cash flows from operating activities

The composition of the cash generated in operating activities in 2017 and 2016 is as follows:

	2017	2016
Profit (loss) before tax	**5,960**	**(36,118)**
Adjustments to results	**19,393**	**52,147**
Amortisation and depreciation	11,591	12,835
Valuation adjustments due to impairment	(203)	30,747
Changes in provisions	84	(658)
Allocation of subsidies	(271)	(353)
Interest income	(179)	(25)
Interest expenses	8,021	9,309
Exchange differences	217	101
Net income of companies consolidated by equity accounting	133	191
Changes in working capital (excluding the effects of changes in consolidation scope and translation differences):	**(9,658)**	**2,106**
Trade and other receivables	(1,018)	996
Other current assets	-	53
Trade and other payables	(539)	2,631
Other non-current assets and liabilities	(8,101)	(1,574)
Other cash flows from operating activities	**(8,152)**	**(9,225)**
Interest paid	(8,021)	(8,890)
Collection of interest	179	-
Collections (payments) of corporate income tax	(310)	(335)
CASH FLOW FROM OPERATING ACTIVITIES	**7,543**	**8,910**

(EUR thousands)

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, related parties are considered to be Audax Energia S.A. and the shareholders who held more than 3% of interest before the takeover bid was accepted on 8 August 2016 (Note 12).

b) The Directors and Senior Management of any company belonging to the Audax Renovables Group and their immediate families, “Directors” meaning members of the Board of Directors, and “Senior Management” meaning people who report directly to the Company’s Board of Directors or its Chief Executive Officer and, at all events, its internal auditor. Transactions with the Directors and senior management of the Audax Renovables Group are disclosed in Note 22.

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 2017 and 2016 between Audax Renovables, S.A. and its subsidiaries and the related parties are as follows:

a) Balances with related parties:

Payables and receivables with related parties as at 31 December 2017 and 31 December 2016 are as follows:

	At 31.12.17	At 31.12.16
Receivables with Audax Energía, S.A. (Note 8)	4,000	-
Receivables for income tax with Excelsior Times, S.L. (Note 18)	3,010	-
Total current assets	**7,010**	**-**
Total assets	**7,010**	**-**

(EUR thousands)

	A 31.12.17	A 31.12.16
Loan received and interest with Audax Energía S.A.	1,872	-
Total non-current financial liabilities	**1,872**	**-**
Payables for corporate income tax with Excelsior Times, S.L. (Note 18)	901	-
Payables with companies of the Excelsior Times Group	67	78
Total current liabilities	**968**	**78**
Total liabilities	**2,840**	**78**

b) Transactions with significant shareholders:

In the year 2017 Audax Renovables, S.A. has signed a loan agreement with its main shareholder Audax Energía, S.A. for the amount of EUR 1,850 thousand, the interest on which amounted to EUR 22 thousand as at 31 December 2017.

In the year 2017 Audax Renovables S.A. gave a short-term loan to its main shareholder - Audax Energía, S.A., in the total amount of EUR 4,000 thousand. As at the day of this here statement, the loan has been repaid in full (Note8).

c) Transactions with companies of the same group:

Generación Iberia, S.L. (hereinafter: “Generiber”) and A-Dos Energía, S.L. (hereinafter: “A-Dos”) are companies of the Excelsior Group.

The Audax Renovables Group, through its wind subsidiaries in Spain, signed with Generiber and A-Dos a market price hedge contract for the price between 44 €/MW and 47.85 €/MW for a notional total of 152 MWh. This transaction brought about a negative impact on turnover of EUR 1,243 thousand (negative amount of EUR 78 thousand in 2016).

Moreover, in the year 2017 Audax Renovables paid the costs of Orus Renovables (a company belonging to the Excelsior Group) in the amount of EUR 5 thousand for the lease of office space.

d) Transactions with Directors and senior management:

In the year 2017 there were no transactions made with Directors and senior management.
In the year 2016 remunerations were charged in the amount of EUR 344 thousand for the former members of the Board of Directors for the advisory services rendered to the Board of Directors and the management of Audax Renovables S.A. in the area of administration and management of transactions of the company and its group.

NOTE 23 - INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

<u>Remuneration of the members of the Board of Directors</u>

The Board of Directors of the Company, at its meeting of 21 February 2017, unanimously approved the remuneration system recommended by the Appointments and Remuneration Committee.

Furthermore, the General Meeting of Shareholders of Audax Renovables, S.A. at its meeting on 29 June 2017 approved for consultation purposes the report put forward by the Appointments and Remuneration Committee, which will be effective in the present year 2017 and in the following years

2018 and 2019.

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

The remuneration corresponds with the membership of the Board of Directors and consists of a variable remuneration for the members of the Board of Directors depending on the attendance at the in-person meetings.

During the year 2017 the amount charged by all the members of the Board of Directors of Audax Renovables, S.A. was of EUR 67 thousand (EUR 168 thousand in 2016) 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 2017 the expenses for civil liability insurance premium of the Directors amount to EUR 29 thousand.

As at 31 December 2017 and 2016 the Board of Directors of the Parent Company is composed of 7 men.

Other information on Directors

Article 229 of the Spanish Corporate Enterprises Act, adopted by Royal Legislative Decree 1/2010/2 July, has imposed on Directors, or their individual representatives, the duty to report to the Board of Directors, and failing that, the other Directors, or, in the case of a Sole Administrator, the General Meeting of Shareholders, any direct or Indirect conflict of interest they may have with the Company. The affected Director must abstain from intervening in the resolutions or decisions on the operation to which the conflict refers.

It should be noted that in 2017 no situations of direct or indirect conflict of interest occurred between the members of the Board of Directors and the Company.

In 2017, no contracts were terminated, amended or early extinguished between the Company and any of its shareholders or Board members or persons acting on their behalf, which would concern transactions beyond the usual scope of the Company's business activity, or which would be entered into on terms different than usually.

Likewise, the Directors have declared that they are not subject to any direct or indirect conflict of interest with Audax Renovables and its subsidiaries.

Management's remuneration

The remuneration charged for all kinds of reasons in the year 2017 by the Management amounted to EUR 217 thousand (EUR 616 thousand in the year 2016, including EUR 206 thousand related to the termination of contracts with the former Deputy General Manager and the former General Manager). 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 2017 the Management of the Group is made up of one woman and one man, including the internal auditor (one woman and one man, including the internal auditor, as at 31 December 2016).

NOTE 24 - AUDITORS' FEES

The audit company (KPMG Auditores, S.L. in 2017 and Deloitte, S.L in 2016) of the annual accounts of the Group has invoiced during the years ended on 31 December 2017 and 2016 net fees for professional services the following amounts:

	2017	2016
For audit services	106	130
Other services related to the audit	27	36
Total audit services and related services	**133**	**166**
Tax services	-	11
Other services	-	12
	-	
Total professional services	**133**	**189**

The amounts featured in the above table include the entirety of the net fees related to the services rendered during the years 2017 and 2016, independently of the invoice date.

During the year 2017 the Group was not invoiced for net fees of other entities associated to KPMG International (in 2016 the companies of the Deloitte, S.L. group issued invoices for remunerations amounting to EUR 23 thousand)

Furthermore, the Group was invoiced by other auditors during the years ended on 31 December 2017 and 31 December 2016 for net fees and for professional services related to the audit services in the amount of EUR 4 thousand and EUR 5 thousand, respectively.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Guarantees with third parties

The following companies of the Group have given technical sureties to the General Directorate of Energy Policy and Mines in the following amounts (EUR thousand) as per the provisions of the Royal Decrees RD 661/2007, RD 1955/2000 and RD1454/2005:

	At 31.12.17	At 31.12.16
Castellwind 03, S.L.	2,100	2,100
Ferrolterra Renovables, S.L.	-	133
Fercom Eólica, S.L.	320	320
Total current assets	**2,420**	**2,553**

During the year 2017 a surety for the amount of EUR 1,300 thousand presented by Audax Energía S.A. to cover a possible payment of the ICIO tax of the Empordavent, S.L. company was cancelled.

The compromises, pledges and guarantees related with the financing contracts have already been explained in Note 14.

The Directors of the Parent Company estimate that the liabilities not provided for as at 31 December 2017, if any, which could arise from the commitments indicated in this Note and in Note 14, will not be significant to these consolidated annual accounts.

Contractual commitments

The following table shows the minimum total payments for non-cancellable operating leases at 31

(EUR thousands)

December 2017 and 2016:

Period	31.12.17	31.12.16
Up to one year	975	1,036
Between one year and five years	5,286	5,145
More than five years	10,377	11,431
Total	**16,638**	**17,612**

Operating lease expenses of the Group during the year 2017 amount to EUR 963 thousand (EUR 1,108 thousand in 2016).

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.

During the year 2017 and in relation to the facilities being operated, the Group incurred environmental expenses of EUR 120 thousand, basically, for wildlife conservation purposes (EUR 116 thousand in 2016).

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 Directors 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 2016 by the company amounts to EUR 813 thousand (EUR 503 thousand in the previous year).

NOTE 28 - SUBSEQUENT EVENTS

On 31 January 2018 Audax Renovables, S.A. entered into an agreement to restructure the corporate syndicated loan signed on 31 January 2012 (Note 14). The agreement involves the cancellation of this debt and taking out two bilateral loans with Banco Santander and Banco Popular for the amount of EUR 3,400 thousand due on 31 July 2020.

There have been no other significant events subsequent to the end of the year.

APPENDIX I: AUDAX RENOVABLES GROUP COMPANIES

AUDAX RENOVABLES GROUP COMPANIES AS AT 31 DECEMBER 2017

Company	Address	Shareholding percentage	Consolidation method
Eólica El Pedregoso, S.L	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	80%	I.G.
Eólica Del Pino, S.L	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	80%	I.G.
Parc Eòlic Mudefer, S.L.	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Fercom Eólica, S.L.	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Gestora Fotovoltaica de Castellón, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica Fer, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Weinsberg Ecotec, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica Ecotec, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Joso Fotovoltaica, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica Padua, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica Vergos, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica La Mola, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Inversions Trautt, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica de Castelló, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Fotovoltaica de les Coves, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Inversions Vinroma, S.L.	Avinguda Diagonal, número 459, 2º 2ª, Barcelona ESPAÑA	76%	I.G.
Parque Eólico Hinojal , S.L	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Eólica Postolin Sp	Ul. Libelta 2/1, Bydgoszcz, POLONIA	100%	I.G.
Fersa Asesoramiento y Gestión, S.L.	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Parc Eòlic Coll De Som, S.L.	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Explotación Eólica La Pedrera S.L.	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	100%	I.G.
Eólica Warblewo Sp	Ul. Libelta 2/1, Bydgoszcz, POLONIA	65%	I.G.
Eoliennes De Beausemblant, SAS	1 Chemin de Lavigne (64800) Mirepeix, Ródano-Alpes, FRANCIA	80%	I.G.
Castellwind 03 S.L	Avenida de Navarra 14 - 08911 Badalona (Barcelona)	60%	I.G.
Entreyeltes 1, S.L.	C/Farmaceutico Obdulio Fernandez 11 Burgos ESPAÑA	51%	I.G.
Berta Energies Renovables, S.L.	Travessera de Gràcia, 56 entresuelo Barcelona ESPAÑA	26%	P.E.
Parque Eólico Toabré, S.A.	Cincuenta, edificio 2000, 5a planta Ciudad de Panamá, PANAMÁ	30%	P.E.
A.I.E. Subestación y Línea 2004	Doctor Romagosa 1, planta 3 46002 (Valencia)	30%	P.E.

I.G.- Full Consolidation; P.E.- Equity Accounting

AUDAX RENOVABLES GROUP

CONSOLIDATED DIRECTORS' REPORT AS AT 31 DECEMBER 2017

1. SIGNIFICANT EVENTS

The Audax Renovables Group, formerly the Fersa Energías Renovables Group, ends the year 2017 with profits in the amount of EUR 7,350 thousand, in comparison to the loss in the amount of EUR 31,608 thousand in the previous year.

This result confirms that the integration process commenced with Audax Energía taking control in August 2016 has consolidated and is a good forecast for the future plans.

The operating income has increased by 20% in comparison to 2016, amounting to EUR 37,159 thousand and the generated EBITDA amounts to EUR 25,106 thousand, which reflects an increase of 53% compared to the previous year.

This improvement is due to a higher market price of energy (pool) in Spain, better productivity of the plants and increased production due to larger wind resources, as well as to the spending restraint and cost reduction policy.

75% of the energy produced by the Audax Renovables Group in the year 2017 was produced in Spain, while 7% was produced in France and 18% in Poland. The wind farm productivity in that period amounted to 456.5 GWh in comparison to 389.4 GWh in 2016.

80% of the operating income is generated in Spain, 8% in France and 12% in Poland.

On 31 January 2018 the syndicated loan signed on 31 January 2012 was restructured through cancelling the debt and simultaneously signing another contract for corporate financing with Banco Santander, S.A. and Banco Popular Español, S.A. for the amount of EUR 3,400 thousand due on 31 July 2020.

2. OPERATING INFORMATION

The installed capacity as at 31 December 2017 achieves 185 MW.

Constant efforts to improve the productivity of the wind farms, as well as larger wind resources, have contributed to an increase in production (456.5 GWh, meaning 17% more than in the same period last year when it amounted to 389.4 GWh), as well as an increase in sales.

In Spain the 18% increase in production in 2017 compared to the previous year is most of all a result of larger wind resources on wind farms in the south of the country, and of a better use of these resources thanks to optimising the plant's functioning which, along with higher market prices, contributed to an increase in sales of 22%.

The remaining countries have also seen an increase – the good performance of the wind farm in France makes its production 21% bigger than in the same period of the previous year and its sales 22% higher than in 2016. The wind farm in Poland produced 13% more energy which, together with the price adjustment of the green certificates, contributed to increasing the sales by 24% in comparison to 2016.

3. HEADLINE FIGURES

The net turnover, taking into account the impact of hedging instruments against price changes, amounted to EUR 36,891 thousand, meaning an increase of 22% in comparison to the same period of 2016.

The most important factors of increased turnover are:

- Higher selling price of energy on the Spanish market (pool), on average 37% higher than the price during the same period of the previous year (EUR 4,611 thousand).
- An increase in productivity in all plants owned by the group. The constant efforts to optimize and improve the efficiency of the plants as well as larger wind resources have contributed to an EUR 3,081 thousand increase in sales in comparison to the previous year.
- Special remuneration received by the Spanish wind farms in the regulatory half-term 2017-2019 are EUR 1,.738 thousand higher than in the previous term due to the adjustment of the parameters announced in the Ministerial Order ETU/130/2017.
- The hedging instruments purchased this year had a cumulative impact of decreased sales by EUR 1,243 thousand, meaning 4.1% of overall wind energy sales in Spain.
- In the previous year 2016, pursuant to the Royal Decree 413/2014, an adjustment was registered due to differences in pool prices in the first regulatory half-term, which resulted in a receivable in the amount of EUR 1,574 thousand to be recovered during the useful life of the plants.

Operating costs have decreased by 18% as a result of the group's savings and cost reduction policy, as well as the following factors:

- A 7% tax on generated electricity and other items affected by an increased amount of sales signify an increase by EUR 821 thousand in operating costs.
- A decrease in operating costs thanks to renegotiating contracts.
- Moreover, in the previous year a provision was made for the costs of the takeover transaction carried out by the Audax Energía Group, in the amount of EUR 1,538 thousand.

In 2016, as a consequence of the amendments to the Polish legislation, the amount of EUR 30,462 thousand was provisioned as a result of the impairment test.

Financial expenses decreased by 14% in comparison to the same period of the previous year, mainly due to a decrease of EUR 1,288 thousand in financial burdens related to the project finance operations.

The Audax Renovables Group ends the year 2017 with a Net Profit Attributable to the Parent Company amounting to EUR 7,350 thousand, in comparison to the loss of EUR 31,608 thousand during the same period in the previous year.

The average payment period to the suppliers of the Group's companies in Spain is of 55.49 days (see note 16). This period does not exceed the limit of 60 days established by the regulations on late payment (Law 11/2013).

4. ALTERNATIVE PERFORMANCE MEASURES

In order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-UE) the Audax Renovables Groups reports on Alternative Performance Measures (APM). In compliance with IFRS-UE, these measures 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 profit and loss	2017	2016	% Var.
Operating income	37,159	31,085	19.5%
Operating expenses	(12,053)	(14,703)	-0.18023533
EBITDA	**25,106**	**16,382**	**53.3%**
EBIT	**13,718**	**(26,542)**	**n.a.**

(EUR thousands)

Production (GWh)	2017	%	2016	%	% Var.
Spain	340.2	75%	288.6	74%	18%
France	31.1	7%	25.6	8%	21%
Poland	85.2	18%	75.2	18%	13%
Total	**456.5**	**100%**	**389.4**	**100%**	**17%**

Net financial debt	Dec-17	Dec-16	Var.	%
Bank loans	**125,856**	**136,424**	**(10,568)**	**-7.7%**
Corporate debt - tranche B	4,600	4,600	0	0.0%
Operating wind farms' debt and other	121,256	131,824	(10,568)	-7.7%
Other liabilities (derivatives)	**11,949**	**14,604**	**(2,654)**	**-18.2%**
Cash and other current financial assets	**(24,360)**	**(19,304)**	**1,854**	**26.2%**
Current financial assets	(10,182)	(3,636)	(6,546)	180.0%
Cash and other cash equivalents	(14,178)	(15,668)	1,490	-9.5%
Net Financial Debt *	**113,445**	**131,724**	**(18,279)**	**-13.9%**
Net Equity	**80,860**	**71,159**	**9,701**	**13.6%**
Leverage**	**58.4%**	**64.9%**	**-6.5%**	**-10.1%**

(EUR thousands)

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

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

Audax Renovables - ADX.MC

Stock Market Data	2017	2016	Units
Number of shares admitted to trading	140,003,778	140,003,778	Number
Price at the beginning of the period (2 Jan.)	0.505	0.37	€ / share
Price at the end of the period (29 Dec.)	0.44	0.5	€ / share
Maximum price	0.67	0.5	€ / share
Minimum price	0.395	0.35	€ / share
Price fluctuation during the period	(12.87)	35.14	%
Capitalisation at the end of the period	61,601,662	70,001,889	€
Number of traded shares (from 2 Jan. to 29 Dec.)	83,240,634	87,908,289	Number
Effective volume (from 2 Jan. to 29 Dec.)	48,297,180	39,355,294	€
Daily volume of traded shares (average)	329,014	342,056	Number
Effective daily volume (average)	190,898	153,133	€
Number of shares	140,003,778	140,003,778	Number
Average number of shares	140,003,778	140,003,778	Number
Profit/Loss attributable to the Parent Company	7,350,285	(31,607,671)	€
Profit/loss per share			
- Basic	0.052500622	-0.225762988	€ / share
- Diluted	0.052500622	-0.225762988	€ / share

5. MAIN RISKS RELATED TO THE BUSINESS OF THE AUDAX RENOVABLES GROUP

a – Operational risks:

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

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

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

This year the Group has signed with A-DOS Energía, S.L. and Generación Iberia, S.L. some hedges for market price (POOL) hedging a not significant part of the production for this period.

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

b – Financial risk and financial instruments:

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

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

6. ENVIRONMENT

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

During 2017 and in relation to the facilities that are in operation, the Group has incurred environmental expenditure of EUR 120 thousand, basically for wildlife conservation (EUR 116 thousand in 2016).

7. STAFF

As at 31 December 2017 the number of employees of the Group is 12.

8. TREASURY SHARES

As at 31 December 2017 the Parent Company does not have treasury shares.

9. RESEARCH AND DEVELOPMENT EXPENSES

The Group has not incurred any expenses of this type during the current year 2017.

10. SUBSEQUENT EVENTS

See Note 28.

11. CORPORATE GOVERNANCE REPORT

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

PARTICULARS OF ISSUER

ENDING DATE OF FINANCIAL YEAR	31/12/2017
TAX IDENTIFICATION NUMBER	A62338827

REGISTERED NAME

AUDAX RENOVABLES, S.A.

REGISTERED ADDRESS

AVENIDA NAVARRA 14, 08911 BADALONA (BARCELONA)

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
30/06/2015	98,002,644.60	140,003,778	140,003,778

Indicate whether or not there are different classes of shares with different associated rights:

Yes ☐ No ☒

A.2 Provide details of the direct and indirect holders of significant shareholdings in the company at the year end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
AUDAX ENERGÍA, S.A.	99,211,899	0	70.86%

Indicate the most significant changes in the shareholding structure occurred during the year:

A.3 Complete the following tables regarding the members of the company's board of directors who hold voting rights over the company shares:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	0	99,211,899	70.86%

Name or company name of indirect shareholder	Through: name or company name of direct shareholder	Number of voting rights
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.	99,211,899

Total % of voting rights held by the Board of Directors	70.86%

Fill in the following tables regarding the members of the company's board of directors who own stock options in the company

A.4 Indicate, where applicable, the family, commercial, contractual or corporate relationships between the owners of significant shareholdings, which are known by the company, unless they are irrelevant or arise from normal business activities:

A.5 Indicate, where applicable, the commercial, contractual or corporate relations between the holders of significant shareholdings and the company and/or its group, unless they are irrelevant or arise from normal business activities:

A.6 Specify whether any shareholders' agreements have been notified to the company that affect it in accordance with the provisions set forth in articles 530 and 531 of the Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:

Yes ☐ No ☒

Indicate whether or not the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

Yes ☐ No ☒

If any modification or cancellation of said agreements or concerted actions has taken place during the year, make express mention of this:

NOT APPLICABLE

A.7 Indicate whether there is any individual person or legal entity that exercises or who might exercise control of the company pursuant to article 4 of the Securities Market Act. Respond where applicable:

Yes ☒ No ☐

Name or company name
AUDAX ENERGÍA, S.A.

Comments

Audax Energía, S.A. is direct holder of 70.86% of the voting rights in Audax Renovables, S.A.

Mr Francisco José Elías Navarro is, in turn, indirect holder of 70.86% of the voting rights in Audax Renovables, S.A., through Excelsior Times, S.L.U., holder of 100% of the companies Eléctrica Nuriel, S.L.U. and Banana Phone,S.L.U., holders of 33.33% and 66.67%, respectively, of the share capital of Audax Energía, S.A.

A.8 Complete the following tables concerning the company's treasury stock:

At year-end date:

Number of direct shares	Number of indirect shares (*)	% of share capital
0	0	0.00%

(*) Through:

Provide details of the significant changes occurred during the year pursuant to Royal Decree 1362/2007:

Describe significant changes

N/A

A.9 Give details of the terms and conditions corresponding to the general meeting of shareholders' current mandate to the board of directors for issuing, acquiring or assigning own shares.

N/A

A.9.bis Estimated public float:

	%
Estimated public float	29.14

A.10 Indicate whether there are any restrictions on the transfer of securities and/or restrictions to the use of voting rights. In particular, inform of any restriction which might hinder the takeover of the company by means of share purchase on the market.

Yes ☐ No ☒

A.11 Specify whether the general meeting has agreed to take up measures of neutralization against a takeover bid by virtue of provisions set forth in Law 6/2007.

Yes ☐ No ☒

If appropriate, explain the measures approved and terms under which the restrictions would not be enforceable:

A.12 Indicate whether the company has issued securities that are not traded in a regulated market of the European Union.

Yes ☐ No ☒

If applicable, indicate the different types of shares and, for each type of shares, the rights and obligations it confers.

B GENERAL MEETING

B.1 Indicate and, if applicable, explain whether there are differences with the minimum provisions of the Corporate Enterprises Act (LSC) and the quorum for constituting the general meeting of shareholders.

Yes ☐ No ☒

B.2 Indicate and, where applicable, give details of whether or not there are differences between the system laid down in the Corporate Enterprises Act (LSC) and the system for adopting corporate agreements:

Yes ☐ No ☒

Describe how the system differs from that of the LSC.

B.3 Indicate the rules applicable to the modification of the articles of association of the company. Particularly, the scheduled majorities for the modification of the articles of association, as well as, if applicable, the scheduled rules for the protection of the shareholders' rights in the modification of the articles of association will be stated.

In this respect, article 14, second paragraph, of the Articles of Association establishes the following:

«In order for the General Meeting to validly agree on a capital increase or reduction and any other modification of the Articles of Association, it will be needed, in a first call, the attendance of shareholders present or represented that hold, at least, 50% of the subscribed capital with voting rights. In a second call it will be enough with the attendance of a 25% of the subscribed capital. When the audience reaches at least 50% of the subscribed capital with voting rights, the agreements will only be adopted if 2/3 of the capital present or represented in the General Meeting votes in favour.»

In the cases not foreseen in the previous article, the corresponding agreement will be adopted by ordinary majority of the votes of the present shareholders or represented, in accordance with article 201 of the Corporate Enterprises Act.

Furthermore, in accordance with article 286 of the Corporate Enterprises Act, the Directors or, if appropriate, the shareholders who introduced the motion to amend the company's Articles of Association shall formulate the complete text they suggest as well as a written report with the justification of such motion.

Additionally, in accordance with article 287 of the Corporate Enterprises Act, the announcement of the General Meeting call shall include intelligible information on issues subject to amendment and the right of all the shareholders to examine in the company's headquarters the full text of the suggested amendment and the relevant report, as well as ask for the free delivery of these documents.

B.4 Indicate the attendance data of the general meetings held during the financial year to which this report refers and the ones on the previous year:

	Attendance data				
Date of general meeting	**% personal attendance**	**% represented**	**% remote voting**		**Total**
			Electronic vote	**Other**	
28/06/2016	0.25%	48.26%	0.00%	0.00%	48.51%
29/06/2017	70.91%	1.02%	0.00%	0.00%	71.93%

B.5 Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the general meeting:

Yes ☐ No ☒

B.6 Section repealed.

B.7 Indicate the address and means of access to the company's website for corporate governance information and other information on general meetings that must be provided to the shareholders on the website of the Company.

The address of the corporate website of the company is the following: http://www.fersa.es/

The information on the corporate governance is available on the section "**Shareholders and Investors**" and "**Corporate Governance**".

The information on General Meetings that must be provided to the shareholders, as well as on the resolutions adopted in those meetings is available on:

http://www.fersa.es/accionistas-e-inversores/el-rincon-del-accionista/junta-general-accionistas/

C STRUCTURE OF THE MANAGEMENT OF THE COMPANY

C.1 Board of directors

C.1.1 Maximum and minimum number of directors set forth in the articles of association:

Maximum number of directors	12
Minimum number of directors	3

C.1.2 Complete the following table with the members of the board:

Name or company name of director	Representative	Category of director	Position on board	Date of first appointment	Date of last appointment	Election procedure
Mr RAFAEL GARCÉS BERAMENDI		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr EMILIO MORALEDA MARTÍNEZ		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr PEDRO LUIS FERNÁNDEZ PÉREZ		Independent	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr JOSEP MARIA ECHARRI TORRES		Independent	DIRECTOR	14/11/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr FRANCISCO JOSÉ ELÍAS NAVARRO		Proprietary	CHAIRMAN	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS
Mr EDUARD ROMEU BARCELÓ		Proprietary	DIRECTOR	16/08/2016	29/06/2017	AGREEMENT OF GENERAL MEETING OF SHAREHOLDERS

Total number of Directors	7

Indicate the resignations occurring in the board of directors during the period subject to information:

C.1.3 Complete the following tables regarding the members of the board of directors and their different categories:

EXECUTIVE DIRECTORS

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of significant shareholder represented or who proposed appointment
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGÍA, S.A.
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGÍA, S.A.
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGÍA, S.A.
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.
Mr EDUARD ROMEU BARCELÓ	AUDAX ENERGÍA, S.A.

Total number of proprietary directors	5
% total of the Board	71.43%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director:

Mr PEDRO LUIS FERNÁNDEZ PÉREZ

Profile:

Master of Law. MBA International, ESDEN. Master studies on Value Creation and Company Valuation, IESE.

Has developed his professional career in different industrial and services companies and is the founder of General de Alquiler de Maquinaria, S.A.

Member of the board of directors of several companies related to leisure, food and industry.

Name or company name of Director:

Mr JOSEP MARIA ECHARRI TORRES

Profile:

Master of Economics and of Actuarial and Financial Science, both by the University of Barcelona, and Master of Financial Management by ESADE.

Chief Financial Officer of Oryzon from 2003 to 2007, previously responsible for the first integral programme of creation of technology enterprises developed by a Spanish administrative authority.

At present is the Managing Director of Inveready Asset Management, S.G.E.I.C., S.A. and Chairman of Grupo Financiero Inveready, the founding partner of both companies and now their major shareholder. Participates as member of the management board of different companies, including Mas Móvil Ibercom, S.A., Agile Contents, S.A., Atrys Health, S.A. and Oryzon Genomics, S.A.

Member of the Instituto de Consejeros-Administradores (ICA) awarded the good corporate governance diploma for professional managers.

From his position in Inveready he has actively participated in dozens of corporate transactions (sale of PasswordBank Technologies, S.L. to Symantec, sale of Indisys, S.L. to Intel or acquisitions and financing of Pepephone or Yoigo by Mas Móvil Ibercom, S.A.).

Total number of independent directors	2
% total of the board	28.57%

Indicate whether any independent director receives from the company, or from its group, any amount or profit for a different concept than the remuneration of director, or maintains o has maintained, during the last year, a business relationship with the company or with any company of its group, whether using its own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

N/A

If applicable, a motivated declaration of the board would be included about the reasons to consider that such director can carry out its functions in the position of independent director.

OTHER EXTERNAL DIRECTORS

Indicate other external directors explaining the reasons why they cannot be considered as inside or independent directors and their relationship with the company, its executives or shareholders:

Indicate the changes, if any, in the category of each director during the period:

C.1.4 Complete the following table with the information on the number of women directors during the last 4 years, together with the character of such directors:

	Number of women Directors				% of total number of Directors of each type			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	1	0	0.00%	0.00%	11.11%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	0	0	1	0	0.00%	0.00%	11.11%	0.00%

C.1.5 Explain the measures that, if applicable, have been adopted to try to include in the board of directors a number of women that provides a balanced presence of women and men.

Explanation of the measures
The Board of Directors of Audax Renovables, S.A. is committed to the importance of achieving an equilibrated presence of women and men. For years the Company has tried to incorporate women in the Board of Directors, following the recommendations of the Unified code of conduct and good governance of the listed companies and in line with the activity of the management of the Company (the General Manager is a woman). In accordance with this policy, in 2016 a woman was appointed non-board member secretary. In any case, for future director appointments, as it has been done in the past, candidates, either women or men, in equal conditions will be taken into account.

C.1.6 Explain the measures that, if applicable, have been adopted by the appointments committee to ensure that the selection procedures are not affected by an implicit bias that prevents female directors from being selected, and that the company purposefully seeks women that satisfy the professional profile, including among potential candidates:

Explanation of the measures
As outlined in the previous point, for many years now the Company (and the Appointment and Remuneration Committee in particular) has been making efforts towards including women into the board of directors, following the recommendations of the Unified code of conduct and good governance of the listed companies, and in accordance with the method implemented by the Company's management. In this respect, Appointment and Remuneration Committee during the session held on 26 April 2013, while discussing the requirements expected of the candidates for a position in the board of directors due to upcoming appointments into the board of directors, established that applications put forward by women will be preferred. In 2016 and until 16 August of that year the Director Grupo Catalana Occidente, S.A. was represented in the Board of Directors by a woman. Also, in accordance with this policy, in August 2016 a woman was appointed as non-director secretary of the Board.

When, even having adopted the measures, the number of female directors is scarce or null, explain the reasons that justify it:

Explanation of the reasons
As mentioned above, the Board of Directors tried, in relation to the appointments of the Directors which took place in 2016, to include among potential candidates women that would satisfy the professional profile, and adopted the necessary measures to ensure that the selection procedures were not affected by an implicit bias that would prevent female directors interested in the position from being selected. Nevertheless, due to the knowledge specificity and experience required to occupy the position of director in a company like this, it has not been possible to find such female candidate to be purposed for an appointment, however, as was mentioned earlier, the person appointed as non-director secretary is a woman.

C.1.6 bis Describe the appointment committee's conclusions in regards to the verification of the principles implemented in selecting directors. In particular, illuminate how the implemented human resource policies facilitates the goal to ensure that by the year 2020 the number of women on the board of directors makes up at least 30% of the entire board.

Explanation of the conclusions
The Appointment and Remuneration Committee, during their session on 26 April 2013 while discussing the requirements expected of the candidates for a position in the board of directors due to upcoming appointments into the board of directors, established that applications put forward by women will be preferred. By means of implementing this criterion to the future appointments, the goal to ensure that by the year 2020 the number of women on the board of directors will make up at least 30% of the entire board will also be considered. Furthermore, in line with this goal, there is one woman appointed as non-director Secretary of the Board.

C.1.7 Explain the means of representation in the board of shareholders with significant stakes.

The shareholders with significant stakes are represented in the board through the designation of proprietary directors, as it has been detailed in section C.1.3.

C.1.8 Where applicable, explain the reason why proprietary directors have been appointed at the request of shareholders whose holding in the capital is less than 3%:

Indicate whether formal requests have been denied for attendance at the meetings of the Board solicited by shareholders whose shareholding is equal to or greater than that of other shareholders, at whose instigation they would have been designated board members appointed by a significant shareholder. If any, explain the reasons for the denial:

Yes ☐ No ☒

C.1.9 Indicate whether or not a director has resigned from his/her post before the conclusion of his/her term of office, whether or not he/she has provided the board with reasons and through which medium and, if he/she has done so in writing to the entire board, explain at least the reasons given:

C.1.10 Indicate, where applicable, the powers delegated to the managing director(s):

C.1.11 Indicate, where applicable, the board members holding positions of administrators or executives in other companies forming part of the group of the listed company:

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGIA SA	DIRECTOR	NO
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGIA SA	DIRECTOR	NO
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGIA SA	DIRECTOR	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA SA	CHAIRMAN AND MANAGING DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SNAIL INVESTMENT SICAV SA	CHAIRMAN	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AVANTFLY XXI SICAV SA	CHAIRMAN	NO

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARQUE EOLICO HINOJAL SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY FORMACIÓN, S.L.	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CASTELLWIND 03 SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SVENDBORG PV VII SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	A-DOS ENERGIA SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC MUDEFER SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY SALUD GLOBAL SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERCOM EOLICA SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC COLL DE SOM SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	PARC EOLIC L´ARRAM SL	SOLE DIRECTOR´S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	JOSO FOTOVOLTAICA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS VINROMA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	INVERSIONS TRAUTT SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	WEINSBERG ECOTEC SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA ECOTEC SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA LA MOLA SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE LES COVES SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA FER SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA DE CASTELLO SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA VERGOS SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ELECTRICA NURIEL SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GESTORA FOTOVOLTAICA DE CASTELLON SL	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY PREVENCION SL	MANAGING DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FERSA ASESORAMIENTO Y GESTION SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS RENOVABLES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ORUS PROPERTIES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	BANANA PHONE SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXCELSIOR TIMES SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX GREEN SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ASPY GLOBAL SERVICES, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EXPLOTACION EOLICA LA PEDRERA SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	GENERACION IBERIA SL	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA DEL PINO SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLICA EL PEDREGOSO SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOS ENERGIA SOCIEDAD LIMITADA	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	SPAY SEGURIDAD Y SALUD SL	SOLE DIRECTOR'S REPRESENTATIVE 143 RRM	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGIA, S.R.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA SP Z.O.O.	CHAIRMAN OF THE GENERAL MEETING	YES
Mr EDUARD ROMEU BARCELÓ	FIREFLY INVESTMENTS SICAV SA	CHAIRMAN	NO
Mr EDUARD ROMEU BARCELÓ	ASPY PREVENCION SL	DIRECTOR	NO
Mr EDUARD ROMEU BARCELÓ	AUDAX ENERGIA SA	DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	ERYX INVESTMENTS 2017, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX SOLAR SPV I, S.L.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	FOTOVOLTAICA PADUA, S.L.	TWO JOINT MANAGING DIRECTORS' REPRESENTATIVE 143 RRM	YES

Name or company name of director	Company name of the group entity	Position	Do they hold executive functions?
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA POSTOLIN, S.P. z.o.o.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EÓLICA WARBLEWO, S.P. z.o.o.	SOLE DIRECTOR	YES
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	EOLIENNES DE BEAUSEMBLANT, S.A.S.	CHAIRMAN	YES
Mr EDUARD ROMEU BARCELÓ	VIDEOWAVE INVERSIONES SICAV, S.A.	DIRECTOR	NO
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX NETHERLANDS, B.V.	DIRECTOR / MANAGING DIRECTOR	NO
Mr RAFAEL GARCÉS BERAMENDI	AUDAX NETHERLANDS, B.V.	DIRECTOR / MANAGING DIRECTOR	NO
Mr EDUARD ROMEU BARCELÓ	SNAIL INVESTMENT SICAV, S.A.	SECRETARY	NO

C.1.12 Identify, if applicable, the directors of your company who are members of the board of directors of other companies listed on official stock exchanges in Spain other than those of your group, that have been reported to the company:

Name or company name of director	Company name of the group entity	Position
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	LABORATORIO REIG JOFRE, S.A	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	BIOORGANIC RESEARCH AND SERVICES S.A.	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	LABORATORIO REIG JOFRE, S.A	DIRECTOR
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	GENERAL DE ALQUILER DE MAQUINARIA S.A.	CHAIRMAN-MANAGING DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	MÁSMÓVIL IBERCOM, S.A.	DEPUTY CHAIRMAN
Mr JOSEP MARIA ECHARRI TORRES	ORYZON GENOMICS, S.A.	DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	AGILE CONTENT, S.A.	DIRECTOR
Mr JOSEP MARIA ECHARRI TORRES	ATRYS HEALTH, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, explain whether or not the company has laid down rules on the number of boards on which its directors can serve:

Yes [ ]   No [X]

C.1.14 Section repealed.

C.1.15 Indicate the total remuneration of the board of directors:

Remuneration of the Board of Directors (EUR thousands)	72
Amount of the accrued rights of the present Directors (EUR thousands)	0
Amount of the accrued rights of the former Directors (EUR thousands)	0

C.1.16 Identify management members who are not also executive directors, and indicate the total remuneration they earned during the year:

Name or company name	Position
Mr JAVIER CASTAÑO CRUZ	INTERNAL AUDITOR
Ms ANA ISABEL LÓPEZ PORTA	GENERAL MANAGER

Total remuneration of the senior management (EUR thousands)	217

C.1.17 Indicate, where applicable, the identity of board members who are also members of the boards of directors of companies that hold significant stakes in the listed company and/or companies of your group:

Name or company name of director	Company name of significant shareholder	Position
Mr RAFAEL GARCÉS BERAMENDI	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr RAMIRO MARTÍNEZ-PARDO DEL VALLE	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr EMILIO MORALEDA MARTÍNEZ	AUDAX ENERGÍA, S.A.	DIRECTOR
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	AUDAX ENERGÍA, S.A.	MANAGING DIRECTOR

Provide details, if appropriate, of the relevant relationships other than those included in the previous heading, of the members of the board of directors with the significant shareholders and/or in entities of its group:

C.1.18 Indicate whether or not there has been any amendment to the regulations of the board during the year:

Yes [X] No [ ]

Description of amendments

Change of the company's name, formerly Fersa Energías Renovables, S.A., to Audax Renovables, S.A.
Adjustment of the remuneration system for the directors to the current system defined in the Articles of Association, based on attendance-related per diems.

C.1.19 Indicate the procedures for the appointment, re-election, assessment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.

In this context, the Regulations of the Board of Directors establishes the following:

Article 10. - Appointment and disqualification

The proposals for appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and the resolutions for appointments adopted by such body by virtue of the co-optation authority legally granted thereto must first be proposed by the Appointment and Remuneration Committee, when independent Directors are involved, and the Board of Directors itself, in other cases.

In any circumstances, the proposal shall be accompanied by a justifying report to the Board about the competence, experience and merits of the nominee proposed, which will be attached to the minutes of the General Meeting or the Board itself. Furthermore, the proposal for appointment or reappointment of any non-independent directors must be preceded, moreover, by a report of the Appointments and Remuneration Committee. The provisions of this paragraph shall also apply to natural persons who are designated representatives of a legal entity counsellor. The proposal must be included into the report of the Appointments and Remuneration Committee. The Directors shall observe the legal regulations concerning disqualification.

Article 11. - Term of office

The Directors shall hold office for the term stated in the Articles of Association and may be reappointed under the Articles of Association.

The Directors appointed by co-optation shall hold office until the date of the first General Shareholders' Meeting held, which shall ratify the appointments or appoint the persons that must replace the Directors that are not ratified, unless it is decided to eliminate the vacancies.

Article 12. - Dismissal

The Directors shall step down from office once the period has elapsed for which they were appointed and in any other cases stipulated by law or the Articles of Association.

In any circumstances, they may make their office available to the Board of Directors and formalise their relevant dismissal in the following cases:

(i) When they step down from executive posts to which their appointment as Director is related. The independent Directors, when they have held office for twelve (12) years.

(ii) When they are involved in any of the legally specified situations of disqualification or prohibition.

(iii) When they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities.

(iv) When their offices on the Board of Directors jeopardise the Company's interests and when there are no longer any reasons for them to be appointed to such post. It shall be deemed that this situation arises for an external shareholder Director when all tis shares owned or interests represented have been assigned and when the reduction of the shareholding requires a reduction of the number of its proprietary Directors.

(v) When significant changes take place in the professional situation or conditions by virtue of which they have been appointed as Directors.

(vi) When, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

In the case of a person acting on behalf of a company appointed as a Director in any of the aforementioned situations, such person shall be disqualified from exercising their proxies.

C.1.20 Explain to what extent the annual evaluation of the board of directors has brought about significant changes in the internal organisation of the Board and the procedures of its activities:

Description of the changes
The annual evaluation of the Board of Directors has served to discover the areas that needed to be improved, however, the issues were of rather formal nature which did not require significant changes of the internal organization of the Board nor of the procedures of its activities.

C.1.20. bis Describe the process of evaluation and the areas subjected to evaluation conducted by the board of directors with possible help from an outside advisor, in reference to the diversity of its composition and competences, actions and composition of the committee, the performance of the chairman and chief executive officer, and in reference to the performance and input of each individual director.

The Board, in collaboration with the non-director Secretary, conducted an evaluation of the organisation and activities, and composed a report containing their conclusions in this area. The evaluation concerned, among others, the following matters:

• Regarding the composition – whether or not the Board fulfils the criteria of independence and qualifications of the Directors, required under internal policies.

• Regarding the evaluation of actions and conducting the session – whether the Board was called correctly and efficiently, systematically, with sufficient notice and proper notification.

• Regarding the participation in sessions, involvement and active collaboration of all the Directors during the fiscal year – whether or not the following occurred:

- debates and frequent speeches from the Directors;
- systematic participation of all the directors, and
- effective involvement.

• Analysis of actions and collaborations with the Audit Committee and the Appointment and Remuneration Committee.

• Actions conducted by the Directors (in particular, the company's strategy, business analysis, risk control, internal control over financial reporting, etc.).

• Actions conducted by the Chairman of the Board.

C.1.20.ter Detail business relations, if there are any, between the assessor or a company of the same group with the company or a company of its group.

N/A

C.1.21 Indicate circumstances in which directors can be compelled to resign.

The Directors of the Company must tender their resignation to the Board and formalise their respective removal in any of the six (6) cases comprised in article 12 of the Regulations of the Board of Directors (see section C.1.19).

C.1.22 Section repealed.

C.1.23 Are reinforced majorities other than those applicable by law required for any type of decision?

Yes ☐ No ☒

If so, describe the differences.

C.1.24 Indicate if there are specific requirements other than those relating to directors in order to be appointed as chairman.

Yes ☐ No ☒

C.1.25 Indicate whether the chairman has a casting vote:

Yes ☒ No ☐

Matters in which a casting vote exists
In accordance with article 6.1 of the Regulations of the Board of Directors, the Chairman shall preside over, as the case may be, the Executive Committee, and represent it, and will have the deciding vote. In the case of representation, the provisions of article 9 of the Regulations shall prevail, according to which representation to attend the meetings of the Board can only be granted to another Director and must be specific to each meeting, however the non-executive directors can appoint only another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting only in the absence of the Vice-Chairman, and shall not have the right to exercise the deciding vote.

C.1.26 Indicate whether the articles of association or the board regulations establish any age limit for directors:

Yes ☐ No ☒

C.1.27 Indicate whether the articles of association or the board regulations establish a limited term of office for Independent directors:

Yes [X] No [ ]

Maximum term of office in years	12

C.1.28 Indicate whether the articles of association or the board regulations establish specific processes for delegation of votes in the board of directors, the way of doing it and, particularly, the maximum number of delegations that a director can have, as well as if there is a limit established as to the category subject to delegation, other than those established by the law. If so, describe briefly the processes.

In conformity with article 9 of the Regulations of the Board of Directors, the meeting of the Board is validly constituted when the majority of its members are present or represented thereat, and also, without the need for a prior call, when all its members are present and unanimously decide to constitute a meeting of the Board. Written ballots without a meeting shall only be permitted when no Director opposes such a procedure.

The power of representation to attend the meetings of the Board shall only be conferred upon another Director, and must be made expressly for each meeting, however non-executive directors can only appoint another non-executive as their representative. Whosoever represents the Chairman shall preside over the meeting in the absence of the Vice-Chairman, and shall not have the right to cast the deciding vote.

Each Director present or represented shall have the right to one vote.

C.1.29 Indicate the number of meetings that the board of directors has held over the year. Also indicate, where applicable, how many times the board has met without the chairman being present. When calculating the number, representations made with specific instructions shall be considered.

Number of meetings of the Board	8
Number of Board meetings without the Chairman attending	0

If the chairman is an executive officer, indicate the number of meetings held without any executive director attending and presided by a coordinator

Number of meetings	0

Indicate the number of meetings held by the different board committees over the year:

Committee	Number of meetings
Executive Committee	8
Audit Committee	5
Appointment and Remuneration Committee	2

C.1.30 Indicate the number of meetings held by the board of directors during the year with the attendance of all its members. When calculating the number, representations made with specific instructions shall be considered:

Number of meetings with all the directors in attendance	8
% of attendances over the total number of votes during the year	100,00%

C.1.31 Indicate if the individual and consolidated annual accounts submitted for approval by the board are certified previously:

Yes ☐ No ☒

Identify, where applicable, the person/people who has/have certified the company's individual and consolidated annual accounts in order to be drawn up by the board:

C.1.32 Explain, where applicable, the mechanisms established by the board of directors to prevent the individual and consolidated annual accounts drawn up by them from being submitted to the general meeting of shareholders with qualified opinion in the auditors' report.

The Board of Directors has the Audit Committee which, according to article 7.3 of the Regulations of the Board of Directors, is competent for the following duties:

(i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders for items within its competence.

(ii) Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

(iii) Supervising the preparation and submission of the required financial information.

(iv) Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement of the General Shareholders' Meeting, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in the exercise of their functions.

(v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any others that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.

(vi) Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.

(vii) To inform, in advance, to the Board of Directors on all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or domiciled in countries or territories considered tax havens; and (c) transactions with related parties.

C.1.33 Is the secretary of the board a director?

Yes ☐ No ☒

If the secretary of the board is not a director, complete the following table:

Name or company name of the secretary	Representative
Ms NAIARA BUENO AYBAR	

C.1.34 Section repealed.

C.1.35 Indicate, where applicable, the mechanisms established by the company to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

Article 20 of the Regulations of the Board of Directors stipulates:

Article 20. - Relationship with the Auditors

The Board of Directors shall establish an objective, professional and ongoing relationship of the Audit Committee with the company's external auditors appointed by the General Shareholders' Meeting. In all cases, it shall observe the independence of such auditors and ensure that they are provided with accurate information.

C.1.36 Specify whether the company has changed external auditor over the year. If appropriate identify the incoming and outgoing auditors:

Yes [X] No [ ]

Outgoing auditor	Incoming auditor
Deloitte, S.L.	KPMG Auditores, S.L.

If there was a disagreement with the outgoing auditor, explain its content:

Yes [ ] No [X]

C.1.37 Indicate if the audit company performs other tasks for the company and/or its group other than auditing activities, and if so, state the amount of the fees received for said activities and the percentage of the fees invoiced to the company and/or its group:

Yes [X] No [ ]

	Company	Group	Total
Amount of fees for tasks other than auditing activities (EUR thousands)	20	7	27
Amount of fees for services other than auditing activities / Total amount invoiced by the audit company (%)	15.04%	5.26%	20.30%

C.1.38 Specify whether the auditor's report on the annual accounts from the previous year includes any reservations or exceptions. Where applicable, indicate the reasons given by the chairman of the audit committee to explain the content and scope of the said reservations or exceptions.

Yes [ ] No [X]

C.1.39 Indicate how many years the current audit company has been auditing, without interruption, the annual accounts of the company and/or its group. Also indicate the percentage of the number of years audited by the current audit company over the total number of years that the annual accounts have been audited:

	Company	Group
Number of years without interruption	1	1

	Company	Group
Number of years audited by the current audit company / Number of years the company has been audited (%)	6.66%	7.14%

C.1.40 Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have external assessment:

Yes [X] No [ ]

Procedure details

Article 14 of the Regulations of the Board of Directors stipulates as follows:

Article 14.- Services of experts

In order to assist them in performing their duties, the non-executive Directors may request, when necessary due to the special circumstances, that legal, accounting or financial consultants or other experts are hired at the expense of the Company. The work must in all cases be related to specific problems of certain importance and complexity involved in performing their duties.

The decision to hire the aforementioned experts must be notified to the Chairperson of the Company's Board of Directors and may be vetoed by the Board of Directors if the following circumstances are accredited:

(i) It is unnecessary to fully perform the duties entrusted to the external Directors;

(ii) Its costs its unreasonable bearing in mind the importance of the problem and the Company's assets and income;

(iii) The technical assistance included may be suitably provided by the Company's experts and technicians; or

(iv) It could jeopardise the confidentiality of the information that will be dealt with.

C.1.41 Indicate and, where applicable, provide details of whether there is a procedure whereby directors can have the information necessary to prepare the meetings of the boards of directors with sufficient time:

Yes [X] No [ ]

Procedure details

In this respect article 16.4 of the Regulations of the Board of Directors establishes the following:

16.4. Other duties of information

The Directors must inform the Company of the shares thereof that they directly hold or that are held through companies in which they have a controlling interest. They shall also notify information of any others they directly or indirectly hold through persons associated therewith.

The Directors must also notify any significant change in their professional situation that affects the nature or condition by virtue of which they were appointed as Directors.

Similarly, the Directors must notify any situation that affects them or could affect the prestige or reputation of the Company, in particular, criminal cases in which they are involved as defendants and any important legal difficulties. After examining the situation in question, the Board of Directors may require that the Director is dismissed, and this decision shall be binding for the Director.

C.1.42 Indicate and, where applicable, give details of whether or not the company has laid down rules that oblige the directors to report and, in cases that damage the company's credit and reputation, resign:

Yes [X] No [ ]

Explanation of the rules

Pursuant to points (iii) and (vi) of Article 12 of the Regulations of the Board of Directors, The Directors shall make their office available to the Board when they are accused of an allegedly criminal act or are subject to a disciplinary sanction due to a serious or very serious infringement investigated by the supervisory authorities, and when, due to events caused by the Directors, their remaining as members on the Board of Directors would cause serious harm to the Company's equity or reputation, in the opinion of the Board of Directors.

C.1.43 Indicate whether or not any member of the board of directors has informed the company that he/she has been prosecuted or hearings against him/her have been opened for any of the offences laid down in article 213 of the Corporate Enterprises Act:

Yes ☐ No ☒

Indicate whether or not the board of directors has analysed the case. If the answer is affirmative, give a reasoned explanation of the decision taken as to whether or not the director remains in his/her post or, if the case, exposes the performance done by the board of directors until the date of the present report or that is expected to do.

C.1.44 Detail the significant agreements hold by the company that enter into force, are modified or terminated whenever a change in the company's control takes place resulting from a public acquisition offer, and its effects.

Such agreements do not exist.

C.1.45 Identify in an aggregate form and indicate, in a detailed form, the agreements between the company and its managers and directors or employees that have at their disposal severance payments when they resign or are unfairly dismissed or if the working relationship concludes due to a public acquisition offer.

Number of beneficiaries: 1

Type of beneficiary:

General Manager

Description of the agreement:

The employment contract with the General Manager stipulates that in case of termination of the contract due to certain causes, a compensation will be provided amounting to 45 days of remuneration per year of work.

Indicate whether these contracts have to be communicated and/or approved by the bodies of the company or of its group:

	Board of Directors	General Meeting
Governing body that authorises the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2 Committees of the company's board of directors

C.2.1 Provide details of all the committees of the board of directors and their composition and participation of executive, proprietary, independent and other external directors in said committees:

Executive Committee

Name	Position	Category
Mr EDUARD ROMEU BARCELÓ	MEMBER	Proprietary
Mr FRANCISCO JOSÉ ELÍAS NAVARRO	CHAIRMAN	Proprietary
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	100.00%
% of independent directors	0.00%
% of other external directors	0.00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

The composition of the Executive Committee must reasonably reflect the structure of the Board of Directors and must observe the balance established between the different classes of Directors.

It shall be composed of a minimum of three (3) and a maximum of six (6) Directors, and shall hold a meeting at least once every three (3) months. The appointment of its members shall require votes in favour of at least two thirds (2/3) of the members of the Board of Directors. The persons holding the posts of Chairperson and the Secretary on the Board of Directors shall also act in such position on the Committee.
The Executive Committee shall be granted all the authority of the Board of Directors except the duties that, for legal or statutory reasons, cannot be delegated. In particular, as examples but not limited thereto, it may exercise the following duties:

(a) To control the management of the Company.

(b) To study and propose the guidelines that must define the corporate strategy and supervise its implementation, with special attention being paid to diversification actions.

(c) To deliberate and inform of the following matters to be submitted to the Board of Directors: (i) The Company's budgets with a breakdown of the relevant forecasts for each business line; (ii) Important investment sand alliances or agreements. (iii) Financial transactions; and (iv) Corporate transactions.

At the discretion of the Chairperson or the majority of the members of the Executive Committee, the resolutions whose importance so requires, may be submitted for subsequent ratification by the Board of Directors. In any circumstances, all the members of the Company's Board of Directors shall be allowed to access the minutes of the Executive Committee meetings.

The activities of the Executive Committee in the year 2017 were beforehand approved by the Board of Directors.

Indicate whether the composition of the delegated or executive committee reflects the composition of the board of directors as to the different types of directors:

Yes [X] No [ ]

Audit Committee

Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	CHAIRMAN	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	MEMBER	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

Pursuant to article 7.3 of the Regulations of the Board of Directors, the Board has set up an Audit Committee composed of 3 members, 2 of which are independent directors, in accordance with the regulations on its makeup and on the basis of a motion of the Appointments and Remuneration Committee, by the Board of Directors from among its non-executive members. At least two of the members of the Audit Committee shall be independent and one of them shall be appointed bearing in mind their knowledge and experience in accounting or auditing matters, or both.

The Chairperson of the Audit Committee shall be appointed by the Company's Board of Directors from among the independent members of such Committee. The Audit Committee shall appoint also a Secretary and, if appropriate, a Deputy Secretary. The duties of the Secretary of the Audit Committee shall be performed by the Secretary of the Board.

The members of the Audit Committee shall hold their posts for a maximum of four (4) years and may be reappointed. The Chairperson shall hold office for maximum term of four (4) years and for their reappointment to such position at least one year must have elapsed since they stepped down from office, notwithstanding their reappointment as a member of the Committee.

The Audit Committee shall, in any circumstances, be competent for the following duties:
(i) Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders for items within its competence.

(ii) Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

(iii) Supervising the preparation and submission of the required financial information.

(iv) Presenting to the Board of Directors the motions to choose, appoint, reappoint and replace the external auditor and the terms of their engagement, as well as gathering from them information on the audit plan and its execution while preserving their independence in the exercise of their duties.

(v) Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other related to the development of the audit process, as well as other communications included in auditing laws and the auditing standards. In any circumstances, it must receive from the auditors written confirmation of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to and remuneration received from these companies by the external auditor or by the persons or entities related to them in accordance with the audit regulations.

(vi) Issuing an annual report, prior to the auditing report being issued, expressing an opinion on the independence of the external auditor. This report shall include, in any circumstances, the assessment of the services rendered in addition to those mentioned in the above paragraph, considered individually and collectively, other than the statutory audit and in relation with the regulatory audit legislation.

(vii) To inform the Board of Directors in advance about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax havens; and (c) related party transactions.

During the year 2017 the Audit Committee held five (5) meetings to fulfil its duties.

The Audit Committee shall hold a meeting at least four (4) times a year, one every quarter of the year, and in any circumstances, as often as may be deemed necessary by the Chairperson or when a meeting is requested by half of the Committee's members. The meeting shall be considered validly held when the majority of the Committee's members attend to it personally or by proxy. In the case of a draw, the Chairperson shall hold the casting vote.

The Audit Committee shall submit a report about its activities during the year for the approval of the Board of Directors, to subsequently be made available to the shareholders and investors.

Indicate the director, member of the audit committee, appointed bearing in mind his/her knowledge and/or experience in accounting or auditing matters and specify in years the current term of office of the chairperson of the committee.

Name of the director with experience	Mr JOSEP MARIA ECHARRI TORRES
Years of the current term of office of Chairperson	1

Appointment and Remuneration Committee

Name	Position	Category
Mr JOSEP MARIA ECHARRI TORRES	MEMBER	Independent
Mr PEDRO LUIS FERNÁNDEZ PÉREZ	CHAIRMAN	Independent
Mr RAFAEL GARCÉS BERAMENDI	MEMBER	Proprietary

% of proprietary directors	33,33%
% of independent directors	66,67%
% of other external directors	0,00%

Specify the responsibilities of this committee, the procedures and rules of organisation and functioning of the committee and describe briefly the most important actions of the committee during the year.

The Appointment and Remuneration Committee is made up of three (3) non-executive directors, two (2) of which are independent directors and have been appointed bearing in mind their knowledge, abilities and experience in accordance with the regulations of its composition.

The members of the Appointment and Remuneration Committee hold office for a maximum of four (4) years and may be reappointed. The Board of Directors appoints a Chairperson from among the independent members of the Committee. The office of the Chairperson shall be held for a maximum term of four (4) years and at least one (1) year must have elapsed since they stepped down from the office in order to be reappointed, notwithstanding their reappointment as member of the Committee. The office of the Secretary of the Appointment and Remuneration Committee is held by the Secretary of the Board.

Notwithstanding other duties that may be assigned thereto by the Board of Directors, the Appointment and Remuneration Committee shall perform the following basic duties:

(i) Evaluate the skills, knowledge and experience necessary for the Board of Directors. For this purpose, it will define the roles and capabilities required of the candidates to fill each vacancy, and it will evaluate the time and commitment necessary for them to fulfil their duties effectively.

(ii) Establish a goal of representation for the underrepresented sex on the Board of Directors and develop guidance on how to achieve that objective.

(iii) Submit to the Board of Directors the proposals for appointment of independent directors to be appointed by co-optation or for submission to the decision of the General Meeting of Shareholders, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.

(iv) Report on proposals for appointment of the remaining directors to be appointed by co-optation or for submission to the decision of the General Meeting, as well as proposals for reappointment or removal of such directors by the General Meeting of Shareholders.

(v) Report on proposals for appointment and removal of senior managers and the basic terms of their contracts.

(vi) Examine and organise the succession of the Chairperson of the Board of Directors and the Company's Chief Executive Officer and, if appropriate, make suggestions to the Board of Directors in order to perform such succession in an orderly and planned manner.

(vii) Suggest to the Board of Directors the remuneration policy for the directors and general managers or senior management under direct control of the Board, of the executive committees or of the managing directors, as well as the individual remuneration and other contractual terms of executive directors, ensuring compliance therewith.

During the year 2017 the Appointment and Remuneration Committee has held two (2) meetings to fulfil its duties.

C.2.2 Complete the following table with the information relative to the number of women that are part of the committee of the board of directors during the last four years:

	Number of women in the committee							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

	Number of women in the committee							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
Appointment and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, where applicable, the existence of committee regulations, the location at which they are available for consultation, and the modifications that have been made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.

The regulations of the Executive Committee, Audit Committee and Appointments and Remuneration Committee are included in the Regulations of the Board of Directors (articles 7.2, 7.3 and 7.4, respectively), available in the company's website:

http://www.fersa.es/reglamento-del-consejo-de-administracion/

The Board of Directors has carried out an evaluation of the activity of each of the committees.

C.2.6 Section repealed.

D RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure for the approval of the related party and intra-group transactions.

Procedure for the approval of related party transactions
Pursuant to article 17 of the Regulations of the Board of Directors of Audax Renovables, the Board of Directors, directly or through the Audit Committee, shall ensure that the transactions between the Company or companies of its group with significant shareholders are carried out at arm's length and in accordance with the principle of equal treatment of the shareholders that are in identical situation. If they are ordinary transactions and are of usual and recurrent nature, the general authorisation of the operating line and the conditions for performance shall be deemed sufficient, with a prior report in favour issued by the Audit Committee. However, the authorisation by the Board of Directors shall not be necessary when the conditions are met stipulated in section (t) of Article 4 of the Regulations of the Board of Directors. The Annual Corporate Governance Report of the Company shall include information about these transactions.

D.2 Detail the significant operations for its quantity or for its type that have taken place between the company or companies of its group, and the significant shareholders of the company:

Name or company name of significant shareholder	Name or company name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (EUR thousands)
AUDAX ENERGÍA, S.A.	AUDAX RENOVABLES, S.A.	Corporate	Financing agreements: loans	2,150

D.3 Detail the significant operations for its quantity or significant for its type that have taken place between the company or companies of its group, and the administrators or senior managers of the company:

D.4 Detail the important operations carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company’s usual trading in terms of its purpose and conditions.

In any case, any operation inside the group done with companies established in countries or territories considered as tax haven has to be notified:

Company name of the entity of the group:

ORUS RENOVABLES, S.L.U.

Amount (EUR thousands): 5

Short description of the transaction:

Office lease.

Company name of the entity of the group:

A-DOS ENERGÍA, S.A.

Amount (EUR thousands): 757

Short description of the transaction:

Hedges for energy prices.

Company name of the entity of the group:

GENERACIÓN IBERIA, S.L.

Amount (EUR thousands): 486

Short description of the transaction:

Hedges for energy prices.

D.5 Specify the amounts of other related party transactions.

0 (EUR thousands).

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group, and its directors, executives or significant shareholders.

Article 16.2 of the Regulations of the Board of Directors stipulates the following (without prejudice to the exemption rules established in article 16.3 thereof):

In order to avoid conflicts of interest [...] the Directors should abstain from:

(i) Performing transactions with the Company, except for ordinary transactions carried out under standard conditions for customers and of little importance, defined as those for which information is not required to reflect a fair image of the equity, financial situation and the results of the Company.

(ii) Using the name of the Company or their position of director to improperly influence the performance of private transactions.

(iii) Making use of the company's assets, including confidential information of the Company, for private purposes. This obligation includes the duty of each director to avoid using undisclosed information of the Company for their own benefit, either directly or disclosing it to third parties, and to abstain from performing and from suggesting to others to perform transactions on the securities of the Company or of its subsidiaries, associated or related companies about which they may have obtained, by virtue of their position, undisclosed information, all abovementioned without prejudice to the duties incumbent on directors under the regulations of the Securities Market and the rules of conduct stipulated in the Company's Internal Regulations for Conduct.

(iv) Taking advantage of the business opportunities of the Company. Accordingly, the directors must not perform, for their own benefit or for the benefit of associated persons, investments or transactions related to the Company's assets of which they have obtained information by virtue of their office, when the investment or transaction has been offered to the Company or the Company has interest in it , as long as the Company has not rejected the investment or transaction without the influence of the director and pertinent authorisation of the Board of Directors has been given to perform it.

For this purpose, business opportunities refer to any possibility of making an investment or commercial transaction which has arisen or has been discovered in connection with holding the position of director or by the use of means and information of the Company or under such circumstances that would reasonably imply the assumption that the third party's offer was in reality addressed to the Company.

(v) Obtaining advantages or remunerations from third parties other than the Company and its group, associated to holding the office, except for mere courtesy attentions.

(vi) Carrying out for their own account or as an employee activities involving effective competition, whether actual or potential, with the Company or activities that would put them anyway in permanent conflict with the Company's interests. Directors holding office in subsidiaries or investees of the Company are exempt from this prohibition.

The foregoing provisions shall also apply to the event when the beneficiary of the prohibited activities is a person associated to the director under the terms of article 231 of the Spanish Corporate Enterprises Act.

In any circumstances, the directors must inform the Board of Directors about any situation of direct or indirect conflict of interests between them or the persons associated to them, and the Company . The conflicts of interest incurred by the directors shall be reported in the notes to the financial statements and in the Annual Corporate Governance Report.

D.7 Is more than one group company listed on the stock markets in Spain?

Yes ☐ No ☒

Indicate the subsidiary companies listed in Spain:

Subsidiary company listed on the stock market

Indicate if you have defined publically with precision the corresponding areas of activity and possible business relationships between them, as well as those of the listed subsidiary company with the rest of the group companies;

Indicate possible business relationships between the parent company and the listed subsidiary company, and between the listed subsidiary company and the rest of the group companies

Identify the mechanisms provided to solve the possible conflicts of interest between the listed subsidiary company and the rest of the group companies:

Mechanisms of solving the possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1Explain the scope of the company's risk management system including tax risk.

The Audax Renovables Group considers risk to be any future event or contingency that could hamper the Company’s ability to successfully meet its business objectives.

In this sense, the Group is submitted to several risks associated to the different countries and markets in which it operates, and that can prevent it to achieve its objectives and executing its strategies with success. It is 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, and establishes, throughout the General Policy of Risk Control and Management of the Group, the mechanisms and basic principles for an adequate management of the risk, that allows:

a) to achieve the strategic objectives that the Group determines;
b) to provide the maximum level of guarantees to the shareholders;
c) to protect the results and the reputation of the Group;
d) to defend the interests of shareholders, clients, and other Groups interested in the continuity of the Company;
e) to guarantee business stability and financial strength on a sustained basis throughout time;
f) to separate the areas that assume risks besides those that control them;
g) to apply the transparency and good governance practices; and,
h) to act according to the actual legal regulations and to the established commitments in the Corporate Responsibility framework.

In the fulfilment of this commitment the Board of Directors collaborates with the Audit Committee that, as a delegate and advisory structure, supervises and informs about the adequacy of the evaluation system and internal control of significant risks.

Every activity aimed to control and mitigate the risks will be subject to the following basic principles of performance:

a) Integrate the risk-opportunity vision in the management and strategy of the Company.
b) Perform an appropriate segregation of functions to guarantee an adequate level of independence.
c) Guarantee the proper use of risk hedging instruments.
d) Inform about the risks for the Group and about the implemented systems to mitigate them.
e) Align with such Policy all the specific policies that need to be developed in the matter of risk.
f) Ensure the adequate compliance with the corporate governance rules.
g) Act always respecting the law and the Corporate Code of Ethics and Conduct.

Such General Policy of Risk Control and Management of the Group is carried out through the procedures, methodologies and support tools, and that includes the following guidelines:

a) The identification of the significant risks of corporate governance, market, credit, liquidity, capital management, business, regulation, operational, environmental, reputational and others.
b) The analysis of such risks and, in particular, the analysis of the risks associated to the new investments, as an essential element in the decision making in key of profitability-risk.
c) The settlement of political structures, guidelines and limits.
d) The implementation and control of the compliance of the policies, guidelines and limits, throughout the adequate procedures and systems, including the necessary contingency plans to mitigate the impact of the materialisation of the risks.
e) The measurement and risk control following homogeneous procedures and standards common in all the Group.
f) The information and internal control systems that allow to do a regular and transparent evaluation and communication of the results of the monitoring and management of risks, including the compliance of the policies and the limits.
g) The continuous evaluation of the suitability and efficiency of the application of the system and of the best practices and recommendations in concept of risks for the eventual incorporation in the model.
h) The review of the system by the Internal Audit Department of the Group.

The General Policy of Risk Control and Management is developed and complemented throughout the corporate risk policies that are established in relation to the business units and/or companies of the Group that are set out below and that are also subject to supervision by the Audit Committee and approval by the Board of Directors.

Structure of the Risk Policies of the Group:
• General policy of risk control and management.

Corporate Risk Policies:
• Guidelines and general principles for the prevention of criminal risk.
• Delegation of authority.
• Financial risks management policy.
• Investments, purchases and suppliers policy.
• Guidelines for accounting policies.
• Guidelines for information security systems.
• Project finance process and projects' status.
• Policies for loan granting and formalising conditions.
• Acquisition and disposal of own shares procedure.
• Guidelines of the regulated information to be disclosed to the market.
• System of Internal Control for Financial Information (ICFR).

E.2 Indicate the social governing bodies responsible for establishing and executing the risk management system including tax risk.

In order to adequate the impact of the risk, the Audit Committee, as a delegated and advisory Committee of the Board of Directors, apart from supervising the proposals of the Management and/or the Internal Audit Department, has the autonomous capacity to suggest to the Board of Directors for its approval the proposals of guidelines to regulate the limits of different risks, including tax risk, that are considered as acceptable for the Group.

AUDIT COMMITTEE

With regard to the functions of such governing body, its own regulations and the Regulations of the Board of Directors stipulate that the Audit Committee has competence to perform, in any circumstances, the following functions:

- Informing the General Shareholders' Meeting of the issues proposed thereto by the shareholders regarding the matters within its competence.
- Monitoring the effectiveness of internal control of the Company, internal audit and risk management systems, including tax, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit.
- Supervising the preparation and submission of the required financial information.
- Proposing the appointment of the company's auditors to the Board of Directors to be submitted for the approval, re-election or replacement by the General Meeting of Shareholders, in accordance with applicable law, and the terms of engagement and regularly gather from them information on the audit plan and its execution while preserving its independence in carrying out their functions. Establishing appropriate relations with the auditors to receive information that could jeopardise their independence, for consideration by the Audit Committee, and, in general terms, any other that are related to the development process of the audit, as well as other communications included in auditing laws and the technical auditing rules. In all cases, it must receive written confirmation from the auditors of their independence from the company or the companies directly or indirectly associated thereto, along with information about additional services of any kind rendered to these companies by the aforementioned auditors or companies, or by persons or companies associated therewith, pursuant to auditing laws.
- Issuing a report every year, prior to the auditing report being issued, expressing an opinion on the independence of the external auditors or auditing firms. This report shall include, in any case, the assessment of the provision of additional services referred to above, considered individually and collectively, other than the statutory audit and in connection with the regime of independence or the legislation regulatory audit.

To inform, in advance, to the Board of Directors about all matters under the Act, the Articles of Association and the Regulations of the Board and, in particular, about (a) the financial information that the Company must periodically disclose; (b) the creation or acquisition of interests in special purpose entities or companies registered in countries or territories considered tax heavens; and (c) related party transactions.

BOARD OF DIRECTORS

Within the scope of its competence, with the support of the Audit Committee, the Board of Directors should ensure that the necessary mechanisms are introduced to identify measure, manage and monitor relevant risks of any type, establish the Company's risk strategy and profile, and approve the Group's risk policies.

In particular, the Board of Directors shall approve and supervise the risk control and management policy, as well as the monitoring of the system of internal control over financial reporting.

E.3 Indicate the main risks, including tax, that can affect the company in achieving business aims.

The risk factors which the Group is submitted to are, generally, the ones that follow.

a) Corporate governance risks: the Company assumes the need to maximise in a sustained form the economic value of the Company and its good aim in the long run, in accordance to social interest, culture and vision and corporate mission of the Group, taking into consideration the legitimate, public or private interests, that converge in the development of all business activity and, particularly, among the different interest Groups, the ones of the communities and territories in which the Company performs and those of its workers. For this, it is fundamental the compliance of the corporate governance system of the Company, integrated by the Articles of Association of the Company, the corporate policies, the internal rules of corporate governance and the other codes and internal procedures approved by the competent governing bodies of the Company and inspired in the recommendations of good governance generally accepted.
b) Market risks: defined as exposure of the Group's results to variations in the prices and market variables, such as the exchange rate, interest rate, inflation, price of raw materials (electricity, emission rights, other fuels, etc.), prices of financial assets and other.
c) Loan risks: defined as the possibility that a counterparty does not comply its contractual obligations and produces an economic or financial loss in the Group. The counterparties can be final clients, counterparties in financial markets or in energy markets, partners, suppliers or contractors.
d) Liquidity risk: defined as the possibility of a company of not being able to attend its liabilities in the short run. For this, a careful management of the liquidity risk implies the maintenance of cash and sufficient tradable securities, the availability of financing throughout a sufficient amount of credit facilities and having the capacity to settle market positions.
e) Capital management risk: the objective of the management of capital risk is to maintain an appropriate ratio between the acquirement of internal and external financing (financial liability).
f) Financial restriction risk: the objective to manage such risk is to maximize the resources available by the Group, mainly throughout a proper generation of cash flow, optimization of the recurrent expenses, as well as the restriction in the grant of financial resources to the Group's subsidiaries.
g) Business risks: established as the uncertainty of the behaviour of the key variables intrinsic to the business, such as the demand characteristics, weather conditions, or the strategies of the different agents and other.
h) Regulatory risks: those resulting from regulatory changes established by the different regulators such as the changes in the remuneration of the regulated activities or the required conditions of supply, environmental regulation, fiscal regulation and other.
i) Operational risks: refer to the direct or indirect economic losses caused by inadequate internal procedures, technological errors, human errors or as a consequence of external successes, including their economic, social, environmental and reputational impact, as well as the legal risk.

j) Reputational risks: potential negative impact on the value of the Company as a result of a poorer behaviour of the company compared to the created expectations by the different interest Groups: shareholders, clients, media, analysts, Public Administration, employees and society in general.
k) Other risks: at certain moments and/or situations there may exist new factors that generate the identification of new risks (through the analysis of the risk map of the Group, among others) whose potential impact can be significant for the Group, and therefore, are taken into consideration in the decision making to mitigate the impact of such risks.

E.4 Indicate whether the company has a level of risk tolerance, including tax risk.

The Group has not quantified a specific level of risk tolerance, adapting it to the different situations, taking into account the risk/opportunity combination.

Nevertheless, at the quality level, the risk map of Audax is the identification and valuation tool of all risks of the Group. All risks considered are evaluated considering probability and impact indicators.

In accordance with these parameters, risks are classified as:

• Non-significant risk: risks which impact is very low or out of control of the company. These risks are managed to reduce the frequency in which they are produced only if its management is economically feasible.
• Low risk (tolerable): risks that occur with little frequency and that have a low economic impact. These risks are monitored to check that they are still tolerable.
• Medium risk (severe): frequent risks with a very high impact. These risks are monitored and, where appropriate, regularly managed.
• Top risk (critical): occur with low frequency but the economic/strategic/reputational impact is really high. These risks are constantly monitored.

These risks are constantly monitored.

E.5 Indicate which of the risks, including tax, have taken place during the year.

The activity of Audax Renovables to the area of renewable energy sources. This activity takes place in a changing environment, with regulations, subsidies or fiscal incentives that can suffer some modifications. The Group is subject to government regulations, and the changes in the regulations or requirements can have an impact on the business, affecting the actual plants' profitability and our future capacity of financing projects.

In Spain, on 13 July 2013 the Royal Decree 9/2013 of 12 July was published, in which urgent measures are adopted to guarantee the financial stability of the system. This Royal Decree abolished the previously valid Royal Decree 661/2007. This new regulation establishes the new remuneration system principles for the renewable energy generation plants and is submitted to the Government for the new remuneration system to be approved. Under this new regulatory framework, the income from the special system installations will come from:

- Income originated from the sale of electricity on the market.
- Income originated by the specific remuneration system, if applicable. The specific remuneration system will consist of the sum of two factors: the remuneration for the investment and the remuneration for the operation, which will be regularly checked.

Subsequently, in June 2014, the Royal Decree 413/2014, of 6 June was published, which regulates the sector of electric energy production from renewable sources, cogeneration and waste, together with the Ministerial Order IET 1045/2014 which establishes new remuneration schemes for typical installations, applicable to certain energy production facilities which use renewable sources of energy, cogeneration and waste. These regulations specify the amounts in EUROS of said special remunerations for every kind of technology and type of installation of renewable energy.

On 2 December 2016 a draft of an amendment to those remuneration schemes was published for the second remunerative half-period (from 1 January 2017 to 31 December 2019), establishing the amounts of remuneration for the operation which will be applicable during the first half year of 2017, in compliance with the provisions of article 20 of the Royal Decree 13/2014, of 6 June, and article 3 of the Order IET/1345/2014, of 2 July.

The Audax Renovables Group has evaluated the effect of the latest draft of regulation comparing it to the previous one against the estimations made on the basis of the regulation valid until 31 December 2016, without finding significant material differences between them.

In France the electricity facilities must hold authorisations for operations under the Law no. 2000-108 /10 February 2000, on the modernisation and development of the electricity utilities, as well as according to the Decree no. 2000-877/ 7 September of the same year, on the authorization for operating electricity facilities. Having obtained the authorisation, the electricity producers will be subject to the remunerative system pursuant to Decree of 10 July 2006.

The remuneration to the facilities generating land-based wind energy is established for the first 10 years and is inflation-indexed on 1 November every year.

On 9 December 2015, the French Energy Regulation Commission (CRE) delivered an opinion about a new draft of a decree on additional remuneration mentioned in article L.314-18 of the Energy Code. The opinion provides that the renewable energy producers, after completing their contract for the sale of energy, will have the right to receive an additional compensation, which will have the form of a bonus involving both the installed capacity and the produced energy.

On 30 December 2017 a new law was passed concerning finances for the year 2018 and subsequent years in which, among other things, provisions were made for the change in corporate income tax rates. Article 84 of this law features changes in tax rates that affect us. The current tax rate of 33% will undergo a change according to a rate list of up to 25% depending on the turnover.

In Poland until 31 December 2015 the policy of incentives for wind energy was based on a system of obligatory quota and a parallel market of green certificates. However, in May 2015 this system was substituted:

- for new facilities launched after 1 July 2016 - by a system of auctions of energy where the winners of the auction will have a guaranteed price during 15 years.
- applicable to wind farms launched before 1 July 2016 – a system of quota. This regulation points out a price for the energy and a penalty "Substitution Fee (SF)" to be paid in the case of not delivering sufficient amount of certificates of origin to comply with the established quota.

These amendments stipulate that the right under the policy of incentives to sell all the generated energy at an average market price of the last quarter is limited to 1 January 2018. From that day on the suppliers of last resort will be able to negotiate and even formalise with others the contracts signed with the producers.

The Audax Renovables Group has already evaluated the impact of the new legislation in Poland in the impairment test as at 31 December 2016 which implied an impairment of its assets in the previous year.

E.6 Explain the response and supervision plans for the main risks, including tax.

The Audax Renovables Group has available an updated Risk Map which shows that significant risks are those that can negatively affect various aspects, such as: operations, economic profitability, financial solvency, information, corporate reputation and integrity of its employees, including the risk of fraud.

For this reason the Group has identified which of these risks can affect the Group somehow or other and what measures have been used to cover such risk in the best way minimising its impact. Furthermore, for other risks whose impact is still not covered, there is an executive schedule, established together with an action plan, of appropriate measures that will help avoid as far as possible a significant impact of such risks on the Group.

The implementation of such measures is carried out by the Management of the Group, with the Audit Committee and, lastly, the Board of Directors being the two governing bodies responsible for monitoring and approving the measures carried out, respectively.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that constitute the risk control and management systems in relation to the financial reporting process (ICFR) of your company.

F.1 Control framework of the entity

Inform, indicating the main features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The Internal Control over Financial Reporting System (hereinafter ICFR) of the Audax Renovables Group is part of its general system of internal control and is arranged as a set of procedures carried out by the Board of Directors, Audit Committee and Management and employees of the Group in order to provide reasonable security concerning the reliability of the financial information subject to disclosure.

The Board of Directors of the Audax Renovables Group is the maximum decision body of the Group, delegating the ordinary management to the executive bodies and the management team, and concentrating, therefore, its activity on monitoring which can be delegated to the Audit Committee. The Board of Directors has the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR system.

On the other hand, the Management is responsible for the accurate implementation of the ICFR system.

Among the direct responsibilities to be carried out by the Board of Directors, in terms of the internal control over financial reporting, without any prejudice to the effects that the delegations and powers granted may cause to third parties, and according to what is established in its own Regulations (article 4), there are, among others, the following duties:

• The determination of the risk control and management policy, including tax issues, and regular monitoring of the internal information and control systems.
• The determination of the corporate governance policy and of the Company and of the group being its dominant entity; its organization and operation and, in particular, the adoption and amendment of its own regulations.
• The approval of the financial information which the Company must regularly publish as a listed company.

Article 7 section 3 of the Regulations of the Board of Directors of the Group defines the actions and competence of the Audit Committee. For this purpose and in connection with the process of preparing and monitoring financial reporting, the Committee, under the Regulations of the Board of Directors, has the following duties:

• Monitoring the effectiveness of internal control of the company, internal audit and risk management systems, including tax, and discussing with the auditor any significant weaknesses in the internal control system detected during the audit.
• Supervising the preparation and submission of the required financial information.

It is also important to point out that the Audit Committee has available the function of Internal Audit which, together with the monitoring of the former, ensures the proper functioning of the information systems and internal control evaluating periodically the efficiency of the ICFR system and informing regularly the Audit Committee of the weaknesses detected during the performance of its job and the possible infringements of the internal control policy and the timetable for the implementation of the proposed correction measures.

The Management of the Group is responsible for performing the following functions in relation with the ICFR system:

• Revising and approving the policies and guidelines referring to the management of financial reporting;
• Establishing and spreading the needed procedure for the internal control over financial reporting;
• Establishing and carrying out the internal control over financial reporting in order to ensure its reliability and guarantee that the reports, facts, transactions and other relevant aspects are notified properly within the adequate time frame; and
• Monitoring and controlling the compliance of the internal control over financial reporting and of the internal controls and procedures aimed at spreading the information outside, as well as analysing and verifying the efficiency of the controls and their effectiveness.

All the aspects related with the internal control over financial reporting are regulated in the corporate document ICFR Organizational and Monitoring Model which is applicable to all the companies belonging to the Audax Renovables Group; the document establishes the functioning principles and the responsible bodies of the procedures.

F.1.2. If the following elements exist, especially those related with the process of elaboration of the financial statements:

• The departments and/or mechanisms that are in charge of: (i) the design and review of the organizational structure; (ii) clearly define the main line of responsibility and authority, with an adequate distribution of the tasks and functions; and (iii) of the existence of enough procedures so as to ensure its correct diffusion inside the entity.

The Board of Directors of Audax Renovables assigns to the Management of the Group the responsibility for designing and revising the organizational structure as well as for its modification whenever it is deemed necessary. In this respect the appropriate guidelines of authority and responsibility have been developed for each business unit of the Group, documented in the form of an organizational chart and models of dependence which define the tasks and functions of different units. On the other hand, the ICFR Organizational and Monitoring Model, a document formally approved by the Audit Committee, refers to the functions connected with the ICFR.

In order to attain the priority goal of obtaining a correct and reliable financial information, the Group has developed and approved the ICFR Operation Model. This document, approved by the Audit Committee, defines the process of preparing the financial information, functioning of the reports (identification of key controls, formats and the persons responsible of conducting the evaluation and supervision) as well as the executive reporting to be performed by the Internal Audit Department and the evolution and supervision of the overall ICFR system.

Therefore, the responsibility for the internal control over financial reporting is formally determined and assigned.

On the other hand, the documents regarding the ICFR Operation Models are published in a portfolio generally accessible to all the staff.

- Code of conduct, approval bodies, degree of diffusion and instruction, principles and values included (indicating if specific mentions in the registry of operations and the elaboration of the financial statements exist), bodies in charge of analysing the breaches and of suggesting corrective actions and sanctions.

The Audax Renovables Group has a Corporate Code of Ethics and Conduct, approved by the Board of Directors, which explains the ethic commitments and responsibilities in the management of the business and in corporate activities assumed by its professionals, regardless of their post, position within the company, geographical situation or function carried out. Also, complying with the Code is understood without prejudice to the complying with the company's corporate governance and, in particular, of the Internal Regulations for Conduct in the Securities Market.

The document is part of the welcome pack handed in to the new employees together with a letter of agreement with the Corporate Code of Ethics and Conduct, subject to acceptance and signature by all Group employees. The main principles and values defined in this document are: ethics and trust, economic performance, respect to the environment and to the society as well as professional and personal development.

The Corporate Code of Ethics and Conduct is composed by:

• The general principles which regulate the relationship with the implicated parts and which define the reference values for the Group activities;
• The behaviour principles which regulate the relationship with all the parties involved, and provides specific guidelines and norms that the contributors of the Audax Renovables Group must abide by so as to respect the general principles and prevent the risk of non-ethic performance; and
• The implementation mechanisms, which describe the duties of the Audit Committee (concerning dissemination, implementation and control of the Corporate Code of Ethics and Conduct), and of the Internal Audit Department (supervision and issuing of reports as well as improvement proposals), and of the Management (by spreading its communications as well as information to the employees).

The Group applies the Regulation of disciplinary proceedings and sanctions system approved by the Board of Directors to complement the Code of Ethics in regulating the disciplinary procedures of the misdemeanours committed by the employees of the Group. The body in charge of analysing such misconducts and proposing the sanctions and/or corrective measures is the Board of Directors or the Executive Committee, either from the beginning or by request of the Management and after receiving a non-binding report of the Audit Committee.

- Channel of complaints, that allows the communication to the Audit Committee of irregularities of financial and accounting nature, in addition to temporary breaches of the code of conduct and irregular activities in the organization, informing as the case may be if this one is of confidential nature.

The Audax Renovables Group has available a channel of complaints, regulated in the Corporate Code of Ethics and of Conduct of the Group, which makes it possible for all the employees to notify, in a secure and confidential way, any behaviour that can imply an irregular or illegal act or conduct that can be contrary to the established rules. At the start point of the channel of complaints all employees of the Group were informed about the implementation of such form of communication and about its functions. Besides, all the employees are regularly reminded about the aims and operating rules of the channel.

Moreover, the established procedures for the use of this channel guarantee the total and strict confidentiality, given that the received information is managed directly by an independent third party, the Chairman of the Audit Committee of the Group. The responsibility of handling of the complaints made through the Channel of complaints lies with the Chairman of the Audit Committee.

- Training and regular updating programs for those employees involved in the preparation and review of the financial statements, as well as the evolution of the ICFR, that cover at least, accountable norms, auditing, internal control and risk management.

It is the Group's will to systematically update the knowledge of all the employees and management staff about the changes and novelties in preparing and publishing of the financial information. Likewise, the Group's intention is to systematically provide specialised courses about the matters related to ICFR to the employees engaged in preparing the financial statements of the Group. Constant communications with the external auditors and other independent professionals ensure this permanent update.

Additionally, as a consequence of such communications, the directors receive the information about novelties and participates also in the presentations and meetings organised by the external auditors, during which the main news related to the legal regulations, corporate governance and/or financial or tax matters are discussed.

F.2 Evaluation of the financial statements risk

Inform, at least, of:

F.2.1. Which are the main characteristics of the process of risk identification, including the mistakes or fraud, regarding:

• Whether the process exists and is documented.

The Audax Renovables Group implements General Policy of Control and Risk Management intended to establish the basic principles and overall framework of action in terms of control and management of any kind of risk which the Group is exposed to. The policies are developed to supplement various systems of corporate policies regarding risk and specific risk policies which may be established for companies belonging to the Group. This way the Group has identified and updated the main kinds of risks during 2017, organizing appropriate systems of control and internal information, and keeping periodical supervision of them.

This policy also aims at integrated management of financial risk within the borders of the Group's culture and its strategic goals with consideration given to the following goals:

• Identification, analysis, management and limiting of financial risk to which the Group is exposed due to the nature of business it conducts;
• Providing the organisation with a framework in order to enable conducting financial activities in a way that is controlled and consistent;
• Improving the decision making process and financial planning through complex and orderly knowledge of business activity;
• Contributing to a more effective use of resources within the Group;
• Limiting variability within the financial areas of activities;
• Protecting financial assets;
• Developing and supporting persons and knowledge base of the organisation, and
• Optimising the operational effectiveness.

Moreover, the Audax Renovables Moreover, the FERSA Group possesses a general Risk Map which aids in making some of the company's strategic decisions; the duty to upgrade and maintain said document rests with the General Manager and the Board of Directors. This document, upgraded in the year 2017, states that a significant risk is defined as a risk which could negatively impact the operational activity, economical profitability, financial liquidity, information, corporate image, and the employees' integrity, including the risk of fraud. In regards to the latter, the Group, in collaboration with legal advisors and other external advisors, continually works on determining the means to limit potential dishonest behaviours. These means include various methods of action and tasks as well as developing necessary textbooks and procedures (Risk Map, textbooks, procedures, Corporate Code of Ethics and Conduct, norms, conflict of interest / related parties, compliance, complying with the regulations of criminal law, etc.) in order to mitigate the risk of fraud within the Group.

• Whether the process covers the totality of the objectives of the financial statements, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and, if so, how frequently.

The Management of the Group has identified the control objectives for each risk, as well as the people responsible for them, according to the established methodology, taking into account the following potential mistakes in the financial information:

• Integrity.
• Validity.
• Register.
• Cut-off (operations).
• Valuation.
• Accounting classification.
• Breakdown and comparability.

These objectives are updated at least once a year.

• The existence of a process of identification of the scope of consolidation, taking into account, among other aspects, the possible existence of complex business structures, instrumental entities or of special purpose.

The consolidation scope of Audax Renovables is monthly determined by the Management, together with the Accountancy Department, and under a supervision of an external auditor, in accordance with the criteria established by the International Accounting Standards (hereinafter, "IAS") 27, and other local accountancy regulations. The possible changes in the consolidation are communicated to all the Group's subsidiary companies. To this effect the Group conducts a constantly updated register of companies that covers the totality of shareholding, direct and indirect, as well as all the entities in which the Group has the possibility of exercising control, whichever the legal form in which such control may be assumed.

- Whether the process takes into account the effects of the other typologies of risks (operating, technological, financial, legal, reputational, environmental, etc.) according to the extent by which they affect the financial statements.

Under this general risk management process the Group applies the ICFR Procedures Manual which defines the methods and procedures in the management of special risks in the financial reporting, describes the key processes, the risks present in the ICFR and the controlling actions in order to evaluate determined guidelines for its adequate implementation, functioning and monitoring. In this respect the description of the processes, risks and controls contained in this document is periodically updated and revised by the Group.

- Which governance body of the entity supervises the process.

The body responsible for the supervision of the internal control and risk management system is the Audit Committee of the Group with assistance of the Internal Audit Department.

F.3 Control Activities

Report, indicating your main characteristics, whether you have available at least:

F.3.1. Financial reporting review and authorization procedures, and the description of the internal control system of financial reporting which needs to be published in the stock market, indicating the persons in charge, as well as the descriptive documentation of the activity flows and controls (including those related to the risk of fraud) of the different types of transactions that can affect significantly the financial statements, including the procedures of accounting closure and the specific review of the trials, estimates, valuations and relevant consequences.

The Audax Renovables Group applies the Manual of Regulated Information for Disclosure, duly approved by the Audit Committee and Management of the Group, in which all the obligatory communications are detailed, required by the regulator, and the risks and controls related to that process are identified.

In this way, the Management are in charge of referring quarterly, semi-annually and annually the mandatory financial information to the stock market (CNMV) in coordination with the Internal Audit Department, legal assessors and the Board of Directors. This financial information is elaborated through the different departments dependants of the Management. In said process the Accountancy Department is relevant, as, during the process of closure and consolidation of the accounting cycle, it undertakes different control activities that ensure the fairness of the disclosed information. Additionally, the Management Control Department analyses and supervises the information. Ultimately, the Management reviews and approves the general financial information as well as the specific information about the opinions, estimations, valuations, provisions and forecasts relevant for quantifying the assets, liabilities, income, expenses registered and/or disclosed in the Annual Accounts of the Group.

As was already mentioned above, the Audit Committee is responsible for the process of verifying and approving financial information and for the description of the ICFR. During the closures of the accounting cycle that fall on the end of half-year, the Audit Committee receives comments and information conveyed by the external auditors of the Group based on the control results. Moreover, the Audit Committee (in reference to the half-year closures) informs the Board of Directors about its conclusions regarding the presented financial report, which, after being approved by this body, is forwarded to the stock markets.

In reference to the documentation describing the flows of activities and controls regarding various kinds of transactions which may impact the content of financial reporting, the Group has at its disposal the aforementioned Internal Control over Financial Reporting Manual. The Group implements formulated procedures in these processes which are regarded as significant in terms of their potential influence on financial reporting intended for disclosure; it applies to the following processes:

- Financial closing (accountancy closing and consolidation)
- Impairment test
- Hedging treatment
- Cash and bank accounts
- Operating income recognition
- Exchange rate differences
- Portfolio distribution

It should be mentioned that in recent years the company has undertaken an effort to formulate key actions meant to prevent, mitigate or diminish the risks of fraud within the Group, such as drawing up the Corporate Code of Ethics and Conduct, establishing the Channel of Complaints, centrally managing the appointment of proxies, creating the Investments, Purchases and Suppliers' Management Policy, as well as the Accounting Policies Manual and the Information Security Systems Manual.

The Group also has at its disposal the Criminal Risk Prevention Manual, verified and updated periodically and functioning as one of the important means of action aimed at preventing fraud and establishing the right internal control environment. Additionally, in the year 2016 the Group, on the basis of new requirements imposed by the reform of the Criminal Code (Organic Law no. 1/2015, of 30 March), has developed a Compliance Programme (also called Corporate Defence) with the aim of executing a model of organisation and management involving the optimum supervisory measures which would prevent the commission of torts in the Group (the holding company and its subsidiaries). The aim of the Programme is to indicate the general principles of conduct and action which are expected of the Group's employees, and to indicate the Group's key values within the means to achieve business goals and for the purpose of preventing the occurrence of material threats within the company through avoiding situations of breach of law, and complying with current legal regulations.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Audax Renovables uses information systems for the purpose of conducting a correct register and control of its operations and, subsequently, their correct functioning is a key element of special significance to the Group. Simultaneously the Group continually develops (under the name of Systems Plan) its information systems, creating and upgrading a map of individual applications and planned improvements through creating the right procedures and security devices. Periodic controls of information systems are being carried out and appropriate actions indicated by the Group's Management are being undertaken, in cooperation with the IT Department of Audax Energía (majority shareholder).

For identified applications and systems the Group has the Information Security Systems Manual, verified by the Audit Committee and formally approved by the Board of Directors. This document aims at establishing the technical and organizational means of these systems, spreading the principles and standards of information safety, minimising the risk related to utilising information technologies, preventing the leaks of sensitive data and ensuring a greater integrity, reliability and privacy of the generated information.

In reference to the continuity of operations and data storage, the Audax Renovables Group has at its disposal the following safety measures aimed at preventing data loss due to accidents or unforeseen incidents:

- Backups stored within the company.
- Backups stored outside the company.
- Backups stored by the IT services provider.
- Partition of server with access authorisations depending on the user's profile.

Between the years 2012 and 2017 appropriate improvements have been introduced into the new systems, for the purpose of increasing integrity and security, such as managing orders through the system and gradation of authorisation.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services carried out by independent experts, when these may materially affect the financial statements.

In the year 2017 the Audax Renovables Group did not outsource any significant activities which might have material influence on financial reporting and which would not be subject to oversight on the Group's part. The Group did outsource some of the activities, such as drafting and managing the payroll. Usually evaluations, calculations or appraisals commissioned to third parties, which may have direct influence on financial reporting, are deemed to be necessary actions within the scope of generating financial information, which, in individual cases, lead to identification of the prioritised kinds of error risks, which requires designing internal controls related to them. These controls include analysis and internal approval of key assumptions which may be implemented, as well as verifying evaluations, calculations of appraisals conducted by external entities, through juxtaposing them with calculations carried out internally.

Therefore, in such cases when the company enlists the services of an independent entity, it ascertains the entity's competences, authorisations, independence as well as technical and legal capabilities. In any case the results or reports of individual experts independent in the area of audit, tax or legal matters, are monitored by persons responsible from the Management or other departments for the purpose of confirming the conclusions drawn.

Moreover, within the Group the Investments, Purchases and Supplier's Management Policy is in effect, determining in detail the procedures of investment and purchase approval, levels of making decisions regarding approvals, as well as the policy of selection of suppliers and management of contracts with suppliers.

F.4 Information and communication

Indicate whether at least the following components exist and specify their main features:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy area or department) and settling doubts or disputes arising from the interpretation thereof, maintaining regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The responsibility for applying the accounting policies of the Group is unified for all the geographical area of the Audax Renovables Group's activity and is centralised in the Financial Department. The functions of this Department, together with the active participation of the Accountancy Department of the Group, are the following:

• Draw up and update the Accountancy Policy Manual for the Audax Renovables Group;
• Analyse the operations and transactions undertaken or foreseen to be undertaken by the Group with the main aim of determining its suitable treatment in accordance with the accountancy policies;
• Monitor the new regulatory projects drawn up by the IASB, the new standards passed by this organisation, and the related approval process conducted by the European Union, so as to determine the impact of the implementation thereof on the consolidated accounts of the Group; and
• Answer any question which may arise in any of the subsidiary companies of the Group about the application of the accountancy policies.

Generally, and also in those cases when the application of the accountancy regulations is especially complex, the Financial Department of the Group informs its external auditors about the conclusions of the accountancy analysis conducted by the Group and requests them their opinion. Subsequently, the information is conveyed to the Audit Committee for analysis and approval.

The Accountancy Policies of the Audax Renovables Group are developed in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter “IFRS”) and are collected in a document called Accountancy Policies Manual of the Audax Renovables Group, approved by the Management and by the Audit Committee, and verified by the external auditor. The Group, through the Accountancy Department, and under the supervision of the Financial Management, developed and formalized during the year 2011 said Manual, which collects the accounting principles and criteria of the companies of the Group, determining the registry and valuation guidelines so as to homogenize the accountancy in all the subsidiary companies of the Group, thus making sure of the uniformity of the accountancy and financial information. The document details the sufficient information which the Accounting Department and the Management have deemed necessary and relevant, thus ensuring that both the subsidiaries and the holdings have an adequate knowledge thereof. Such Policies include a general framework and detailed policies, such as those referring to impairment tests, policies and methods of capitalization of costs, swaps calculations, and dismantling provisions. The policies are updated systematically and are subject to a continuous reviewing process.

Additionally, the Audax Renovables Group maintains documented other business processes and detailed procedures that are deemed relevant. All these documents are available for the people responsible for the drawing up of the financial statements of the companies belonging to the Group.

F.4.2. Mechanisms for the capture and preparation of financial information in standard format, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.

The Audax Renovables Group applies the ERP system in drafting and forwarding financial information, the system covering all companies with internal accounting based on the unified chart of accounts. This application satisfies, on the one hand, the needs to report individual financial statements, and on the other, it facilitates the process of consolidation and of the following analysis and verification. Moreover, it contains within one, centralised system, all the information concerning accounting of individual financial statements of subsidiary companies of the Group and the notes and breakdowns necessary to draw up the annual financial accounts. This system is managed in a centralised way, has a uniform format and implements one shared chart of accounts according to the guidelines determined in the current Accountancy Policy of the Audax Renovables Group. The integrity and reliability of the information systems is confirmed by means of general control described in sectionF.3.2.

For the purpose of forwarding information to compile the consolidated financial accounts of the Audax Renovables Group, as well as the information which needs to be taken into consideration in the subsequent closing reports (quarter- or half-yearly) which are handed in to the Audit Committee and the Board of Directors, there is a standard reporting template which is sent out once a month to the subsidiary companies. Such a central reporting template includes the basic financial statements, information regarding intercompany balances, detailed balances which are modified based on the IFRS interpretation and the explanation of the main balances.

These reports are forwarded to the Management Control Department from:

• The operating subsidiaries located abroad; and
• The Accountancy Department (Audax Renovables individually and subsidiaries whose accounting is internalised).

After verifying the quality of the information received by the Management Control Department, the financial information is shared with the Accounting Department through the internal network, for the purpose of consolidation.

Lastly, it needs to be pointed out that the Group, through the formal approval by the Management and the Audit Committee, has a current ICFR Operation Model, which details the functioning of the reports related to the ICFR system (identification of the key controls, format, responsibility for the evaluation and supervision), as well as the executive reporting drawn up by the Internal Audit Department and the assessment and control over the ICFR as a whole.

F.5 Monitoring of the system operating

Indicate and describe the main features of at least the following elements:

F.5.1. The activities of supervision of the internal control over financial reporting system (ICFR) performed by the audit committee, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the internal control over financial reporting system. Information is also to be provided concerning the scope of the assessment of the internal control over financial reporting system performed during the financial year and on the procedure whereby the person or division charged with performing the assessment informs of the results thereof, whether the entity has an action plan in place of describing possible corrective measures, and whether the impact thereof on financial information has been considered.

The Audax Renovables Group has an Internal Audit Department, subject, in terms of functioning, to the Audit Committee, and its main task is to effectively monitor, analyse and evaluate the system of internal control and management of risks significant to the company and the Group. This department conducts independent and periodic controls of the structure and actions of the internal control system, identifies shortcomings, and formulates recommendations regarding improvement actions included in the reports handed over to the Audit Committee during periodic meetings. The reports are presented to the Committee along with a plan of mitigation measures undertaken by the managers of every area and the Management of the Group.

In regards to the above, the Internal Audit Department keeps constant oversight of the plans and actions agreed upon with individual departments for the purpose of correcting identified weaknesses and implementing recommendations. The Internal Audit Department carries out periodic controls of all the processes involved with formulating financial information, regarded as relevant in individual companies belonging to the Group and within the corporate finance area, at the closing of quarterly, half-yearly and yearly periods.

The weaknesses and/or aspects that require improvement identified during the verification process caused the need to formulate a plan of detailed actions in regards to each of them, based on which the Internal Audit Department conducted the monitoring, controls and reports, until they were fully removed or rectified.

Furthermore, an external auditor, according to the information given in section F.7.1., formulates each year a new report concerning the established procedures regarding the description of the ICFR system implemented by Audax Renovables, in which no significant issues were indicated.

F.5.2. Whether there is a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the international audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall be also provided on whether there is an action plan to seek to correct or mitigate the weaknesses found.

The discussion procedure about the improvements and identified significant weaknesses of the internal control is based, generally, on regular meetings held by the intervening parties. The Internal Audit department informs periodically the Management and the Audit Committee about the conclusions related to the internal control of the ICFR system and the internal audits carried out during the year, as well as about the situation regarding the implementation of the action plans established in order to mitigate weaknesses.

The auditor of the Group has direct contact with the Financial Department and the General Management through periodic meetings (for referring half-yearly information, before preparing the annual accounts, to expose the incidences detected and before beginning the audit, to explain the scope thereof), both in order to obtain necessary information for the performance of the work and to communicate the control weaknesses detected. Moreover, every six months the auditor reports to the Audit

Committee the conclusions of the half-yearly / yearly audit of the Group, including all the aspects considered as relevant.

Furthermore, the Accounting Department, responsible for the preparation of the consolidated financial statements, holds frequent meetings with the external auditors and the Internal Audit area and the Management, both for the half-year and year closure, in order to discuss relevant matters related to the financial reporting.

F.6 Other relevant information

There is no other relevant information to detail.

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons therefor.

The Audax Renovables Group has submitted for review by the external auditor the ICFR information disclosed to the markets, concerning the financial year 2017. The scope of the auditor's review has been established pursuant to the document of the Spanish Auditors Institute nº E14/2013, of 19 July 2013, which contains the Guideline and a model of the auditor's report on the ICFR information of listed companies.

G COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons in order to furnish the shareholders, investors and the market in general sufficient information to assess the company's course of action. General explanation will not be accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchase on the market.

Complies [X] Explain [ ]

2. When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:

a) Regarding the changes made since the previous annual general meeting.

b) Regarding the specific reasons for which the company does not follow certain recommendations of the Good Governance Code and, possibly, which alternative procedures are implemented instead.

Complies [X] Complies in part [ ] Explain [ ]

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies [X] Complies in part [ ] Explain [ ]

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies [X] Complies in part [ ] Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor's independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on related party transactions.

d) Report on corporate social responsibility policy.

Complies [ ] Complies in part [X] Explain [ ]

During the financial year 2017 the company has published on its website well in advance of the general meeting all of the reports listed above except for the report of the audit committee on related party transactions.

7. The company should broadcast its general meetings live on the corporate website.

Complies [ ] Explain [X]

Due to the company's size and the profile of the majority of its shareholders there is no need to hold a broadcast, through the website, of the annual general meeting of shareholders. Also, none of the shareholders has expressed such a wish.

It should be noted that in the consolidated texts of the Articles of Association and the Regulations of the General Meeting of Shareholders, approved by the General Meeting on 26 June 2012, a provision was made for the possibility of participation in the General Meeting and voting on resolutions by proxy or personally by a shareholder via post or electronic correspondence or via other means of communication, insofar as they enable sufficient identification of the person participating in the debates or vote, and ensure the security of electronic communication.

However during the General Meetings of Shareholders conducted in accordance with the new regulations of the Articles of Association there has not been noted any interest in aforementioned electronic media on the part of the shareholders. However the Company nevertheless was duty bound to purchase certain services for the purpose of creating the possibility of making them available for the shareholders who might potentially want to make use of them.

Since the legislation did not require making available of such electronic media to the shareholders, and the matter was supposed to be regulated in a discretionary way based solely on the Articles of Association, it was deemed appropriate for the Board to determine each time when calling a General Meeting of Shareholders, whether electronic media would be made available, due to which both the Articles of Association and the Regulations of the General Meeting of Shareholders had been altered in this area in 2014. It was meant to serve, on the one hand, to eliminate the necessity to run such media each time, and on the other, to consider the possibility that the Board might decide to run them in regards to a particular General Meeting, in case in the future it was decided that the Company's shareholders are interested in making use of such kind of media (which interest, as mentioned before, has not been noted so far).

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies [X] Complies in part [ ] Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies [X] Complies in part [ ] Explain [ ]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies [X] Complies in part [ ] Explain [ ]

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies [X] Explain [ ]

14. The board of directors should approve a director selection policy that:

a) Is concrete and verifiable.

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [ ] Complies in part [X] Explain [ ]

Although in regards to the selection and appointment of directors the aforementioned criteria and goals are implemented, the analysis of the company's situation and needs is conducted in reference to a particular situation in which the appointment or reappointment of a director is supposed to occur, and not in an abstract and general way.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies [X] Complies in part [ ] Explain [ ]

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

The criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies ☐ Explain ☒

The percentage of proprietary directors out of all non-executive directors is 71.43% and the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital is 70.86%. However, due to the scarcity of significant shareholdings in Audax, the company may be considered as complying with the relaxed criterion.

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies ☐ Explain ☒

Independent directors represent almost one third of the share capital in relation to the total number of directors, namely, 28.57%. However, as 70.86% of the share capital of the Company is held by only one shareholder, it may be considered as complying with the relaxed criterion.

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company and any options on the same.

Complies ☐ Complies in part ☒ Explain ☐

The information on the website refers to points c, d and e.

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from

the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies [X] Explain [ ]

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in particular, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ]

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other directors no subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation also apply to the secretary of the board, even if she or he is not a director.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☐ Complies in part ☒ Explain ☐

The Company requires the directors to devote sufficient amount of time and involvement to be able to successfully carry out their duties. However there are no regulations concerning the number of company boards on which the directors may serve.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☒ Complies in part ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies ☒ Complies in part ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book at the request of the person expressing them.

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☒ Complies in part ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☒ Explain ☐ Not applicable ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded, of the majority of directors present.

Complies [X] Complies in part [ ] Explain [ ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies [X] Complies in part [ ] Explain [ ]

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies [X] Complies in part [ ] Explain [ ]

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairman; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [X] Explain [ ]

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. The facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies [X] Complies in part [ ] Explain [ ]

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should act as secretary to the executive committee.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies [X] Complies in part [ ] Explain [ ]

40. Listed companies should have a unit in chargé of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies [X] Complies in part [ ] Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

   a) Monitor the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

   b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

   c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration paid to the external auditor for their services does not compromise the quality of such services or the independence of the auditor.

c) Ensure that the company notifies any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefor.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X] Complies in part [ ] Explain [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X] Complies in part [ ] Explain [ ]

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Complies in part [ ] Explain [ ] Not applicable [ ]

45. Control and risk management policy should specify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [X] Complies in part [ ] Explain [ ]

46. Companies should establish a risk control and management function in the charge of one of the company's internal departments or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, manager and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies ☐ Complies in part ☒ Explain ☐

These functions are assumed and carried out by the Internal Audit Department of the Audax Renovables Group and the Audit Committee is appropriately informed.

47. Appointees to the nomination and remuneration committee – or the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☒ Complies in part ☐ Explain ☐

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies ☐ Explain ☐ Not applicable ☒

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies ☒ Complies in part ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to the directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officer's pay contained in corporate documents, including the annual director's remuneration statement.

Complies ☒ Complies in part ☐ Explain ☐

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies [X] Complies in part [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) Committees should be chaired by an independent director.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be recorded and a copy made available to all board members.

Complies [ ] Complies in part [ ] Explain [ ] Not applicable [X]

53. The task of supervising compliance with corporate governance rules, internal code of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, for the legitimate interests of remaining shareholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X] Complies in part [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be developed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) The channels for stakeholders communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X] Complies in part [ ] Explain [ ]

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies [X] Complies in part [ ] Explain [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies [ ] Complies in part [ ] Explain [X]

Not applicable. The directors' remuneration system is per diem and attendance-based.

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

63. Contractual agreements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report to the extent they are relevant and not reiterative.

   Specifically indicate whether the company is subject to corporate governance legislation form a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. You may also state whether the company voluntarily subscribes to other international, sectorial or other codes of ethical principles or good practices. If applicable, identify the code and date of adherence thereto.

Audax Renovables, S.A. is a signatory entity in the UN Global Compact since 7 August 2013, and has joined it voluntarily. By this agreement, Audax Renovables recognizes its commitment to comply with the ten (10) Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

This annual corporate governance report has been approved by the Board of Directors of the Company at its meeting of 23 February 2018.

State whether any directors voted against or abstained from voting in the approval of this Report.

Yes ☐ No ☒

Audax Renovables, S.A.

Report on the review of the description of the system for financial reporting (ICOFR) for 2017

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

KPMG

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

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

Report on the review of the description of the system for financial reporting (ICOFR)

To the directors of
Audax Renovables, S.A.

As requested by the board of directors of Audax Renovables, S.A. (the "Company") and in accordance with our proposal letter dated 16 February 2018, we have applied certain procedures to the information concerning the ICOFR included in section F of the Annual Corporate Governance Report (hereinafter ACGR) of Audax Renovables, S.A. for 2017, which summarises the Company's internal control procedures for annual financial reporting.

The board of directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning ICOFR included in section F of the attached ACGR.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute, assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies* published on the website of the Spanish Securities Market Commission, which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness, design or operational efficiency, with respect to the Company's annual financial reporting for 2017 described in the information concerning ICOFR included in section F of the accompanying ACGR. Consequently, had additional procedures been applied to those established in the aforementioned Guidelines, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in the above-mentioned legislation.

The agreed-upon procedures applied were as follows:

1 Reading and understanding of the information prepared by the Company concerning ICOFR –disclosures included in the directors' report– and evaluation of whether it covers all the information required, taking into account the minimum content described in section F on the description of ICOFR, for the ACGR in accordance with Spanish National Securities Market Commission Circular 7/2015 of 22 December 2015.

2 Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.

3 Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on ICOFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.

4 Comparison of the information detailed in point 1 above with the understanding of the Company's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5 Reading of the minutes of the meetings of the board of directors, audit committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.

6 Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the information concerning ICOFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and Spanish National Securities Market Commission (CNMV) Circular 7/2015 of 22 December 2015 for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Alejandro Núñez Pérez

23 February 2018

STATEMENT OF RESPONSIBILITY ON THE ANNUAL FINANCIAL STATEMENTS

AUDAX RENOVABLES, S.A. AND SUBSIDIARY COMPANIES

Annual Accounts and Directors' Report
31 December 2017

The members of the Board of Directors of Audax Renovables, S.A., pursuant to Article 8 of the Royal Decree 1362/2007, declare that, in so far as they know, the individual and consolidated annual financial statements for the year ended on 31 December 2017 formulated in their meeting on 23 February 2018, have been drawn up under the applicable accounting standards, present fairly the equity, financial position and results of Audax Renovables, S.A. and the companies comprising the consolidated Group as a whole, and that the Directors' Report includes a reliable analysis of business evolution and results and the position of Audax Renovables, S.A. and the companies comprising the consolidated Group as a whole, along with the description of the main risks and uncertainties the business is exposed to, duly signed by all the Directors.

BOARD OF DIRECTORS

Mr Francisco José Elías Navarro Chairman	Mr Eduard Romeu Barceló Board Member
Mr Rafael Garcés Beramendi Board Member	Mr Emilio Moraleda Martínez Board Member
Mr Ramiro Martínez-Pardo del Valle Board Member	Mr Pedro Luis Fernández Pérez Board Member
Mr Josep Maria Echarri Torres Board Member	

Badalona, 23 February 2018