

AUDAX RENOVABLES GROUP

CONSOLIDATED DIRECTORS' REPORT AS AT 30 JUNE 2018

1. SIGNIFICANT EVENTS

Audax Renovables ended the first half year of 2018 with a Net Profit Attributable to the Parent Company amounting to EUR 4,133 thousand, compared to the profit of EUR 2,024 thousand for the same period of the previous year, which means an increase of 104%.

Energy generation by companies in the Audax Renovables portfolio in the first half of 2018 amounted to 203.5 GWh, of which 75% was generated in Spain (which is equivalent to 79% of income), while 7% (8% of income) was generated in France, and 18% (13% of income) in Poland. The production of the wind farms during this period was 7% lower than in the first half of 2017.

The average energy price on Spain's pool market during this period was 2.1% lower than during the corresponding period of last year. The price of Green Certificates at the closing of this period in Poland was 75.17 PLN/MWh (17.8 €/MWh), while at the closing of the period in the previous year it was 22.46 PLN/MWh (5.3 €/MWh), which means a 235% increase.

At the end of June 2018 changes in regulations in Poland were announced, impacting, among others, the way of calculating tax on properties where facilities for generating renewable energy are located. The amendment significantly reduces the amount of property tax paid by the Postolin wind farm.

Lower sales figures for the portfolio companies, resulting from a decrease in production and a lower average price of energy (pool) in Spain, as well as a 3% decrease in operating expenses compared to the first half of 2017, had no impact on the EBITDA, which saw a 1% increase compared to the first half of 2017.

The syndicated corporate loan taken out in January 2012 was restructured in the first quarter of 2018 through entering into a new corporate loan agreement with Banco Santander, S.A. and Banco Popular Español, S.A. in the amount of EUR 3,400 thousand. Following that, on 10 April 2018, the debt was settled in full as a result of a new transaction of debt optimisation as part of project finance for Parque Eólico Hinojal.

In the first half of 2018, as part of an intra-group transaction, a contract was made to transfer 100% of shares in the Explotación Eólica La Pedrera, S.L. company to the Audax Energía, S.A. company, which generated a profit in the amount of EUR 1,983 thousand before tax, due to provision created earlier covering the full amount of consolidated book value of these assets.

In May this year Audax Renovables issued a statement about the start of construction of the first stage of the Toabré wind farm in Panama, with an installed capacity of 66 MW. The investment will amount to over USD 150 million. A loan agreement with Banco Prival, S.A. was made for the duration of 12 years and for a total amount of USD 104 million, for the purpose of financing the first stage.

On 29 June 2018 the Boards of Directors of the companies Audax Renovables, S.A. and Audax Energía, S.A. submitted to the Spanish National Securities Market Commission (CNMV) a joint project of merger by acquisition between the companies, with Audax Renovables, S.A. as the acquiring company and Audax Energía, S.A. as the acquired company. The exchange ratio will be of 300,287,276 new shares of the Acquiring Company in exchange for 1,800,000 shares of the Acquired Company.

On 11 July 2018, the Parent Company, Audax Renovables, S.A., entered into an ordinary contract to issue promissory notes for up to the amount of EUR 5,000 thousand with the company TORO FINANCE, S.L.U. (BRAVO CAPITAL), with maturity date in October 2018.

2. OPERATING INFORMATION

The installed capacity as at 30 June 2018 is of 185 MW.

The production during the first half year amounted to 203,5 GWh, compared to 2017.6 GWh in the same period of the previous year, due mainly to smaller wind resources in the wind farms in southern Spain and in Poland.

3. HEADLINE FIGURES

Net turnover has amounted to EUR 17,373 thousand, meaning a 1% decrease in comparison to the same period of the year 2017 (EUR 17,568 thousand), mainly due to the revaluation of the green certificates in Poland by 235% and a limited negative impact of hedging transactions made to hedge energy prices, which compensated for lower average energy prices on the Spanish pool market, which saw a 2.1% decrease compared to the same period of the previous year.

Operating expenses decreased by 3% due to the company implementing a cost reduction policy as well as, among others, due to amendments to legislation implemented in Poland limiting the amount of property tax, which contributed to a 1% increase of EBITDA.

In the first half year of 2018, part of an intra-group transaction, a contract was made to transfer 100% of shares in the Explotación Eólica La Pedrera, S.L. company to the Audax Energía, S.A. company, which generated a profit in the amount of EUR 1,983 thousand before tax, due to provisions created earlier covering the full amount of consolidated book value of these assets.

Financial expenditure has decreased by 2% compared to the same period of the previous year, owing mainly to a reduction in financial burden from the project finance.

Audax Renovables ends the first half year of 2018 with a Net Profit Attributable to the Parent Company amounting to EUR 4,133 thousand, compared to profit of EUR 2,024 thousand for the same period of the previous year, which means an increase of 104%.

4. ALTERNATIVE PERFORMANCE MEASURES

AUDAX RENOVABLES reports on Alternative Performance Measures (APM) in order to supplement the consolidated financial statements presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). These measures, in addition to the financial measures and in compliance with IFRS-EU, 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 and 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	1S2018	1S2017	Var. (%)
Operating income	17,693	17,706	0%
Operating expenses	(5,756)	(5,906)	-3%
EBITDA ⁽¹⁾	11,937	11,800	1%
EBIT ⁽²⁾	8,108	6,070	34%

(EUR thousands)

⁽¹⁾ EBITDA defined as the "Net turnover", "Other operating income", "Staff costs", "Other operating expenses", "Amortisation and depreciation" and "Impairment and profit (loss) on disposal of fixed assets" added together

⁽²⁾ EBIT defined as the "Operating profit (loss)"

The reconciliation between EBITDA and the Consolidated Profit (loss) for the period is presented below:

	1S2018
EBITDA	11,937
Amortisation and depreciation	-5,797
Impairment and profit (loss) on disposal of fixed assets	1,968
OPERATING PROFIT (LOSS)	8,108
Financial income	75
Financial expenses	-3,924
Exchange differences	-49
Profit (loss) of companies measured by equity accounting	-28
Profit (loss) before tax	4,182
Corporate income tax	-29
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	4,153

Production (GWh)	1S2018	%	1S2017	%	% Var.
Spain	152.0	75%	161.8	74%	-6%
France	15.1	7%	16.5	9%	-9%
Poland	36.3	18%	39.3	18%	-7%
Total	203.5	100%	217.6	100%	-7%

Net Financial Debt	Jun-18	Dec-17	Var.
Bank loans	122,589	125,856	(3,267)
Corporate loan - Tranche B	0	4,600	(4,600)
Debt of the operating farms and other	122,589	121,256	1,333
Other liabilities (derivatives)	11,978	11,949	30
Cash and other current financial assets	(22,607)	(24,360)	1,854
Current financial assets	(14,323)	(10,182)	(4,141)
Cash and other cash equivalents	(8,284)	(14,178)	5,894
Net Financial Debt *	111,960	113,445	(1,485)
Net Equity	84,790	80,860	3,930
Leverage**	56.9%	58.4%	-1.5%

(miles de euros)

* Net Financial Debt = Bank loans + Other liabilities (derivatives) – Cash and other current financial assets

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

Stock Market Data	1S2018	1S2017	Units
Number of shares admitted to trading	140,003,778	140,003,778	Number
Price at the beginning of the period	0.450	0.505	€ / share
Price at the closing of the period	2.400	0.565	€ / share
Maximum price	3.200	0.670	€ / share
Minimum price	0.450	0.500	€ / share
Price fluctuation during the period	433.33	11.88	%
Capitalisation at the closing of the period	336,009,067	79,102,135	€
Number of traded shares	389,664,291	66,187,147	Number
Effective volume	789,898,971	39,662,748	€
Daily volume of traded shares (average)	3,092,574	529,497	Number
Effective daily volume (average)	6,269,039	317,302	€
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	4,132,863	2,024,185	€
Profit/Loss per share			
- Basic	0.0295	0.0145	€ / share
- Diluted	0.0295	0.0145	€ / 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. A modification of the legal regulatory framework is likely to affect the results of the business.

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 the first half year of 2018 and in relation to the facilities that are in operation, the Group has incurred environmental expenditure of EUR 61 thousand, primarily for wildlife conservation.

7. STAFF

As at 30 June 2018 the number of employees of the Group is 12.

8. TREASURY SHARES

As at 30 June 2018 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 period.

10. SUBSEQUENT EVENTS

See note 19 of the interim condensed consolidated financial statements.