Translation into English of financial statements and notes to the financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

GRUPO EZENTIS, S.A. AND SUBSIDIARIES (GRUPO EZENTIS)

Consolidated Financial Statements
in compliance with International Standards
on Financial Disclosure adopted by the European Union,
and Consolidated Directors' Report
for the year ended 31 December 2016

Translation into English of independent auditor's report on financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Grupo Ezentis, S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Grupo Ezentis, S.A. (the Parent) and subsidiaries (the group), which comprise the consolidated balance sheet at 31 December 2016, the consolidated income statement, the consolidated statement of changes in net equity, the consolidated cash flow statement and the consolidated notes to the financial statements for the year ended on said date.

Responsibility of directors with regards to the consolidated financial statements

Directors are responsible for the preparation and fair presentation of these consolidated financial statements, so that they provide a fair view of the equity, financial position and consolidated profit/(loss) of Grupo Ezentis, S.A. and subsidiaries, in accordance with International Financial Reporting Standards, adopted by the European Union, and the instructions and standards for the preparation and presentation of financial information applicable to the group in Spain, and the internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from any material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Spain. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as assessing the overall presentation of consolidated financial statements.

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and financial position of Grupo Ezentis, S.A. and subsidiaries at 31 December 2016, and the consolidated profit/(loss) and cash flows for the year then ended, in accordance with the International Financial Reporting Standards, adopted by the European Union, and instructions and standards for the preparation and presentation of financial information applicable in Spain.

Report on other Legal and Regulatory Requirements

The accompanying consolidated directors' report for year 2016 contains the explanation which the Parent's directors consider appropriate about the situation of Grupo Ezentis, S.A. and subsidiaries, their business and other matters, but is not an integral part to the consolidated financial statements. We have verified that the accounting information on the consolidated directors' report is consistent with that obtained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope and did not include a review of any information other than that drawn from the accounting records of Grupo Ezentis, S.A. and subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

María Pla de la Rosa

3 April 2017

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

ASSETS	Note	31 12 2016	31 12 2015
Non-current assets		**131,806**	**114,463**
Intangible assets		**51,339**	**45,081**
Goodwill	6	37,810	34,090
Other intangible assets	7	13,529	10,991
Property, plant and equipment	**8**	**25,901**	**16,857**
Land and buildings		116	295
Plant and machinery		5,589	5,383
Furniture		4,030	4,025
Transport items		8,280	4,937
Information devices and other items of property, plant and equipment		7,886	2,217
Investments in associates	**9**	**121**	**118**
Non-current financial assets	**10**	**46,268**	**47,427**
Deferred tax assets	**18**	**8,177**	**4,980**
Current assets		**119,691**	**89,442**
Inventories	**11**	**5,914**	**3,090**
Receivables		**102,970**	**71,697**
Trade receivables for sales and services provided	12	41,366	27,147
Customers, amounts to be billed for works performed	12	46,368	33,555
Sundry receivables	12	3,457	2,690
Current tax assets	18	11,779	8,305
Other current assets	**12**	**4,110**	**3,732**
Cash and cash equivalents	**12**	**6,697**	**10,923**
Total Assets		**251,497**	**203,905**

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015
(Thousands of Euros)

	Note	31 12 2016	31 12 2015
NET EQUITY			
Net equity of the Parent Company		**17,255**	**12,962**
Subscribed capital		70,697	70,697
Issuance rights		31,578	31,578
Other reserves		(75,866)	(64,185)
Treasury shares		(237)	(36)
Gains and losses attributable to the Parent Company		903	(10,888)
Cumulative translation differences		(9,820)	(14,204)
Minority interest		**535**	**1,046**
Total net equity	**13**	**17,790**	**14,008**
Non-current liabilities		**117,205**	**107,190**
Provisions	**17**	**29,720**	**31,119**
Non-current financial liabilities		**82,737**	**71,541**
Bank borrowings	14	79,545	65,899
Other financial liabilities	15	3,192	5,642
Deferred tax liabilities	**18**	**4,392**	**3,892**
Other non-current liabilities		**356**	**638**
Current liabilities		**116,502**	**82,707**
Current financial liabilities		**25,683**	**23,770**
Bank borrowings	14	20,022	15,192
Other financial liabilities	15	5,661	8,578
Trade and other payables	**16**	**85,391**	**54,406**
Suppliers	16	37,734	21,225
Other payables	16	8,413	7,764
Remuneration payable	16	11,429	10,154
Current tax liabilities	18, 16	19,876	11,114
Customer advances	16	7,939	4,149
Provisions for other liabilities and expenses	**17**	**5,428**	**4,531**
Total liabilities		**233,707**	**189,897**
Total net equity and liabilities		**251,497**	**203,905**

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA-INTÉRPRETE JURADA DE INGLÉS
Nº 6427

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

	Note	31 12 2016	31 12 2015
Operating income			
Net Revenue	21, 22	307,410	295,451
Other operating income		1,222	1,519
In-house work on assets		2,282	582
Change in inventories of finished goods and goods in progress		5,542	6,012
Operating expense			
Consumables and other external expenses	21	(58,865)	(72,056)
Staff costs	21	(143,809)	(138,406)
Provision for fixed asset amortisation	7.8	(9,916)	(10,179)
Change in provisions		772	9
Other operating expense	21	(82,603)	(68,721)
Other revenue and expenditure	21	(709)	(2,437)
Consolidated Profit/(Loss) from operations	**22**	**21,326**	**11,774**
Financial income and expense			
Other interests and similar income	21.22	2,966	1,498
Finance expense and similar expenses	21	(22,774)	(21,355)
Net translation differences	21	836	(3,286)
Impairment and profit/loss from disposal of financial instruments	21	(1,226)	1,181
Financial profit/(loss)	**22**	**(20,198)**	**(21,962)**
Impact on profit/(loss) of associates		1	(3)
Consolidated Profit/(Loss) before tax		**1,129**	**(10,191)**
Income tax	18.22	(360)	(1,143)
Consolidated Profit /(Loss) for the year		**769**	**(11,334)**
Attributable to:			
Minority interest		(134)	(446)
Owners of the Parent		903	(10,888)
Basic profit/(loss) per share of the Parent Company	13	0.0038	(0.0462)
Basic profit/(loss) per share of continuing operations		0.0033	(0.0481)
Diluted profit/(loss) per share of the Parent Parent Company	13	0.0038	(0.0462)
Diluted profit/(loss) per share of continuing operations		0.0033	(0.0481)

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

	Note	31 12 2016	31 12 2015
Profit /(Loss) for the year		**769**	**(11,334)**
Other comprehensive income:			
Items which may be recorded under profit or loss		**4,384**	**(9,644)**
Hedges of net investment	**3.1**	(1,434)	(2,141)
Translation differences of foreign currency	**13 (Madrid)**	5,818	(7,503)
Other comprehensive income, net of tax		**4,384**	**(9,644)**
Total comprehensive income for the year		**5,153**	**(20,978)**
Attributable to:			
Owners of the Parent		5,287	(20,532)
Minority interest	**13 (Madrid)**	(134)	(446)
Total comprehensive income for the year		**5,153**	**(20,978)**
Total comprehensive income, attributable to shareholders:			
On-going activities		5,287	(20,532)
Discontinued operations		-	-
		5,287	(20,532)

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015
(Thousands of Euros)

Thousands of Euros	Subscribed capital (Note 13)	Issuance rights (Note 13)	Other reserves (Note 13)	Profit /(Loss) attributable to the Parent (Note 22)	Translation differences (Note 13)	Shares of the Parent (treasury shares) (Note 13)	Net equity attributable to owners of the Parent (Note 13)	Minority interest (Note 13)	Total net equity
Balance at 01.01.2016	**70,697**	**31,578**	**(64,185)**	**(10,888)**	**(14,204)**	**(36)**	**12,962**	**1,046**	**14,008**
Profit /(Loss) for the year	-	-	-	903	-	-	903	(134)	769
Other comprehensive income for the year	-	-	-	-	4,384	-	4,384	-	4,384
Total comprehensive income for the year	**-**	**-**	**-**	**903**	**4,384**	**-**	**5,287**	**(134)**	**5,153**
Transactions involving shares	-	-	-	-	-	(201)	(201)	-	(201)
Distribution of dividends	-	-	-	-	-	-	-	-	0
Capital increase /(decrease)	-	-	-	-	-	-	0	-	0
Other transactions with shareholders	-	-	(793)	-	-	-	(793)	(377)	(1,170)
Transactions with owners	**0**	**0**	**(793)**	**-**	**-**	**(201)**	**(994)**	**(377)**	**(1,371)**
Transfer to accumulated profit/(loss)	-	-	(10,888)	10,888	-	-	-	-	-
Total changes in equity	**0**	**0**	**(11,681)**	**11,791**	**4,384**	**(201)**	**4,293**	**(511)**	**3,782**
Balance at 31.12.2016	**70,697**	**31,578**	**(75,866)**	**903**	**(9,820)**	**(237)**	**17,255**	**535**	**17,790**

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

Translation into English of financial statements and notes to the financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015
(Thousands of Euros)

Thousands of Euros	Subscribed capital (Note 13)	Issuance rights (Note 13)	Other reserves (Note 13)	Profit /(Loss) attributable to the Parent (Note 22)	Translation differences (Note 13)	Shares of the Parent (treasury shares) (Note 13)	Net equity attributable to owners of the Parent (Note 13)	Minority interest (Note 13)	Total net equity
Balance at 01.01.2015	**70,531**	**31,296**	**(52,638)**	**(7,356)**	**(5,903)**	**(2,762)**	**33,168**	**3,275**	**36,443**
Profit /(Loss) for the year	-	-	-	(10,888)	-	-	(10,888)	(446)	(11,334)
Other comprehensive income for the year	-	-	-	-	(9,644)	-	(9,644)	-	(9,644)
Total comprehensive income for the year	**-**	**-**	**-**	**(10,888)**	**(9,644)**	**-**	**(20,532)**	**(446)**	**(20,978)**
Transactions involving shares	-	-	-	-	-	2,726	2,726	-	2,726
Distribution of dividends	-	-	-	-	-	-	-	(70)	(70)
Capital increase /(decrease)	166	282	-	-	-	-	448	(395)	53
Other transactions with shareholders	-	-	(4,191)	-	1,343	-	(2,848)	(1,318)	(4,166)
Transactions with owners	**166**	**282**	**(4,191)**	**-**	**1,343**	**2,726**	**326**	**(1,783)**	**(1,457)**
Transfer to accumulated profit/(loss)	-	-	(7,356)	7,356	-	-	-	-	-
Total changes in equity	**166**	**282**	**(11,547)**	**(3,532)**	**(8,301)**	**2,726**	**(20,206)**	**(2,229)**	**(22,435)**
Balance at 31.12.2015	**70,697**	**31,578**	**(64,185)**	**(10,888)**	**(14,204)**	**(36)**	**12,962**	**1,046**	**14,008**

Notes to the financial statements and Appendix I - IV form an integral part of the consolidated financial statements IFAS - UE.

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

Thousands of Euros	Note	2016	2015
A) CASH FLOW STATEMENTS OF OPERATING ACTIVITIES (1+2+3+4)		**20,557**	**19,048**
1. Profit/(Loss) before tax, including continuing discontinued operations		**1,129**	**(10,191)**
2. Adjustment of profit or loss:		**24,977**	**31,233**
Fixed asset depreciation	7.8	9,916	10,179
Impairment losses	21	1,226	(1,181)
Change in provisions		(772)	(10)
Allocation of grants		(282)	(377)
Gains/Losses on write-offs	21	(2,865)	1,550
Financial income	21	(2,966)	(1,498)
Finance expense	21	22,774	21,355
Stock on profit/(loss) of associates	21	1	(3)
Translation differences	10	(836)	3,286
Other adjustments of the result	21	(1,219)	(2,068)
3. Changes in working capital:		**(4,406)**	**1,542**
Inventories		(2,493)	1,623
Trade and other receivables	12	(23,482)	1,896
Other current financial assets	12	(254)	284
Trade payables and other current liabilities	16	24,418	(3,594)
Other non-current assets and liabilities	16	(2,595)	1,333
4. Other cash flows from operating activities:		**(1,143)**	**(3,536)**
Paid tax		(1,143)	(3,536)
B) CASH FLOWS FROM INVESTMENT ACTIVITIES (1+2)		**(17,935)**	**(23,957)**
1. Investment payments (-)		**(22,180)**	**(25,133)**
a) Acquisition of subsidiaries, net of cash (-)		(6,401)	-
b) Property, plant and equipment and investment property (-)	7.8	(13,082)	(7,009)
c) Other financial assets (-)	7	(2,697)	(17,207)
d) Payments for investment in group companies		-	(917)
2. Collection from disinvestments (+)		**4,245**	**1,176**
b) Property, plant and equipment and investment property (+)		3,188	-
c) Other financial assets (-)		1,057	995
d) Other assets (+)		-	181
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)		**(6,846)**	**5,179**
1. Collection and (payments) from equity instruments	13	**(201)**	**3,215**
a) Issuance (+)		-	448
b) Acquisition (-)		(201)	-
(c) Disposal (*)		-	2,726
d) Grants, donations and legacies received		-	41
2. Collection and (payments) from financial liabilities.	14.15	**13,593**	**22,423**
a) Issuance (+)		19,399	68,769
b) Repayment and amortisation (-)		(5,806)	(46,346)
3. Cash flows from financing activities		**(20,238)**	**(20,252)**
a) Payment of interest (-)		(22,774)	(21,355)
b) Collection of interest (+)		2,536	1,498
c) Acquisition of stocks in subsidiaries (-)		-	(395)
4. Payment for dividends and remuneration of other equity instruments		**-**	**(207)**
- Dividends		-	(207)
D) IMPACT OF CHANGES IN EXCHANGE RATES		**(2)**	**(6,168)**
E) NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (A+B+C+D)		**(4,226)**	**(5,898)**
F) Cash and cash equivalents at the opening of the year		**10,923**	**16,821**
F) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E + F)	**13.d**	**6,697**	**10,923**

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA-INTERPRETE JURADA DE INGLÉS
Nº 6427

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

1. Company overview

Incorporation of the Parent, business purpose and structure

Grupo Ezentis, S.A. (hereinafter the Parent), and subsidiaries and associates (jointly, referred to as the Group), was incorporated in 1959.

The registered office of the Parent Company is located at 24, Acustica Rd., 5th floor, Edificio Puerta de Indias, 41015 Seville, Spain. The Parent is recorded at the Trade Registry of Seville.

As of 31 December 2016, the Parent Company develops its business in the domestic market, and its subsidiaries develop their business in Spain, Argentina, Brazil, Chile, Colombia, Jamaica, Panama, Peru, Trinidad & Tobago and Haití, and the corporate purposes is related to:

1. The execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people, whether sign, sound or image, by mechanical, electrical, magnetic and optical means, as well as the provision of added value services to said telecommunications.

2. The execution and maintenance of electrical installations, in general, in high, low and medium voltage, electronic installations, electrification installations, installations of signalling and beaconing systems, security and fire-fighting installations, ports, airports, railway networks and roads.

3. The complete construction, refurbishment and conservation of civil works, hydraulic works, buildings, sanitation, paving and water supply and waste treatment systems.

4. The contracting of works and services with the State, provinces, municipalities or any other institutional or corporate entities, and in general all kinds of public or private organisations.

5. The drafting of technical projects, construction management, quality control, execution of studies and reports and technical advice related to its corporate purpose.

6. The participation in companies with similar or analogous activities to those previously designated.

The activity of the Parent Company corresponds to corporate services and backlog activity.

Appendix I, II and III list subsidiaries included and not included, respectively, in the scope of consolidation, as indicated below:

- Appendix I: Subsidiaries within the scope of consolidation of Grupo Ezentis, S.A and Subsidiaries.
- Appendix II: Subsidiaries non-included within the scope of consolidation of Grupo Ezentis, for being inactive or in liquidation process.
- Appendix III: Joint ventures with Group companies.

The Parent Company has its shares admitted to trading on the Spanish Official Stock Exchanges of Madrid and Bilbao.

2. Basis of presentation of the consolidated financial statements and accounting policies

2.1) Basis of presentation

The consolidated financial statements of Grupo Ezentis for the year ended 31 December 2016 have been drafted:

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2016 & 2015

(Thousands of Euros)

1. by the Directors of the Parent at the meeting of the Board of Directors held on 30 March 2017.

2. In accordance with the provisions of the International Financial Reporting Standards (IFRS-EU) adopted for use within the European Union and approved by the regulations of the European Commission and in force as of 31 December 2016, the IFRIC interpretations and the applicable mercantile legislation, not having failed to apply any mandatory regulation. Appendix IV summarises the most significant accounting principles and valuation criteria applied in the preparation of these consolidated financial statements.

3. Taking into account all of the accounting principles and standards and valuation criteria of mandatory application that have a significant effect in the consolidated financial statements.

4. Thus, they provide a fair image of the consolidated equity and the consolidated financial position of the Group as of 31 December 2016 and of the consolidated income statement, the statement of financial position, the statement of the changes in consolidated equity and the statement of consolidated cash flows that have occurred within the Group during the year ended on that date.

5. The consolidated financial statements were prepared from the accounting records of the Company and of the entities within the Group.

6. On a "going concern" basis. At 31 December 2016, the Group had recorded a profit amounting to EUR 903 (a EUR 10,888 loss at 31 December 2015). Working capital was reduced in EUR 3,546 thousand in 2016, mainly due to the increase recorded under Trade payables and other payables.

   However, the Group has a positive working capital as of 31 December 2016 amounting to EUR 3,189 thousand.

   The Group has complied with all the obligations established under the financing agreements and, in particular, the Group's future forecasts indicate a normal compliance with all financial covenants for the following twelve months.

   Therefore, the board of directors of the Parent Company has drawn up these consolidated financial statements on a "going concern"basis, assuming that the Group will continue to generate positive cash flows and comply with the payment of interests in the following twelve months and all obligations and commitments under the "Senior Facility Agreement" will be duly fulfilled.

7. These consolidated financial statements have been prepared under the modified historical cost approach in those cases established by the EU-IFRS, according to which certain assets and liabilities are valued at fair value.

Financial statements of the Group for the year ended 31 December 2016 were approved at the AGM held on 29 June 2016.

These consolidated financial statements and the individual financial statements of the Group companies for the year ended 31 December 2016 have not yet been approved by the shareholders at the respective Annual General Meetings. However, the Board of directors of Grupo Ezentis, S.A. considers that the aforementioned financial statements will be approved without any changes.

The figures contained in these financial statements are shown in thousands of Euros unless stated otherwise.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

2.2 Changes in the accounting criteria

New standards and amendments adopted by the Group:

The group has applied the following standards and modifications for the first time for its annual financial year beginning on 01 January 2016:

- Accounting of stocks in joint ventures – Amendment IFRS 11
- Clarification of impairment and amortisation methods -- Amendment IAS 16 and IAS 38
- Annual improvement IFRS 2010-2012
- Annual improvement IFRS 2012-2014 and
- Initiative on Disclosure of Information. Amendment IAS 1.

The adoption of IAS 1 has involved an in-depth review of the information contained in these financial statements, seeking their simplification, reordering and, ultimately, improving their understanding. The remaining standards and amendments indicated have not had any effect on the current period nor any previous one and they will probably not affect future years either.

Standards and regulations non-adopted up to date

Some accounting standards and new interpretations published are not mandatory for the financial period ending on 31 December 2016 and have not been adopted in advance by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 *Financial Instruments*

IFRS 9 addresses the classification, assessment and derecognition of financial assets and liabilities, it adds new rules for the accounting of hedge and a new model for the impairment of financial assets.

The group has not yet analysed in detail the classification and assessment of financial assets. The Group does not have equity instruments available for sale or equity investments valued at fair value that could be affected by the application of IFRS 9. Therefore, the group does not expect this new standard to have a significant impact on the classification and assessment of financial assets.

Likewise, no impact on the accounting of financial liabilities will be recorded by the group, since the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the group has no liabilities of this type. Derecognition guidelines have been transferred from IAS 39 *Financial instruments: Recognition and assessment* have not changed.

New rules for coverage will align the accounting of hedging instruments more with the group's risk management practices. As a general rule, more hedging relationships could qualify for hedge accounting since the standard introduces a model that is based more on the principles. Although the group has not yet undertaken a detailed evaluation, it seems that the current hedging relationships of the group would qualify as hedges that continue with the adoption of IFRS 9. Therefore, the Group does not expect a significant impact on the accounting of hedging relationships.

The new impairment model requires the recognition of provisions for impairment of value based on the expected credit losses instead of just the credit losses incurred into, which was the case according to IAS 39. It applies for financial assets classified at amortised cost, debt instruments valued at fair value with changes in other comprehensive income, contract assets under IFRS 15 Revenue from contracts with customers, accounts receivable for leases, loan commitments and certain financial guarantee contracts. Although the group has not yet carried out a detailed assessment of how provisions for impairment would be affected by the new model, it may result in the recognition of credit losses sooner.

The new standard also introduces expanded requirements for disclosures and changes in presentation. They are expected to change the nature and scope of the information revealed by the group about its financial instruments, especially in the exercise of adopting the new standard.

IFRS 9 shall be applied to financial years beginning on or after 1 January 2018. The Group does not intend to adopt IFRS 9 prior to its enforcement date.

IFRS 15 *Income from contracts with clients*

The IASB has issued a new standard for the recognition of ordinary income. This standard shall replace IAS 18, on contracts for goods and services and IAS 11, on construction contracts.

The new standard is based on the principle that ordinary income is recognised when the control of a good or service is transferred to the customer. The standard allows a modified or full retroactive approach for adoption.

The management is currently evaluating the impact of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected:

- Most of the income generated by the group refers to the execution of contracts for the provision of operation and maintenance services in the field of telecommunications and energy infrastructure and services, whose execution periods are in the short-term. We understand that the application of IFRS 15 does not have a significant impact on the recognition of Group revenue.
- Accounting of certain costs incurred into in the fulfilment of a contract - certain costs that are currently recorded as an expense may have to be recognised as an asset under IFRS 15.

At this stage, the Group is not able of measuring the impact of new standard on the financial statements of the group. The Group shall carry out more detailed assessments on potential impact during the following months.

IFRS 15 is enforceable as from financial years beginning on or after 1 January 2018. The Group does not intend to adopt IFRS 15 prior to its enforcement date.

IFRS 16 *Leases*

IFRS 16 Leases was released in January 2016) It will result in almost all leases being recognised in the balance sheet, since the distinction between operating and financial leases is eliminated. According to the standard, both, an asset (the right to use the leased item) and a financial liability for the payment of leases are recognised. The only exceptions are short-term and low-value leases.

This standard will mainly affect the accounting treatment of the group's operating leases. At the reporting date, the group has non-cancellable operating lease commitments amounting to EUR 19,313 thousand, see note 21.d. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and the classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to agreements that will not qualify as leases according to the provisions under IFRS 16.

This rule applies to financial years beginning on or after 01 January 2019. At this stage, the Group does not intend to adopt this standard prior to its enforcement date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in current or future financial years and on transactions in the immediate future.

3. Management of financial risk

3. 1 Financial risk factors

Grupo Ezentis has an Integral Risk Management System which identifies, assesses, prioritises and manages the Group's relevant risks. This System works in an integral and continuous way and is the result of the consolidation at corporate level of the steps taken by each of the business units, countries or companies that form or have been part of the Ezentis Group throughout the year.

This Integral Risk Management System aims to ensure risks that may affect the strategies and objectives of the Ezentis Group are identified, analysed, assessed, managed and controlled in a systematic manner, with uniform criteria and established within agreed tolerance levels of risk.

The Board of Directors is responsible for defining the risk control and management policy, identifying the main risks of the Company, mainly tax risk, and organising, implementing and monitoring the appropriate internal control and information systems.

The Audit and Compliance Committee, as the delegated body of the Board of Directors, is empowered to supervise the internal control systems of financial information (ICFR) and periodically guarantee the risk management system, so that the main risks are identified, managed and known.

Risk management is carried out by the risk managers or owners of the different business units / countries of the Group, all in accordance with the guidelines and criteria established under the Group's Risk Management Policy and in the Risk Management Handbook.

The Financial Department is in charge of the financial risk management, assessing and covering financial risks in collaboration with the Group's operating units, providing policies for global risk management, as well as for specific areas. Financial risks are risks associated with financial markets, the generation and management of the treasury. These include those related to liquidity and cash management, access to financial and capital markets, credit risk, and exchange rate and interest rate variations.

Financial Instruments

Financial instruments hold by the Group at 31 December 2016 and 2015 are as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Financial asset instruments		
Non-current financial assets	46,268	47,427
Trade and other receivables	102,970	71,697
Other current financial assets	4,110	3,732
Cash and cash equivalents	6,697	10,923
	160,045	**133,779**
Financial liability instruments		
Non-current bank borrowings	79,545	65,899
Other non-current financial liabilities	3,192	5,642
Current bank borrowings	20,022	15,192
Other current financial liabilities	5,661	8,578
Trade and other payables	77,452	50,257
	185,872	**145,568**

The analysis of financial instruments valued at fair value is classified according to the valuation method. Valuation levels are as follows:

Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1). Grupo Ezentis does not have any financial instruments valued according to this method.

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Data other than the quoted price included within level 1 that are observable for assets or liabilities, both directly (that is, prices), and indirectly (that is, derived from prices) (Level 2).

Data for assets or liabilities that are not based on observable market data (that is, unobservable data) (Level 3).

Financial instruments Level 2 include at 31 December 2016 exchange rate derivatives. Also significant data required for calculating fair value of financial assets are observable and, therefore, qualify as Level 2.

Breakdown of derivative financial instruments at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	31/12/2016	**31/12/2015**
Derived from exchange rate	240	4,528
Total	**240**	**4,528**
Non-current	**193**	**3,642**
Current	**47**	**886**

Financial instruments Level 3 at 31 December 2016 and 2015 include the contingent consideration of business combinations due to the acquisition of Grupo Test y the contingent consideration for the minority interest in Ezentis Chile, as indicated in the following table:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Ezentis Chile	917	917
Grupo Networks Test	-	1,227
Total	**917**	**2,144**

Interest rate risk

Changes in interest rates modify the fair value of those financial assets and liabilities that accrue a fixed interest rate, as well as the cash flows of financial assets and liabilities referenced at a variable interest rate, thus affecting both, equity and profit/(loss), respectively. To mitigate the same, the Group maintains an active policy in the management of interest rate risk, with constant monitoring of the market. Financial debts and other payables, as well as contracts with customers, are referenced to a market interest rate and inflation rates.

Only a part of the financial liabilities is subject to fair value risk by interest rate. Financial debts and other payables are referenced to a market interest rate. At 31 December 2016, the Group does not have hedges contracted in relation to interest rate.

Debt structure at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Fixed interest rate	8,853	14,220
Variable interest rate	99,567	81,091
Total	**108,420**	**95,311**

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The variable interest rate is subject mainly to the fluctuations of the different reference rates used to calculate the interest in the different subsidiaries that have debts recorded in their balance sheets.

The sensitivity of the result to the variation of interest rates on liabilities with credit institutions is as follows:

Thousands of Euros		**Increase/Decrease of the interest rate (indexed to Euribor)**	**Impact on profit/(loss) before tax**
	2016	+/-1%	+/- 996
	2015	+/-1%	+/- 811

Exchange rate risk

The Group's risk related to changes in exchange rates is basically related to the operations of Group companies located outside Spain, and especially in Latin America.

To mitigate these risks, the Group tries to match, whenever possible, the costs and revenues indexed to the same currency, as well as the amounts and maturity dates of assets and liabilities arising from operations in currencies other than the Euro. In this sense, the Group has a natural hedge of exchange rate that minimises currency risk in the outcome, since it offsets the risk of sales in the currency of each country with purchases in the same currency.

Currencies other than the Euro which the Group operates the most as of 31 December 2016 are Pesos (Argentina), Pesos (Chile), Reales (Brazil), Soles (Peru) and Pesos (Colombia). The sensitivity of the outcome and the equity (increase and decrease) of the exchange rate of these currencies against the Euro is as follows:

		Thousands of Euros	
		31.12.2016	**31.12.2015**
Argentina			
Impact on profit/(loss) before tax	(+5% - 5%)	129	15
Impact on equity (adjustment change of value)	(+5% - 5%)	253	160
Chile			
Impact on profit/(loss) before tax	(+5% - 5%)	86	160
Impact on equity (adjustment change of value)	(+5% - 5%)	543	426
Peru			
Impact on profit/(loss) before tax	(+5% - 5%)	(104)	62
Impact on equity (adjustment change of value)	(+5% - 5%)	1,371	1,411
Brazil			
Impact on profit/(loss) before tax	(+5% - 5%)	(146)	(66)
Impact on equity (adjustment change of value)	(+5% - 5%)	891	350
Colombia			
Impact on profit/(loss) before tax	(+5% - 5%)	(45)	(12)
Impact on equity (adjustment change of value)	(+5% - 5%)	126	154

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During year 2016, 91.2% (91.4% in 2015) of the turnover and 88% in 2016 (86% in 2015) of the operating expenses of the Group were generated in foreign currency.

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Main figures of turnover in currencies other than the Euro are summarised below:

	Net turnover	
	2016	**2015**
Peru	30,231	37,499
Argentina	52,910	72,285
Chile	63,858	56,361
Brazil	119,089	92,119
Colombia	8,269	4,610
Caribbean	5,993	7,250
Total currencies other than the Euro	**280,350**	**270,124**
Total turnover	**307,410**	**295,451**
% transactions in a currency other than the Euro	**91.2%**	**91.4%**

The investment of property, plant and equipment located abroad stands at EUR 23,844 thousand at net book value as of 31 December 2016 (EUR 15,284 thousand as of 31 December 2015), which represents 92.1% of total net book value of property, plant and equipment at 2016-year end (90.7% at 2015-year end).

The investment in other intangible assets located abroad amounts to EUR 44,530 thousand (EUR 36,091 thousand at 31 December 2015), which mainly includes EUR 25,685 thousand of the goodwill of Ezentis Perú, S.A.C. EUR 4,949 thousand of goodwill and intangible assets identified in Ezentis Energía SA, EUR 4,578 thousand of goodwill and intangible assets identified in Ezentis Engenharia (SEICOM), EUR 3,420 thousand corresponding to the identified intangibles in the Colombian subsidiary of Grupo Networks Test and the goodwill and intangible assets identified in the acquisition of Tecnet for an amount of EUR 3,298 thousand.

A portion of the loans to Brazilian subsidiaries indexed in Euros have been designated as a net investment of the investees, for EUR 2,758 thousand (EUR 15,921 thousand at 31 December 2015). The exchange difference loss amounting to EUR 560 thousand (a EUR 2,141 thousand loss at 31 December 2015), originated in the conversion of the debts to Euros, at balance sheet date, was recorded under "Other comprehensive income".

In order to mitigate the exchange rate risk for the quarterly interest payments of the financial debt in Euros, the Group arranged hedges through "put" options for the sale of currencies representing the majority of the cash flows that are expected to be repatriated from the subsidiaries. The notional amounts of the options were calculated to cover the total interest payments (not principal) of the debt with Highbridge Principal Strategies, LLC during the following 3 years of the operation (see description of the Capital Risk Financing Agreement and other notes to the consolidated financial statements).

EURBRL options

EUR Call / BRL Put

Option #	Date of expiry	Notional EUR	Amount in BRL	Price for the year	Premium option EUR
6	26-01-2017	1,054,661	4,437,803	4.20780	136,551
7	26-04-2017	1,054,661	4,437,803	4.20780	157,089
8	26-07-2017	1,054,661	4,437,803	4.20780	180,403
Summary year 2		3,163,983			474,043
9	26-10-2017	1,132,373	5,045,061	4.45530	187,619
10	26-01-2018	1,132,373	5,045,061	4.45530	208,157
11	26-04-2018	1,132,373	5,045,061	4.45530	228,140
12	26-07-2018	1,132,373	5,045,061	4.45530	247,568
Summary year 3		4,529,492			871,484
TOTAL EURPEN options		7,693,475			1,345,527

(Thousands of Euros)

EURCLP options

EUR Call / CLP Put

Option #	Date of expiry	Notional EUR	Amount in CLP	Price for the year	Premium option EUR
6	26-01-2017	620,000	513,223,600	827.78	37,000
7	26-04-2017	620,000	513,223,600	827.78	44,000
8	26-07-2017	620,000	513,223,600	827.78	52,000
Summary year 2		1,860,000			162,000
9	26-10-2017	510,000	446,999,700	876.47	37,000
10	26-01-2018	510,000	446,999,700	876.47	43,000
11	26-04-2018	510,000	446,999,700	876.47	48,000
12	26-07-2018	510,000	446,999,700	876.47	55,000
Summary year 3		2,040,000			183,000
TOTAL EURCLP options		3,900,000			345,000

EURPEN options

EUR Call / PEN Put

Option #	Date of expiry	Notional EUR	Amount in PEN	Price for the year	Premium option EUR
6	26-01-2017	310,000	1,205,559	3.8889	22,000
7	26-04-2017	310,000	1,205,559	3.8889	27,000
8	26-07-2017	310,000	1,205,559	3.8889	32,000
Summary year 2		930,000			81,000
9	26-10-2017	285,000	1,173,516	4.1176	26,000
10	26-01-2018	285,000	1,173,516	4.1176	29,000
11	26-04-2018	285,000	1,173,516	4.1176	33,000
12	26-07-2018	285,000	1,173,516	4.1176	36,000
Summary year 3		1,140,000			124,000
TOTAL EURPEN options		2,070,000			205,000
Total notional		**11. 803,473**			**1,895,527**

The distribution of the notional amounts between the different currencies was calculated based on cash generation estimates in those currencies for the payment of debts by subsidiaries of the Parent Company during the same period.

In force as from 1 January 2016, the Company designated the current options as hedges of net investment in foreign transactions.
The purpose of the hedge is to protect the value of the net investment abroad (Brazil, Chile and Peru) or translation differences in the consolidated financial statements of Grupo Ezentis from adverse movements of the exchange rate against the Euro until the expiration date of the contracted hedging instruments. The hedging strategy allows Grupo Ezentis to cover all translation differences (depreciation of the currency) above a specific level, determined by the strike price of the contracted options (one side risk). The hedging strategy is aligned with the entity's risk management policy.

The gain or loss of the hedging instrument (due to its intrinsic component) that is determined as an effective hedge of the net investment is recognised under equity and is included in translation differences arising from the exchange rate applied to the businesses abroad. Translations differences are recognised under the profit/(loss) for the year. The differences in the value of the temporary component of the hedging instrument are recorded directly under profit/(loss) for the year.

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At 31 December 2016, as a result of the gradual appreciation of the Latin American currencies underlying these hedges, the loss recorded in the accompanying consolidated income statement amounted to EUR 1,236 thousand corresponding to the ineffective part and the value differences of the temporary component, directly recognised under the consolidated net worth for EUR 1,994 thousand corresponding to the variation of intrinsic value of the hedging instruments.

Credit risk

It occurs when the provision of services or acceptance of customer orders, whose financial solvency was not guaranteed at the time of acceptance, or during the execution of the order, may produce a risk of collection of the amounts owed. To minimise the risk of default, Ezentis analyses the credit quality of its customers, which in any case is excellent because they are first-line companies in their markets.

Grupo Ezentis mitigates this risk through policies that ensure that projects are executed for customers with an adequate credit history, subject to solvency analysis.

Likewise, trade receivables are reflected in the consolidated balance sheet net of provisions for insolvencies estimated by the Group based on the age of the debt and the experience of previous years in accordance with the prior segregation of customer portfolio and the current economic environment.

The business lines of Technology and, especially, Telecommunications depend on the group headed by Telefónica, S.A., representing approximately 56.1% of the group's revenues (55.4% in 2015). With regards to trade receivables, the Group reduces credit risk through the non-recourse factoring of receivables to main customers in certain areas of the business. There is no historical record of invoices not attended by companies within the Telefónica group.

The credit risk of liquid funds is limited because the counterparts are banks with high credit quality. Likewise, the majority of receivables that have not been settled or provisioned have a high credit quality in accordance with the Group's valuation, based on the solvency analysis and payment history of each client.

The analysis of sales and services receivables as of 31 December 2016 and 2015 is as follows:

Thousands of Euros

	31 December 2016			31 December 2015		
	(Past-due receivables) and not impaired arrears	Not past-due	Total	(Past-due receivables) and not impaired arrears	Not past-due	Total
Less than 180 days	2,959	37,197	40,156	658	26,105	26,763
More than 180 days	1,210	-	1,210	384	-	384
TOTAL	**4,169**	**37,197**	**41,366**	**1,042**	**26,105**	**27,147**

Less than 180 days:

The segment including EUR 40,156 thousand in 2016 (EUR 26,763 thousand in 2015) is considered very low risk since it corresponds to customers paying within 180 days and with a very good credit quality. In accordance with the Group's record of these customers, the risk is considered very low (less than 2% of the clients presented in this category are made bankrupt).

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More than 180 days:

Within the segment including customers paying over 180 days, EUR 1,210 thousand at the end of 2016 (EUR 384 thousand at the end of 2015) qualify as medium risk, even when referred to past-due customers, according to the history records of these clients less than 5% could prove to be unsuccessful.

Note 12 lists past-due customers over 180 days, which are provisioned for the amount of EUR 1,476 thousand at the end of 2016 (EUR 1,448 thousand at the end of 2015).

Liquidity risk

This risk is motivated by the time lags between resources generated by the activity and the needs of required funds. To mitigate this risk, the Group determines treasury needs using various budgeting tools, as well as measures for the management of working capital. With these tools, treasury needs in terms of amount and time are identified, and financing needs are planned.

At 31 December 2016, the Group presents a positive working capital amounting to EUR 3,189 thousand (positive working capital amounting to EUR 6,735 thousand at the end of 2015).

The Group is developing measures focused on the management of working capital and improving collection policies, as well as improving operating efficiency through a cost reduction plan.

At 31 December 2016, the availability of liquidity reached EUR 6,697 thousand, taking into consideration cash and cash equivalents as of 31 December 2016 (Note 12d).

Details of the due dates of financial liabilities of the Company at 31 December 2016 are as follows:

	Thousands of Euros at 31 December 2016				
	2017	2018	2019	2020 and following	Total
Suppliers and other payables	46,147	-	-	-	46,147
Remuneration payable	11,429	-	-	-	11,429
Current tax liabilities	19,876	-	-	-	19,876
Bank borrowings	20,022	1,759	1,044	76,742	99,567
Other financial liabilities	5,661	1,421	658	1,113	8,853
Total	**103,135**	**3,180**	**1,702**	**77,855**	**185,872**

Details of the due dates of financial liabilities of the Company at 31 December 2017 are as follows:

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	Thousands of Euros at 31 December 2016			
	Up to 3 months	**From 3 to 6 months**	**From 6 to 12 months**	**Total 2016**
Suppliers and other payables	23,121	20,724	2,302	46,147
Remuneration payable	11,429	-	-	11,429
Current tax liabilities	16,882	1,996	998	19,876
Bank borrowings	12,698	2,909	4,415	20,022
Other financial liabilities	858	91	4,712	5,661
Total	**64,988**	**25,720**	**12,427**	**103,135**

Financial resources available in the first months to meet the financial liabilities as of 31 December 2016 are:

a) Cash and cash equivalents: EUR 6,697 thousand
b) Other current assets: EUR 4,110 thousand
c) Receivables: EUR 102,970 thousand

At 31 December 2016, the Group has authorised factoring lines amounting to EUR 63,852 thousand and EUR 31,968 thousand in other financing lines (Note 12a).

The average period of work in progress at the end of 2016, considering total revenue, is 53 days (40 days at end of 2015).

The amount that will be charged in the following twelve months is that corresponding to the entire executed work pending invoicing, as of 31 December 2016, that is, EUR 46,368 thousand.

The evolution of clients, work executed pending invoicing is representative of the evolution experienced by the Group since 2014, with the acquisition of new companies and the awarding of new relevant contracts, as shown in the following summary:

	2016	**2015**	**2014**
Revenue	316,456	303,564	257,297
Customers, amounts to be billed for works performed	46,368	33,555	30,162
% / Revenue	**14.7%**	**11.1%**	**11.7%**

Year 2015:

Details of the due dates of financial liabilities of the Company at 31 December 2015 are as follows:

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	Thousands of Euros at 31 December 2015				
	2016	2017	2018	2019 and following	Total
Suppliers and other payables	28,989	-	-	-	28,989
Remuneration payable	10,154	-	-	-	10,154
Current tax liabilities	11,114	-	-	-	11,114
Bank borrowings	15,192	1,653	1,142	63,104	81,091
Other financial liabilities	8,578	2,472	1,119	2,051	14,220
Total	**74,027**	**4,125**	**2,261**	**65,155**	**145,568**

3.2 Capital risk

The Group's objectives with capital management are to safeguard the Group's capacity to ensure the Group's functioning and development and thereby achieve the greatest profitability for shareholders. The Group's strategy continues to influence the geographical diversification and consolidation of its activity, both in Spain and in other countries.

The cost of capital, as well as the risks associated with it in each investment project, are analysed by the Operating Areas and the Financial Management Team for subsequent evaluation by the corresponding committee, or the Board of Directors, with reports, if necessary, of other functional areas of the Group.

The Group monitors capital according to leverage ratio, in line with market practices. This index is calculated as net debt divided by total capital. Net debt is calculated as debt with credit institutions plus other financial liabilities minus cash and other cash equivalent and minus current financial assets. Total capital contributed to the business is calculated as net equity plus net debt. Likewise, the ratio of total capital used into revenue is monitored.

Leverage ratio used 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Bank borrowings	99,567	81,091
Other financial liabilities	8,853	14,220
Cash and cash equivalents and current financial assets	(10,807)	(14,655)
Net debt	**97,613**	**80,656**
Net equity	17,790	14,008
Total capital used in the business	**115,403**	**94,664**
Leverage ratio	0.85	0.85

According to Note 14, within the quantitative restrictions of the Senior Facility Agreement signed with Highbridge Principal Strategies, LLC highlight those related to meeting certain financial covenants that include i) a limit to the consolidated indebtedness, calculated as gross debt / EBITDA, ii) the obligation to comply with a treasury hedge ratio in the companies that comprise the Group's head (Grupo Ezentis, SA, Corporación Ezentis Holdco, S.á.rL and Corporación Ezentis Internacional, S.á.r.L), calculated as net cash inflows into financial expenses; and iii) the obligation to maintain a minimum liquidity in the companies comprising the Group's head amounting to EUR 4 million.

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The Group defines EBITDA as the consolidated operating profit/(loss) of the year before tax (excluding profit/(loss) from discontinued operations), before deducting interest, commissions, discounts and other financial payments by any member of the Group and without including provisioned financial expenses, adding expenses attributable to amortisation, depreciation and impairment of assets, before other results deemed exceptional, before deducting any cost associated with the transaction of the financing itself, after deducting the result associated with minority interest, excluding participation in the profit/(loss) of associates, before taking into account the gains or losses recognised for changes in fair value of derivative instruments or revaluation of any other asset and before taking into account any impact derived from pension plans and stock option plans.

Reconciliation between EBITDA and consolidated income statement is as follows:

	2016	2015
Profit /(Loss) for the year	**769**	**(11,334)**
Income tax	(360)	(1,143)
Impact on profit/(loss) of associates	1	(3)
Financial profit/(loss)	(20,198)	(21,962)
Amortisation and impairment	(9,916)	(10,179)
Surplus of trade provisions	(28)	9
Other profit/(loss)	(709)	(2,437)
Cancellation for the provision for variable remuneration	(437)	-
EBITDA	**32,416**	**24,381**

4. Estimation and critical judgements

The preparation of the consolidated financial statements in accordance with IFRS-EU requires Management to make estimates and assumptions that may affect the accounting policies adopted and the amount of assets, liabilities, income, expenses and related breakdowns. Estimates and assumptions made are based, among others, on the historical experience or other facts considered reasonable under the facts and circumstances taken into consideration at the balance sheet date, which represent the basis of judgement on book value of assets and liabilities not otherwise determinable immediately. Actual results may be different than those estimated.

Accounting estimates and judgements used at 31 December 2016 have been applied in a uniform manner with respect to those applied to the preparation of the financial statements for the year ended 31 December 2015.

Main estimates drawn up by the directors of the Group are as follows:

4.1. Useful life and impairment tests of the items of property, plant and equipment and intangible assets

Directors of the group determine the estimated useful life and the corresponding depreciation charges for its items of property, plant and equipment and intangible assets. The useful life of fixed assets is estimated with regards to the period in which the items of property, plant and equipment will generate economic benefits.

The Group reviews the useful lives of fixed assets at each closing and if estimates differ from those previously made, the effect of the change is applied prospectively as from the year when said change is made.

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Directors of the group, with regards to intangible assets with indefinite useful life (Goodwill), carries out a test of impairment at least once a year. The recoverable amount of each CGU allocated to the Commercial Funds has been determined based on calculations of the value in use according to discounted cash flow.

4.2. Income tax and deferred tax asset

The Group is subject to income tax in the different countries where it operates. The Group recognises liabilities for eventual tax claims based on the estimate of whether additional tax may be necessary. When the final result of these items is different from the amounts initially recognised, such differences will have an impact on income tax and deferred tax provisions in the year which such determination is made in.

Likewise, the Group evaluates the recoverability of deferred tax assets based on the existence of future tax bases against which it may be possible to make such assets.

At 31 December 2016 there are deferred tax assets in Latin America, mainly in Brazil, amounting to EUR 5,190 thousand, in Chile amounting to EUR 1,060 thousand and in Spain amounting to EUR 1,814 thousand for tax credits and deductions for double taxation pending application.

4.3. Accounts receivable and financial assets

The Group makes estimates in relation to the collection of balances owed by customers for those projects where there are disputes to be settled or litigation in progress arising from disagreements with works performed or due to breach of contractual clauses related to the performance of assets delivered to customers. There is no conflict in this area, due in part to the excellent credit profile of customers who also value very positively the quality of the work and services provided by Grupo Ezentis.

4.4. Provisions

Provisions are recorded when a current obligation, as a result of past events, will lead to an outflow of resources and said obligation can be reliably estimated. So as to comply with the requirements of this accounting standard, significant estimates are necessary. Directors of the Group make estimates by evaluating all the information and relevant events, the probability of occurrence of contingencies, as well as the amount of the liability to be settled in the future.

4.5. Revenue recognition

Revenue recognition criterion used by the Group is mainly based on the percentage of completion method according to the degree of progress. The degree of progress is determined based on the economic valuation of tasks performed at the balance sheet date as a percentage of the total estimated costs for each contract. This method of revenue recognition is applied only when the result of the contract can be reliably estimated and the contract is likely to generate benefits. If the result of the contract can not be reliably estimated, revenue is recognised as cost recovery. In applying the percentage of completion method, the Group makes significant estimates in relation to the total costs necessary to carry out the contract. Said estimates are regularly reviewed. During the development of the project, the Group also estimates likely contingencies with regards to the increase of the estimated total cost and changes revenue recognition accordingly, in accordance with IAS 8.

4.6 Derivatives

In force as from 1 January 2016, the Company designated the current options as hedges of net investment in foreign transactions.

Hedge derivatives: Asian options Buy Call EUR / Put Currency (BRL / CLP / PEN) per component of intrinsic value. intrinsic value is calculated as from forward price.

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The purpose of the hedge is to protect the value of the net investment abroad (Brazil, Chile and Peru) or translation differences in the consolidated financial statements of Grupo Ezentis from adverse movements of the exchange rate against the Euro until the expiration date of the contracted hedging instruments. The hedging strategy allows Grupo Ezentis to cover all translation differences (depreciation of the currency) above a specific level, determined by the strike price of the contracted options (one side risk). The hedging strategy is aligned with the entity's risk management policy.

The gain or loss of the hedging instrument (due to its intrinsic component) that is determined as an effective hedge of the net investment is recognised under equity and is included in translation differences arising from the exchange rate applied to businesses abroad. Translations differences are recognised under profit/(loss) for the year. The differences in the value of the temporary component of the hedging instrument are recorded directly under profit/(loss) for the year.

5. Business combinations

Year 2016:

On 7 November 2016, the Group acquired for 6,500 million Chilean pesos 100% of the Chilean company Tecnet, S.A. On 28 December 2016, there was a downward adjustment in the price of 390 million Chilean pesos.
Value of investment at 31 December 2016 amounts to EUR 8,505 thousand.

The following table summarises the book value, the consideration delivered on the date of the transaction, the fair value of assets acquired, the assumed liabilities and considerations depending on future events, for acquiring the control:

	Thousands of Euros
Cash	6,494
Deferred payments	2,011
Total consideration transferred at acquisition date	**8,505**

Recognised interim amounts of acquired identifiable assets and assumed liabilities:

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	Book value	Adjustments fair value	Fair value
Intangible assets	-	2,254	2,254
Property, plant and equipment	4,875	-	4,875
Non-current financial assets	22	-	22
Deferred tax assets	563	-	563
Current assets	6,502	-	6,502
Current financial assets	41	-	41
Cash and cash equivalents	93	-	93
Deferred tax liabilities	(538)	(509)	(1,047)
Current liabilities	(7,506)	-	(7,506)
Capital increase, outstanding disbursement	1,681	-	1,681
Translation differences			
Total recognisable net assets	**5,733**	**1,745**	**7,478**
Goodwill			1,027
Total			**8,505**

The valuation of net assets acquired in 2016 has been carried out by Duff & Phelps, S.L. (former, American Appraisal España, S.A.) in order to express an independent opinion on the Fair Value of certain intangible assets identified in accordance with criteria established under international accounting standards IAS 38 and IFRS 3. The Report is dated 22 February 2017 on data of 31 October 2016.

After considering the applicable regulations, three intangible assets were mainly identified:

1) Framework Agreement
2) Brand
3) Client portfolio

Main features were the following:

Framework Agreement with Grupo CGE: it constitutes the main intangible asset of the Company. This contract is valid for a period of six years (2016-2022), during which it will provide support services for the distribution of electricity to different companies of Grupo CGE.

There is no guarantee on the renewal of the contract, transferring the uncertainty until the expiration of the existing one. In this sense, given the characteristics of the contract, the valuation has been made based on a defined life, and potential renewals have not been included after the expiration in July 2022.

Tecnet brand: the Company owns the Tecnet brand, a commercial name that has been in use since 1998, acting as the main provider of support services to the main electricity companies in the country. At 31 December 2016 it holds 15% of market share. The degree of identification of the services with the brand is high, it has a large fleet of vehicles identified with brand badges through which it provides services in the field throughout the country.

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It was given a definite life as it is marketed together with the Ezentis brand, as has been the case with other acquisitions of the Group.

Client portfolio: the Company had several additional contracts / agreements independent of the Framework Contract. The relationship derived from the recurrence of certain customers was analysed and, when considered relevant, the relationship with them was assessed as an additional intangible asset with a defined useful life.

The amount of revenue recognised in the consolidated financial statements at 31 December 2016 corresponding to Tecnet amounted to EUR 5,926 thousand, related to the months of November and December, with the resulting contribution of EUR 471 thousand.

If the Group had consolidated the acquisition of Tecnet as from 1 January 2016, the consolidated income statement would show a pro forma revenue amounting to EUR 343 million and an operating profit/(loss) before amortisation, depreciation and other results (EBITDA) amounting to EUR 35 million.

According to IFRS 3, the calculations of the Funds of Commerce could be modified within the following 12 months after the date of each acquisition, period in which the process of calculation of the PPA (Purchase Price Allocation) will be concluded, for adjusting acquired et assets to fair value, although the valuation of the identified intangible assets has already been concluded by means of a report of an independent expert.

<u>Year 2015:</u>

During year 2015, no business combination has taken place.

6. Goodwill

Changes in Goodwill, the only intangible assets with indefinite useful lives, are shown below:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Opening balance	34,090	35,857
Business combinations	1,027	-
Other changes (translation differences)	2,452	(1,767)
Other	241	-
Closing balance	**37,810**	**34,090**

The impairment analysis and policies applied by Directors of the Parent Company of the Group to goodwill have not been modified compared to the end of 2015.

During year 2016, the Group generated a goodwill resulting from the business combination for the acquisition of 100% of Tecnet, S.A. amounting to EUR 1,027 thousand.

The Group has recorded as of 31 December 2016 the effect of the translation differences for the year amounting to EUR 2,452 thousand on goodwill arising from the business combinations with Ezentis Peru, S.A.C., Ezentis Energía, S.A. and Ezentis Engenharia, S.A. (SEICOM) and Tecnet, S.A

The breakdown of "Goodwill" in the consolidated balance sheet, based on the companies giving rise to the various items, is as follows:

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CGU	Segment	Thousands of Euros 31/12/2016	Thousands of Euros 31/12/2015
Grupo Calatel	Peru	25,685	24,532
Ezentis Energia	Brazil	3,708	2,949
Ezentis Engenharia (SEICOM)	Brazil	2,552	2,029
Grupo Networks Test	Spain	4,821	4,580
Tecnet	Chile	1,044	-
Total		**37,810**	**34,090**

Goodwill impairment loss test

Goodwill is allocated to each cash generating unit (CGU). Impairment tests are performed on 31 December of each year.

Directors of the Parent Company have performed an impairment test on goodwill as of 31 December 2016 and 2015, identifying that the cash flow forecasts attributable to each CGU bear the value of recorded goodwill. Projections used to calculate the value in use are based on the budget for 2017 approved by the Directors of the Parent Company of the Group on 22 December 2016, the forecasts of economic growth of the sector for each country and long-term projections carried out by each of the local Directorates of said countries.

In the case of the Ezentis-Peru CGU, projections of cash flows have been used for a period of more than five years, due to the fact that said CGU historically has foreseeable results given the predictable nature of the same, as a result of the operation of the main traditional and recurrent contracts. The Management has submitted the Board of Directors a 7-year business plan, which has been passed on as of 30 March 2017.

In the case of the other three CGUs (Ezentis Energía, S.A. Ezentis Engenharia and Networks Test), with associatedTrade Funds, projection periods of less than 5 years have been used.

The recoverable amount of the different CGUs has been determined based on calculations of the value in use according to the discount method of future cash flows.

Main key assumptions on which management has based the projections of the CGUs which goodwill has been allocated to are the forecast of revenue growth based on estimates of the renewal of main contracts and operative margins.

At 31 December 2016, the real figures of Revenue and EBITDA of the different CGUs are practically in line with the projections described above, since deviations generated have not been significant.

The discount and growth rates used for each of the CGU are the following:

CGU	Discount rate % 2016	Discount rate % 2015	Growth rate % 2016	Growth rate % 2015	Segment
Ezentis Perú	14.4	14.7	3.5	3.7	Peru
Ezentis Energia	19.0	18.2	5.0	4.6	Brazil
Ezentis Engenharia (SEICOM)	18.3	19.9	5.0	4.6	Brazil
Networks Test España	9.6	9.9	1.4	1.6	Spain
Networks Test Colombia	13.5	14.1	4.0	4.3	Colombia

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In the determination of discount rates, the current cost of money (Spanish 10-year bond and 10-year obligations of Brazil, Colombia and Peru, mainly), the weighted average rate of capital and risk premiums, widely used by analysts for the business, taking into consideration the geographical area, have been considered.

The discount rates applied are after tax, used in turn to discount cash flows after tax.

Discount rates before tax are as follows:

	Discount rate %	
CGU	**2016**	**2015**
Ezentis Peru	17.8%	17.4%
Ezentis Energia	25.8%	25.8%
Ezentis Engenharia (SEICOM)	25.0%	29.5%
Networks Test España	13.2%	13.3%
Networks Test Colombia	14.1%	19.0%

In the event of residual growth rates, both the economic growth and the long-term inflation expected for each of the countries where each CGU is located were considered.

In all cases, growth rates lower than those of the products or industry where CGUs operate, which were obtained from the Global Economic Prospects report of the World Bank, have been considered:

Residual growth rate				**L/T Inflation**
Countries	**Min.**	**Max.**	**Average**	**2020**
Brazil	5.0%	7.5%	5.6%	4.5%
Spain	1.0%	2.0%	1.4%	1.6%
Colombia	3.0%	6.0%	4.6%	3.0%
Peru	3.0%	6.0%	4.0%	2.5%

The book value of each CGU as of 31 December 2016 and 2015 and its recoverable amount is as follows:

Thousands of Euros	**2016**		**2015**	
CGU	**Book value**	**Recoverable value**	**Book value**	**Recoverable value**
Ezentis Peru	29,219	33,395	29,782	32,962
Ezentis Energia	9,225	18,037	9,274	14,324
Ezentis Engenharia (SEICOM)	7,704	37,491	10,796	18,495
Grupo Networks Test	12,103	16,369	10,216	16,535

In all cases, sensitivity tests were carried out in relation to the discount rate and the residual growth rate, being conclusions obtained similar to the valuation of the asset, as shown in the following table:

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Thousands of Euros	**2016**			**2015**		
CGU	**Discount rate %**	**Growth rate %**	**Recoverable value**	**Discount rate %**	**Growth rate %**	**Recoverable value**
Ezentis Peru	-	+1/-1	35,711/31,470	-	+1/-1	34,928/31,324
	+1/-1	-	30,290/37,141	+1/-1	-	28,677/34,947
Ezentis Energia	-	+1/-1	19,012/17,193	-	+1/-1	15,177/13,588
	+1/-1	-	16,813/19,450	+1/-1	-	13,369/15,429
Ezentis Engenharia (SEICOM)	-	+1/-1	39,608/35,670	-	+1/-1	19,330/17,762
	+1/-1	-	34,887/40,519	+1/-1	-	17,490/19,636
Grupo Networks Test	-	+1/-1	18,259/14,867	-	+1/-1	18,395/15,052
	+1/-1	-	14,465/18,769	+1/-1	-	15,872/18,847

7. Other intangible assets

Changes in this item under the assets of the consolidated balance sheet are as follows:

Year 2016:

	Thousands of Euros		
	Contracts, Client portfolio and non-compete agreements	**Other Property, plant and machinery Intangible**	**Total**
Cost:			
Opening balances	10,905	9,941	20,846
Additions	-	3,173	3,173
Business combinations (Note 5)	2,254	-	2,254
Translation differences	760	205	965
Transfers	-	(353)	(353)
Closing balances	13,919	12,966	26,885
Accumulated amortisation:			
Opening balances	(3,183)	(6,672)	(9,855)
Provision for the year	(1,794)	(1,573)	(3,367)
Transfers	-	(134)	(134)
Closing balances	(4,977)	(8,379)	(13,356)
Provision for impairment			
Opening balance	-	-	-
Application to the year	-	-	-
Closing balances	-	-	-
Other net intangible assets:			
Opening balances	**7,722**	**3,269**	**10,991**
Closing balances	**8,942**	**4,587**	**13,529**

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Year 2015:

	Thousands of Euros		
	Contracts, Client portfolio and non-compete agreements	Other Property, plant and machinery Intangible	Total
Cost:			
Opening balances	12,970	15,680	28,650
Additions	-	1,320	1,320
Translation differences	(2,065)	(108)	(2,173)
Withdrawals	-	(6,951)	(6,951)
Closing balances	10,905	9,941	20,846
Accumulated amortisation:	(1,870)	(4,846)	(6,716)
Opening balances	(1,947)	(1,869)	(3,816)
Provision for the year	634	43	677
Closing balances	(3,183)	(6,672)	(9,855)
Provision for impairment			
Opening balance	-	(6,944)	(6,944)
Application to the year	-	6,944	6,944
Closing balances	-	-	-
Other net intangible assets:			
Opening balances	**11,100**	**3,890**	**14,990**
Closing balances	**7,722**	**3,269**	**10,991**

During years 2016 and 2015 the Group has developed internal applications focused on the Technology area in its network and engineering divisions and Naverggi, through the company Navento Technologies S.L.U. and the company Ezentis Tecnología S.L.U. Total investment in 2016 in Navento Technologies S.L.U. for this concept amounts to EUR 896 thousand (EUR 294 thousand in 2015). The above-mentioned developments have been financed through grants of the Centre for Industrial Technological Development (CDTI) and the Ministry of Industry. Total investment in Ezentis Tecnología S.L.U. amounts to EUR 125 thousand (EUR 287 thousand in 2015).

Further, during year 2016 there were internal developments and developments in computer applications amounting to EUR 1,974 thousand, mainly in Brazil (EUR 8862 thousand), Peru (EUR 388 thousand), Argentina (EUR 291 thousand), Colombia (EUR 213 thousand) and Chile (EUR 220 thousand).

At 31 December 2016, other intangible assets in use for a gross amount of EUR 2,716 thousand were fully amortised (EUR 2,890 thousand at 31 December 2015).

At 31 December 2016, the Group has investments abroad in other intangible assets with a net amortisation value of EUR 9,287 thousand (EUR 6,581 thousand at 31 December 2015). Investments in other intangible assets as of 31 December 2016, include intangibles identified in the acquisition of Brazil, Grupo Networks Test and Tecnet for EUR 8,942 thousand. (EUR 7,722 thousand at 31 December 2015).

Provision for impairment

Based on the valuation criteria of intangible assets with a defined useful life, in 2016 and 2015, the Parent Company's Directors evaluated the cash-generating units of other intangible assets, determining that the recoverable amount, which is understood as their value in use, is higher than the book value, therefore, during years 2016 and 2015 no provision has been made for impairment of other intangible assets.

8. Property, plant and equipment

Breakdown of this item under the consolidated balance sheet for years 2016 and 2011 is as follows:

						Thousands of Euros
Year 2016:	**Land and buildings**	**Plant and machinery**	**Furniture**	**Transport items**	**Information devices and other items of property, plant and equipment**	**Total**
Cost:						
Opening balances	1,305	8,496	8,065	14,777	4,526	37,169
Translation differences	-	38	152	118	24	332
Additions (Note 22)	-	56	1,509	5,741	2,603	9,909
Business combinations (Note 5 and 22)	-	-	-	-	4,875	4,875
Withdrawals	(402)	-	(30)	-	(114)	(546)
Closing balances	903	8,590	9,696	20,636	11,914	51,739
Accumulated amortisation:						
Opening balances	(1,010)	(1,828)	(4,040)	(9,840)	(2,309)	(19,027)
Allocations	-	(688)	(1,626)	(2,516)	(1,719)	(6,549)
Withdrawals	223	-	-	-	-	223
Closing balances	(787)	(2,516)	(5,666)	(12,356)	(4,028)	(25,353)
Provision for impairment						
Opening balance	-	(1,285)	-	-	-	(1,285)
Provision for the year	-	800	-	-	-	800
Closing balances	-	(485)	-	-	-	(485)
Net items of property, plant and equipment:						
Opening balances	**295**	**5,383**	**4,025**	**4,937**	**2,217**	**16,857**
Closing balances	**116**	**5,589**	**4,030**	**8,280**	**7,886**	**25,901**

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Year 2015:	Land and buildings	Plant and machinery	Furniture	Transport items	Information devices and other items of property, plant and equipment	Total
Cost:						
Opening balances	1,289	8,129	7,132	14,258	4,594	35,402
Translation differences	(97)	(577)	(754)	(1,073)	(443)	(2,944)
Additions (Note 22)	113	1,273	1,467	2,040	530	5,423
Transfers	-	990	330	-	64	1,384
Withdrawals	-	(1,319)	(110)	(448)	(219)	(2,096)
Closing balances	1,305	8,496	8,065	14,777	4,526	37,169
Accumulated amortisation:						
Opening balances	(980)	(1,564)	(2,644)	(6,887)	(1,814)	(13,889)
Translation differences	7	36	25	91	28	187
Allocations	(37)	(806)	(1,212)	(3,236)	(605)	(5,896)
Transfers	-	(156)	(247)	-	(64)	(467)
Withdrawals	-	662	38	192	146	1,038
Closing balances	(1,010)	(1,828)	(4,040)	(9,840)	(2,309)	(19,027)
Provision for impairment						
Opening balance	-	(800)	-	-	-	(800)
Provision for the year	-	(485)	-	-	-	(485)
Closing balances	-	(1,285)	-	-	-	(1,285)
Net items of property, plant and equipment:						
Opening balances	**309**	**5,765**	**4,488**	**7,371**	**2,780**	**20,713**
Closing balances	**295**	**5,383**	**4,025**	**4,937**	**2,217**	**16,857**

Main additions for 2016 correspond to the purchases of transport items in Ezentis Chile for EUR 3,829 thousand, in Ezentis Engenharia, S.A. for EUR 599 thousand, in Ezentis Energia, S.A. for EUR 594 thousand, in Ezentis Peru for EUR 524 thousand and in Ezentis Argentina for EUR 195 thousand, acquisitions of information equipment and other fixed assets in Ezentis Chile for EUR 863 thousand, in Ezentis Colombia for EUR 804 thousand, Tecnet for EUR 331 thousand, in Ezentis Engenharia, S.A. for EUR 138 thousand and in Ezentis Energia, S.A. for EUR 178 thousand, acquisition of furniture in Ezentis Argentina for EUR 407 thousand, in Ezentis Energía, S.A. for EUR 469 thousand, in Ezentis Peru for EUR 339 thousand and in Ezentis Chile for EUR 294 thousand.

Further, the additions by business combination correspond to the acquisition of Tecnet, S.A., see note 5.

Main additions for 2015 relate to the acquisition of transport elements in Ezentis Chile for EUR 601 thousand, in Ezentis Peru for EUR 466 thousand and in Ezentis Argentina for EUR 778 thousand, acquisitions of Furniture in Ezentis Argentina for EUR 202 thousand and in Ezentis Energía, SA for EUR 1,295 thousand and acquisitions of Technical Facilities and Machinery in Ezentis Engenharia, S.A. amounting to EUR 1,112 thousand.

At 31 December 2016, fully depreciated items of property, plant and equipment amounted to EUR 7,067 thousand (EUR 4,357 thousand at 31 December 2015).

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At 31 December 2016 and 2015 there are no mortgage guarantees on properties owned by the Group. At 31 December 2016, the Group has pledged assets as a result of the signing of the financing agreement for a net book value of EUR 1,007 thousand (EUR 730 thousand in 2015).

At 31 December 2016, the Group has investments abroad in other intangible assets with a net amortisation value of EUR 23,844 thousand (EUR 15,284 thousand at 31 December 2015).

A detail of the elements that the Group has under financial leasing, included under "Property, plant and equipment" in the consolidated balance sheet as of 31 December 2016 and 2015, is as follows:

	Thousands of Euros		
	31.12.2016		
	Plant and machinery	**Furniture, Information Devices, Other items of property, plant and equipment and transport elements**	**Total**
Cost:			
	3,142	18,774	21,916
Additions /(Derecognitions)	56	4,181	4,236
Closing balances	3,198	22,955	26,152
Accumulated amortisation:			
Opening balances	(1,491)	(10,218)	(11,709)
(Allocations) / Cancellations	(631)	(3,091)	(3,721)
Closing balances	(2,122)	(13,309)	(15,430)
Net balances	**1,076**	**9,646**	**10,722**

	Thousands of Euros		
	31.12.2015		
	Plant and machinery	**Furniture, Information Devices, Other items of property, plant and equipment and transport elements**	**Total**
Cost:			
Opening balances	2,347	16,302	18,649
Additions /(Derecognitions)	795	2,472	3,267
Closing balances	3,142	18,774	21,916
Accumulated amortisation:			
Opening balances	(1,225)	(5,899)	(7,124)
(Allocations) / Cancellations	(266)	(4,319)	(4,585)
Closing balances	(1,491)	(10,218)	(11,709)
Net balances	**1,651**	**8,556**	**10,207**

The Group's policy is to enter into financial leasing contracts for part of its facilities, equipment and transport elements. Interest rates are established at contract date. During years 2016 and 2015, the average effective interest rate of this debt was approximately 19.7% for leases held in international subsidiaries. The amortisation of leases is made on a fixed basis and no agreement has been entered into for the payment of contingent rents.

The following is a breakdown of the total debt for financial leases as of 31 December 2016 and 2015, recorded under "Bank borrowings" in the consolidated balance sheet at those dates:

	Thousands of Euros	
	Rental charges	
	31.12.2016	**31.12.2015**
Financial lease instalments:		
Less than a year	4,041	3,042
From two and five years (Nota 14)	4,422	3,441

9. Investments in associates

The detail and changes under this item in 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	**2015**
Cost:		
Opening balances	50,168	50,235
Additions	-	-
Withdrawals	-	-
Profit/(loss) from companies accounting for using the equity method	-	-
Other	3	(67)
Closing balances	**50,171**	**50,168**
Provision for impairment:		
Opening balances	(50,050)	(50,050)
Allocation for the year	-	-
Withdrawals	-	-
Closing balances	**(50,050)**	**(50,050)**
Net investments accounted for using the equity method:		
Opening balances	118	185
Closing balances	121	118

Stakes in Group companies not subject to global integration

Sale Grupo Vértice 360°

On 5 May 2016, the sale of the stake held in Grupo Vértice 360°, whose shares were suspended since 15 April 2014 and which was made bankrupt by order issued by Juzgado de lo Mercantil 5 was sold on 4 June 2014 under record # 310/2014. Sale amounted to EUR 10,000.

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(Thousands of Euros)

At 31 December 2015, the stake of Grupo Ezentis in Vértice 360° represented 25.2% and amounted to 85,198,730 shares.

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Vértice Trescientos Sesenta Grados, S.A.	18, 518 28027 (Madrid)	The acquisition, production, realisation, publication, recording, sounding, dubbing, editing, postproduction, broadcasting, transmission, public communication, import, commercialization, distribution, exhibition, reproduction, transformation, and in any form, exploitation of audiovisual, literary and musical, by all kinds of media and in all kinds of sound and / or image supports, including cultural, educational, scientific, sports, leisure and / or entertainment programs.	25.2%	-

At 31 December 2016, investments in associates amounting to EUR 116 thousand (EUR 118 thousand in 2015) correspond to the investment in joint ventures, which are accounted for using the equity method.

a) Provision for impairment

At 31 December 2016 and 2015, the impairment provision is EUR 50,050 thousand, which corresponds to other equity interests of companies not included within the scope of consolidation since at least 2007.

A list of the unconsolidated holdings in Group companies and information related thereto is included in Appendix II.

10. Non-current financial assets

Changes in this item for years 2016 and 2011 are as follows:

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	Thousands of Euros	
	2016	2015
Cost:		
Opening balances	47,427	32,595
Additions / disposals due to changes to the scope of consolidation (Note 5)	22	-
Additions	2,298	14,832
Withdrawals	(3,479)	-
Closing balances	46,268	47,427
Provision for impairment:		
Opening balances	-	-
Additions / disposals due to changes to the scope of consolidation	-	-
Allocation for for the year (recognised in other comprehensive income)	-	-
Application for for the year (recognised in other comprehensive income)	-	-
Closing balances	-	-
Net non-current financial assets:		
Opening balances	47,427	32,595
Closing balances	46,268	47,427

Additions for year 2016 corresponded mainly to deposits constituted in Brazil for legal reasons of employment nature.

Withdrawals for 2016 correspond mainly to changes in fair value and losses realised in the derivative financial instruments contracted by the Parent of the Group.

Main additions for 2015 include the payment of tax obligations of Vértice Trescientos Sesenta Grados, S.A. amounting to EUR 7,565 thousand due to the derivation of responsibility of the AEAT to the Parent of the Group (Note 20) and the registration of cash for the amount of EUR 6,000 thousand as a result of the formalisation of the Senior Facility Agreement with Highbridge Principal Strategies, LLC (Note 14).

At 31 December 2016 and 2015, the main balance of "Other non-current financial assets" basically corresponds to the balance in favour of the Parent Company established as a deposit with the assignee, resulting from the execution of a loan assignment agreement. without recourse with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation), for an amount of US $ 25 million, entered into on 27 December 2001. This deposit generated an interest indexed to Libor. Due to the suspension of payments by the Parent Company, BNP Paribas communicated the resolution of the deposit agreement by irregularly compensating the entire amount mentioned above, which as of 31 December 2016, valued at historical exchange rate, amounted to EUR 28,236 thousand (EUR 28,236 thousand at the end of 2015 (See note 20).

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11. Inventories

Detail of inventories at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Raw materials and other procurements	3,728	1,762
Advances to suppliers	2,186	1,328
	5,914	3,090

"Raw materials and other procurements" corresponds mainly to materials used in the various works that the Group has in progress.

Group companies have contracted several insurance policies to cover the risks which the inventories are subject to. Contracted hedges are deemed to be sufficient and enough.

12. Current financial assets

a) Trade receivables for sales and services provided

Detailed breakdown under this item at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Trade receivables for sales and services provided	41,366	27,147
Customers, amounts to be billed for works performed	46,368	33,555
	87,734	60,702

The balance of receivables for sales and services as of 31 December 2016 is net of the effects discounted by non-recourse factoring and discount of commercial checks amounting to EUR 20,358 thousand (EUR 15,802 thousand at 31 December 2015). This amount has been derecognised from the corresponding assets and liabilities at the end of 2016 and 2015, since it corresponds to non-recourse commercial discount operations where the debtor's solvency risks have been transferred substantially to the financer.

Below is the information regarding the non-recourse discount contracts held by the Group's subsidiaries at the end of 2016:

Ezentis Tecnología, S.L.U holds non-recourse discount facilities with a maximum limit standing at EUR 30,500 thousand. At 31 December 2016 the amount made available amounts to EUR 1,663 thousand (EUR 972 thousand at 31 December 2015). The contract signed by Ezentis Tecnología S.L.U. is indexed to an interest rate referenced to the 90-day Euribor plus a 2.35% interest and a discount commission of 0.5%, plus EUR 0.60 per invoice (same terms and conditions for 2015).

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Networks Tests, S.L. holds non-recourse discount facilities with a maximum limit standing at EUR 4,000 thousand. At 31 December 2016 the amount made available amounts to EUR 1,855 thousand (EUR 1,690 thousand at 31 December 2015). The contract signed is indexed to an interest rate referenced to the 90-day Euribor plus a 2.4% interest and a discount commission of 0.4%, (same terms and conditions for 2015).

Contract terms signed by Ezentis Perú, S.A. include a limit equivalent to 2 months of production at an annual interest rate of 11% and a commission of 0.25% plus tax. At 31 December 2016 the amount made available amounts to EUR 3,014 thousand (EUR 2,930 thousand at 31 December 2015).

The conditions of the non-recourse factoring contracts signed by Ezentis Engenharia S.A. are indexed to an interest rate of 1.99% per month and a commission per discount of 0.19%. At 31 December 2016 the amount made available amounts to EUR 8,928 thousand (EUR 6,594 thousand at 31 December 2015).

The conditions of the non-recourse factoring contracts signed by Ezentis Energía S.A. are indexed to an interest rate of 1.80% per month, lacking a commission per discount. At 31 December 2016 the amount made available amounts to EUR 1,260 thousand.

Ezentis Chle, S.A. holds non-recourse discount facilities with a maximum limit standing at EUR 8,303 thousand (EUR 5,800 thousand pesos) at a 4.998% annual interest. At 31 December 2016 the amount made available amounts to EUR 3,638 thousand (EUR 3,615 thousand at 31 December 2015).

With regards to customers for the provision of services pending invoicing, it corresponds to the rendering of services under contracts with customers pending invoicing at the end of the year.

The balance of customers for sale and service provision as of 31 December 2016 has been assessed in accordance with the Group's policy on credit risk without identifying at the end of the year greater risk than the amount provisioned for insolvencies, estimated by the Group based on the age of the debt, since balances pending collection correspond to customers deemed to have, pursuant to the Group's policies, an adequate creditworthiness.

There is no significant effect on fair values of customers and accounts receivable. Nominal values are considered at an approximation to the fair value thereof and the discount thereof is not, in any case, significant.

At 31 December 2016 and 2015, the balance sheet related to customers for sale and provision of services is shown net of the provision for impairment of accounts receivable provided by the Group.

The breakdown for the provision of insolvencies is included below:

	Thousands of Euros	
	2016	**2015**
Opening balances	1,448	1,457
Provision for the year	28	-
Cancellations	-	(9)
Closing balances	**1,476**	**1,448**

At 31 December 2016, EUR 1,476 thousand (EUR 1,448 thousand in 2015) correspond to provisioned receivables for sales and provision of services, with maturity over 180 days.

During years 2016 and 2015, the Group has not executed any type of guarantees so as to recover provisions related to receivables for sales and provision of services.

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At 31 December 2016, EUR 82,612 thousand (EUR 55,906 thousand as of 31 December 2016) correspond to balances in foreign currency other than the Euro of receivables for sales and provision of services and work performed pending invoicing. A breakdown of these items by type of currency is included below:

	Thousands of Euros	
	At 31 December	
	2016	2015
Euros	5,122	4,796
Pesos (Chile)	22,941	13,050
Pesos (Argentina)	15,043	12,766
Peruvian Sol (Peru)	8,776	7,182
Dollars (American)	1,550	1,382
Pesos (Colombia)	3,309	1,259
Real (Brazil)	30,993	20,267
	87,734	**60,702**

b) Other receivables

Breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Sundry receivables	5,008	4,298
Staff costs	333	276
Provision for impairment	(1,884)	(1,884)
	3,457	**2,690**

Directors of the Parent Company deem that the non-provisioned amount in books of sundry receivables will not vary significantly from the fair value.

At 31 December 2016 and 2015, sundry receivables included receivables for VAT consolidated with Sedesa amounting to EUR 1,884 thousand, which were fully provisioned since 2013 year-end.

c) Other current assets

"Other current assets" under the consolidated balance sheet at 31 December 2016 and 2015 includes the following:

	Thousands of Euros	
	At 31 December	
	2016	2015
Short-term accruals/deferrals	2,029	1,734
Other	2,081	1,998
	4,110	**3,732**

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Short-term accruals/deferrals

It mainly includes deferrals as of 31 December 2016 and 2015 for insurance premiums and prepaid expenses related to works, which will be accrued in the following twelve months.

Other

At 31 December 2016 and 2015, "other current assets" mainly includes short-term bonds delivered in the normal course of business.

d) Cash and cash equivalents

Detailed breakdown under this item at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Treasury	5,915	9,256
Other cash equivalents	782	1,667
	6,697	**10,923**

At 31 December 2016, from total "Treasury" amounting to EUR 5,915 thousand at the end of 2015, EUR 3,287 thousand correspond to amounts in a currency other than the Euro (EUR 2,332 thousand at 2015-year-end) and EUR 782 thousand under "Other cash equivalents".

At 31 December 2016, EUR 5,198 thousand, under "Cash and cash equivalents" is deposited in current accounts on which there is a pledge in favour of the "Senior Facility Agreement" signed on 23 July 2015 (Note 14).

13. Net equity

a) Share capital and issuance rights

Changes in this item for years 2016 and 2011 are as follows:

Year 2016:

During 2016, no significant changes have taken place with regards to the share capital and the premium of issuance.

Year 2015:

	Thousands of Euros		
	2015		
	Number of shares	Par value	Issuance rights
Closing balance at 31/12/2014	**235,104,963**	**70,531**	**31,296**
Capital increase	550,525	166	282
Closing balance at 31/12/2015	**235,655,488**	**70,697**	**31,578**

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The capital increase agreement for EUR 447,026.3, through the issuing and putting into circulation of 550,525 ordinary shares with an issue price of EUR 0.812 per share, of which EUR 0.30 correspond to the par value and EUR 0.512 correspond to the issue premium, approved at the AGM of the Ezentis Group held on 10 July 2015, was registered at the Trade Registry of Seville on 15 July 2015.

At 31 December 2016 and 2015, social capital amounts to EUR 70,696,646.4, arranged into 235,655,488 shares of EUR 0.3 par value each.

At the date of preparation of these consolidated financial statements, 70,696,646.4 shares are admitted to trading on the Spanish Official Stock Exchanges of Madrid and Bilbao.

Expenses related to the capital increases carried out by the Parent Company during 2015 amounted to EUR 3,000 thousand, which were charged to reserves at the closing date.

Restriction on the transferability of shares and social covenants

On 30 May 2016, a syndication agreement was signed by the shareholders Mr. Guillermo José Fernández Vidal, Mr. Carlos Mariñas Lage, Mr. Fernando González Sánchez, Mr. Jorge de Casso Pérez, Mr. José María Maldonado Carrasco, Mr. Roberto Cuens González , Mr. Gabriel Frías García, Mr. Ademir Castilho Piqueira, Mr. Roberto Takashi Araki, Mr. Víctor Alfredo Drasal, Teleprocesing Service, SA and Constanter, S.L., where the parties designate Mr. Guillermo Fernández Vidal as Trustee The aforementioned contract has a duration of 3 years, and will terminate automatically in the event of termination or resignation of Mr. Guillermo Fernández Vidal. Subsequently they have adhered to the aforementioned social covenant, by signing the corresponding letters of adhesion, Mr. José Homobono Ocaña, Mr. Luis García Merchán, Mr. Oscar Palencia Perdones, Mr. Antonio Villarejo Díaz, Mr. José Luis Márquez Dotor, D. Clemente Luis Márquez Cruz and D. Fermín González García.

The syndication agreement is valid until 30 May 2019 and includes, as of 31 December 2016, a total of 7,582,328 shares of Ezentis representing 3.218 % of its social capital, consisting of the following voting rights

Shareholder	Shares
Mr. Guillermo Fernandez-Vidal	321,675
Teleprocesing Service, S.A.	3,242,898
Constanter, S.L.	1,112,412
Mr. Carlos Mariñas Lage	848,483
Mr. Fernando González Sánchez	433,537
Mr. Ademir Castilho Piqueira	319,305
Mr. Jorge de Casso Pérez	318,755
Mr. José María Maldonado Carrasco	270,645
Mr. Roberto Takashi Araki	231,220
Mr. Víctor Alfredo Drasal	207,794
Mr. Roberto Cuens	116,776
Mr. José Homobono Ocaña	70,097
Mr. Gabriel Frías García	83,333
Mr. Oscar Palencia Perdones	1,240
Mr. Antonio Villarejo Díaz	1,225

(Thousands of Euros)

Mr. Luis García Merchán	1,200
Mr. Jose Luis Márquez Dotor	1,000
Mr. Fermín González García	733
Mr. Clemente Luis Márquez Cruz	0

Agreement with Teleprocesing Service, S.A.

Through the purchase agreement signed on 16 June 2014 with Teleprocesing Services, S.A., Ezentis acquired 100% of the social shares of the Networks Test Group. As a consequence of said purchase, a right of credit that was later capitalised on a capital increase approved at the Extraordinary General Shareholders' Meeting held on 19 December 2014 and duly registered on 9 February 2015 with the Trade Registry of Seville arose in favour of Teleprocesing Services, S.A Within the framework of the aforementioned capital increase, Teleprocesing Services, S.A. assumed a commitment that conditions the transfer of shares as follows:

"The Seller undertakes not to transmit, lend or create charges, encumbrances, pledges or other rights on the shares of Grupo Ezentis except in the periods and with the limits provided below:

(a) prior to 31 May 2015, the Seller may not transmit, lend or create charges, encumbrances, pledges or other rights on shares of Grupo Ezentis;

(b) as from 31 May 2015 until 31 May 2016 (both inclusive), the Seller may transmit, lend or create charges,encumbrances, pledges or other rights on shares of Grupo Ezentis, up to a 50% of the shares;

(c) as from 31 May 2016 until the fourth anniversary of the date of signature (inclusive), the Seller may transmit, lend or create charges, encumbrances, pledges or other rights on shares of Grupo Ezentis, up to a 5/6 of the shares;

(d) as from 31 May 2016 until the fourth anniversary of the date of signature (inclusive), the Seller may transmit, lend or create charges, encumbrances, pledges or other rights on shares of Grupo Ezentis, up to a 200% of the shares;

Notwithstanding the foregoing, as of 31 May 2016, the Seller may transmit, lend or create charges, liens, pledges or other rights on 100% of the shares of Grupo Ezentis, provided that a deposit is made for an amount of EUR 500,000 in favour of the Buyer in guarantee of the obligations of the Seller under this Contract. For clarification purposes, restrictions provided in this Clause 4.1.1 will only affect the shares of Grupo Ezentis acquired by the Seller as a result of the Second Payment, but not any other shares of the Buyer that were property of the Seller now or in the future."

At 31 December 2016, there are no other restrictions on the acquisition or transfer of shares representing capital stock other than those resulting from the Internal Code of Conduct in the field of the securities markets and general securities market regulations.

Significant stakes

Significant shareholders of Grupo Ezentis SA, understood as those that directly or indirectly hold interest equal to or greater than 3%, as well as shareholders who, without being significant, have exercised the power to suggest the appointment of a member of the Board of Directors.

December 2016:

In accordance with this definition, one of the significant shareholders of the Parent Company is Eralan Inversiones, S.L., holding 5.218% of direct and indirect voting rights. In the second place, Enrique Riquelme Vives holds 4.858% of the indirect voting rights through the company Inversiones Riquelme Vives, S.L. The outstanding percentage of shares is held by various shareholders.

December 2015:

In accordance with this definition, one of the significant shareholders of the Parent Company is Eralan Inversiones, S.L., holding 5.218% of direct and indirect voting rights. In the second place, is Previsión Mutua de Aparejadores y Arquitectos Técnicos, holding 4.898% of direct and indirect voting rights. In the third place, Mr. Manuel García Durán Bayo, holding 4.281% of direct and indirect voting rights. The outstanding percentage is held by sundry shareholders.

b) Reserves

Issuance rights

The Consolidated Spanish Companies Act expressly permits the use of share premium and does not establish any specific restrictions as to its use.

Legal reserve

According to the provisions under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

c) Translation differences

Changes in this item for years 2016 and 2011 are as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Opening balance	(14,204)	(5,903)
Hedges of net investment (Note 3.1)	(1,434)	(2,141)
Sale AT Argentina	-	1,343
Translation differences	5,818	(7,503)
Closing balance	**(9,820)**	**(14,204)**

At 31 December 2016 and 2015 all translation differences correspond to subsidiaries.

d) Treasury shares

Breakdown of this item under the consolidated balance sheet for years 2016 and 2015 is as follows:

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	Shares	Thousands of Euros
Balance at 31.12.2014	**3,806,866**	**2,762**
Additions	410,828	291
Withdrawals	(4,137,900)	(3,017)
Balance at 31.12.2015	**79,794**	**36**
Additions	1,450,428	594
Withdrawals	(864,268)	(393)
Balance at 31.12.2016	**665,954**	**237**

e) Minority interest

The balance included under this item in the consolidated balance sheet as of 31 December 2016 and 2015 includes the value of the participation of the minority shareholders in consolidated companies.

Changes in this item for years 2016 and 2015 are as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Opening balance	1,046	3,275
Decrease	(525)	(1,318)
Profit /(Loss) for the year	(134)	(446)
Other	148	(465)
Closing balance	**535**	**1,046**

Year 2016:

The decrease in minority interest during year 2016 (EUR 525 thousand), corresponds to the purchase of 5% of the minority stake in the subsidiary Ezentis Chile, S.A. The difference between the acquisition price (EUR 835 thousand) and the decrease of minority interest has caused a negative impact on reserves amounting to EUR 310 thousand.

The profit of minority interests as of 31 December 2016 amounts to EUR 134 thousand. Breakdown is as follows:

- Shareholder of 5% of Ezentis Chile: EUR 55 thousand
- Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR (153) thousand,
- Shareholder of 4% of Ezentis Energía S.A. (Brazil): EUR (36) thousand,

The breakdown of the amount of minority interests in the balance sheet as of 31 December 2016, is as follows:

- Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR 946 thousand
- Other: EUR (411) thousand,

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Further, the value of minority assets and liabilities as of 31 December 2016 is as follows:

Thousands of Euros	31/12/2016	
	ASSETS	LIABILITIES
· Shareholder of 49% of Radiotronica Serv. Mineros del Noa (Argentina)	344	(70)
· Shareholder of 40% of Radiotronica Construcciones (Argentina)	1,705	(1,547)
· Shareholder of 4% of Ezentis Energía (Brasil)	966	(724)

Year 2015:

The decrease in minority interests during 2015 (EUR 1,318 thousand) corresponds to the purchase of 45% of the minority interest in the subsidiary company in Brazil Ezentis-Serviços Engenharia e instalação de Comunicações, S.A. (SEICOM). The difference between acquisition price, amounting to EUR 4,166 thousand has had a negative impact on reserves amounting to EUR 2,848 thousand.

The loss of minority interest as of 31 December 2015 amounts to EUR (446) thousand. Breakdown is as follows:

- Shareholders of 5% of Ezentis Chile: EUR 105 thousand
- Shareholder of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR 356 thousand
- · Shareholder of 45% of Seicom (Brazil) EUR (889) thousand,
- Shareholder of 4% of Ezentis Energía S.A. (Brazil): EUR (18) thousand,

The breakdown of the amount of minority interests in the balance sheet as of 31 December 2015, is as follows:

- Shareholder of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR 988 thousand
- Other: EUR 58 thousand

Further, the value of minority assets and liabilities as of 31 December 2015 is as follows:

Thousands of Euros	31/12/2015	
	ASSETS	LIABILITIES
· Shareholders of 5% of Ezentis Chile	1,279	(872)
· Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina)	619	(289)
· Shareholders of 40% of Radiotronica Construcciones (Argentina)	1,035	(752)
· Shareholder of 4% of Ezentis Energía S.A. (Brazil):	819	(679)

f) Capital Line

On 16 December 2011, the Parent of the Group entered into a Capital Line agreement with GEM Capital SAS and GEM Global Yield Fund Limited (GEM) according to which the Group's Parent can finance up to EUR 30 million in a 3-year period through the issuance and subscription of new shares. This capital line expired on 16 December 2014.

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Under the capital line agreement, warrants were issued on shares of Grupo Ezentis up to a maximum of thirty million shares, in two tranches of fifteen million shares each that, respectively, had a price during the first six months of EUR 0.22 and EUR 0.28 per share, exercisable, totally or partially, on one or several occasions, fora maximum of 5 years. Not exercised Warrants (options over 375,000 shares) have expired on 16 December 2016. In fact, during 2016, none of the options that were pending prior to maturity were exercised.

g) Share-based payments

On 19 July 2012, the Annual General Meeting of the Company approved a Variable Remuneration Plan for 2012-2014 (The Plan), as a long-term incentive linked to the fulfilment of several strategic objectives for years 2012-2014 and set by the Board of Directors, which are linked to:

- evolution of Ebitda of the Group
- evolution of sales of the Group
- evolution of the share's market price of Grupo Ezentis

The plan was addressed to executive directors and senior executives of the Group who were entitled to a share of Grupo Ezentis, S.A. for each accrued point.

On 19 May 2016, the Parent Company of the Group signed a debt recognition agreement with each of the beneficiaries of the plan, which was liquid and enforceable. Additionally, the settlement of said financial liability amounting to EUR 437 thousand should be postponed through a capital increase that was not finally approved.

On 30 November 2016, all the beneficiaries of the plan who were part of the Group's workforce resigned, recognising its impact under "Other interests and similar income" in the accompanying Consolidated Income Statement.

h. Profit/(Loss) per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of shares into circulation during the year, excluding the average number of treasury shares held in the year.

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

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(Thousands of Euros)

	At 31 December	
	2016	**2015**
Profit (Loss) attributable to shareholders (thousand of Euros)	903	(10,888)
Weighted average number of shares (shares)	234,989,534	235,380,226
Basic profit/(loss) per share of the Parent (Euros)	**0.0038**	**(0.0463)**

	At 31 December	
	2016	**2015**
Profit (Loss) attributable to shareholders (thousands of Euros)	769	(11,334)
Weighted average number of shares into circulation (shares)	234,989,534	235,380,226
Basic profit/(loss) per share of continuing operations	**0.0033**	**(0.0482)**

	At 31 December	
	2016	**2015**
Profit (Loss) attributable to shareholders (thousands of Euros)	903	(10,888)
Weighted average number of shares into circulation (shares)	234,989,534	235,380,226
Debt conversion	-	-
Stock options	-	-
Weighted average number of diluted shares (shares)	**234,989,534**	**235,380,226**
Diluted profit/(loss) per share of the Parent (Euros)	**0.0038**	**(0.0463)**

	At 31 December	
	2016	**2015**
Profit/(Loss) from continuing operations (thousands of Euros)	769	(11,334)
Weighted average number of shares into circulation (shares)	234,989,534	235,380,226
Debt conversion	-	-
Stock options	-	-
Weighted average number of diluted shares (shares)	**234,989,534**	**235,380,226**
Diluted profit/(loss) per share of continuing operations (Euros)	**0.0033**	**(0.0482)**

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In relation to the calculation of the diluted loss per share in 2015, the warrants have not been considered since it would become antidilusive due to the decrease in the loss per share, and therefore the diluted loss per share is equal to the basic loss per share.

14. Bank borrowings

Breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of Euros			
	At 31 December			
	2016		2015	
	Non-current	Current	Non-current	Current
Loans and credit facilities	75,123	15,981	62,458	12,150
Finance Leases (Note 8)	4,422	4,041	3,441	3,042
Bank borrowings	79,545	20,022	65,899	15,192

The detail by years of maturity of non-current bank debts for loans, credit facilities and financial leases as of 31 December 2016 and 2015 is as follows:

	Thousands of Euros
Year of maturity:	**2016**
2018	1,759
2019	1,044
2020	76,519
2021 and following	223
	79,545

	Thousands of Euros
Year of maturity:	**2015**
2017	1,653
2018	1,142
2019	1,129
2020 and following	61,975
	65,899

The interest rate on loans and credit facilities during 2016 ranges between 6.58% and 22.49% (between 6% and 15% in 2015), amounting the weighted average rate as of 31 December 2016 to 10.0% (10.5% in 2015). This average rate shall be understood within the context of the countries where Grupo Ezentis operates.

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Senior Facility Agreement entered into with Highbridge Principal Strategy LLC

Background

The *Senior Facility Agreement* was signed on 23 July 2015 for EUR 126 million with a 5-year maturity period. The structure of the loan consists of three tranches for the amounts and characteristics indicated herein:

- Tranche 1 amounting to EUR 66,653,000 million.
- Tranche 2 amounting to EUR 31,000,000 for financing the acquisition of property by the Group.
- Tranche 3 amounting to EUR 28,347,000 for financing the organic and inorganic growth of the Group.

On 31 July 2015 the Group was provided with EUR 66,653,000 corresponding to Tranche 1 in its entirety and on 23 December 2015, EUR 3,486,723 corresponding to Tranche 3. The main debtor of this financing is the subsidiary of Grupo Ezentis, Corporación Ezentis Internacional, S.a.r.l.

The Group no longer had Tranche 2 available for an amount of EUR 31 million, which was earmarked for a specific inorganic growth operation.

Financial interest and expense

The loan includes interest, expense and commissions including, among others:

- Variable interest indexed to Euribor (the minimum being 1%) plus a marked spread of 8%.
- Commissions for availability of the amounts granted and not arranged.
- Agency fees.

Guarantees and terms

During the term of the contract, the following assets have been pledged by the Group as collateral for the loan:

- Pledge of the shares / stocks of companies of the Group that subscribed or signed the Contract.
- Pledge over intra-group contracts (software license, brand, credit facilities, participative loans and provision of services).
- Pledge on the bank accounts of the companies that signed the Contract.
- Pledge of the main contracts with clients.
- Pledge on credit rights for the sale of energy from photovoltaic solar farms.
- Mortgage pledge on the property owned by Avanzit Instalaciones e Ingeniería, S.L.

Further, the contract establishes that a restricted bank account with EUR 6 million shall be maintained, provided with an initial disbursement of debt in July 2015 (See note 10) recorded by Grupo Ezentis as a non-current financial asset.

In order to mitigate the exchange rate risk for the quarterly interest payments of the financial debt in Euros, the Group arranged hedges through "put" options for the sale of currencies representing the majority of the cash flows that are expected to be repatriated from the subsidiaries. The notional amounts of the options were calculated to cover the total interest payments (not principal) of the debt during the following 3 years as from the operation. (See Note 3.1)

The Senior Facility Agreement and the availability of the funds under the terms thereon are subject to certain financial and non-financial obligations.

(Thousands of Euros)

The most significant financial obligations are as follows:

- Limit to consolidated indebtedness, calculated as gross debt / EBITDA.
- Obligation to comply with a debt coverage ratio within companies of the Parent Company, calculated as net cash inflows divided by financial expenses.
- Obligation to keep a minimum liquidity within companies of the Parent Company amounting to EUR 4 million.
- Further, the contract sets out limits on bank indebtedness, leasing and factoring, both with recourse and non-recourse.

Non-financial obligations are those common to this type of contract, among others:

- Obligation to comply with laws and regulations in general, including tax, environmental, anti-terrorism and anti-corruption regulations.
- Regular submission of information.
- Restrictions on the disposal of assets.
- Restrictions on the use of cash

In 2015, formalisation expenses of the loan amounted to EUR 8,734 thousand and are recorded as lower value of the same under the income statement according to effective interest rate method of amortisation. The amount recorded under the consolidated income statement in this item amounted to EUR 2,845 thousand and interest, amounting to EUR 1,512 thousand, was settled in October 2015.

During 2016 the following payments and provisions have taken place:

On 18 April 2016, 06 September 2016 and 23 November 2016, the Group obtained new provisions from Tranche 3 of the loan amounting to EUR 4,759 thousand, EUR 1,750 thousand and EUR 3,425 thousand, respectively, for financing the organic and inorganic growth of the group.

Incremental costs generated in 2016 due to provisions under Tranche 3 of the loan amounted to EUR 1,096 thousand and were recorded as a lower value of the same under the income statement according to the effective interest rate method of amortisation. The amount recorded under this item in the accompanying income statement for year 2016 amounted to EUR 1,515 thousand.

On 31 March 2016 and 02 June 2016, prepayments amounting to EUR 3,602 thousand and EUR 10,000 thousand, respectively, were made for Tranche 1 of the loan. Costs incurred into in said transactions amounted to EUR 1,020 thousand, recorded under "Financial expenses" in the accompanying consolidated income statement.
During 2016, non-disposal expenses, amounting to EUR 611 thousand, of Tranche 3 of the loan were incurred into and recorded under "Financial expense" in the accompanying consolidated income statement.

Interest paid during 2016 amounted to EUR 6,545 thousand.

At 31 December 2016 the amount available of Tranche 3 amounts to EUR 11,355 thousand.

Further, Group subsidiaries have bank debt contracts at the local level to finance working capital needs. Main contracts are as follows:

CHILE (BANK LOANS)	BANCO BCI	BANCO CONSORCIO	BANCO SANTANDER 1
Start date	07/10/2016	11/11/2016	20/08/2016
Outstanding debt 31.12.2016 in CLP	849,663,617	419,159,661	337,474,997
Outstanding debt 31.12.2016 in EUR	**1,216,394**	**600,077**	**483,136**
Annual interest rate	6.73%	6.35%	7.85%
Maturity date	07/09/2020	11/04/2018	20/07/2018

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CHILE (BANK LOANS)	BANCO SANTANDER 2	BANCO BBVA 1	BANCO BBVA 2
Start date	22/04/2016	08/12/2016	07/01/2017
Outstanding debt 31.12.2016 in CLP	318,466,483	486,955,771	516,192,108
Outstanding debt 31.12.2016 in EUR	**455,923**	**697,135**	**738,990**
Annual interest rate	7.20%	5.76%	5.88%
Maturity date	22/03/2018	08/11/2017	07/12/2017

CHILE (FINANCE LEASING)	BANCO BBVA	BANCO CHILE	BANCO CORPBANCA
Start date	03/08/2016	27/11/2014	24/01/2015
Outstanding debt 31.12.2016 in CLP	792,435,803	201,842,414	216,042,067
Outstanding debt 31.12.2016 in EUR	**1,134,466**	**288,961**	**309,290**
Annual interest rate	6.74%	4.58%	5.39%
Maturity date	07/09/2020	07/12/2017	03/10/2017

CHILE (FINANCE LEASING)	BANCO INTERNACIONAL	BANCO ITAU	BANCO SANTANDER	BANCO SECURITY
Start date	15/07/2014	25/10/2016	15/06/2016	13/05/2016
Outstanding debt 31.12.2016 in CLP	393,506,361	496,379,612	185,932,488	320,593,267
Outstanding debt 31.12.2016 in EUR	**563,351**	**710,626**	**266,184**	**458,967**
Annual interest rate	7.27%	5.46%	5.95%	6.56%
Maturity date	22/07/2017	25/10/2020	15/06/2020	07/12/2017

PERU (BANK LOANS)	BANCO SANTANDER	BANCO CITIBANK
Start date	26/01/2016	30/12/2014
Total outstanding debt at 31.12.2016 in BRL	4,808,977	2,270,282
Outstanding debt 31.12.2016 in EUR	**1,398,609**	**660,273**
Annual interest rate	25.49%	20.63%
Maturity date	26/01/2018	30/05/2017

BRAZIL (FINANCE LEASING)	BANCO ITAU	BANCO SANTANDER	BANCO CITIBANK	BANCO DO BRASIL
Start date	28/08/2014	15/10/2015	14/11/2014	17/10/2014
Total outstanding debt at 31.12.2016 in BRL	1,170,181	2,111,358	189,034	25,357
Outstanding debt 31.12.2016 in EUR	**340,327**	**614,052**	**54,977**	**7,375**
Annual interest rate	19.42%	19.99%	16.08%	20.84%
Maturity date	17/04/2018	26/01/2019	17/10/2017	17/09/2017

PERU (BANK LOANS)	BANCO FINANCIERO
Start date	30/09/2016
Total outstanding debt at 31.12.2016 PEN	241,672
Outstanding debt 31.12.2016 in EUR	**67,112**
Annual interest rate	9.50%
Maturity date	27/02/2017

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PERU (FINANCE LEASING)	BANCO FINANCIERO	LEASING WITH SUPPLIERS
Start date	25/01/2016	25/06/2013
Total outstanding debt at 31.12.2016 PEN	4,828,526	6,553,087
Outstanding debt 31.12.2016 in EUR	**1,340,885**	**1,819,796**
Annual interest rate	8.50%	8%
Maturity date	02/10/2020	01/01/2020

During August 2015, the loans that the Group received from Santander, Cofides, Bankinter, Telefónica and the payment delays of the AEAT were cancelled and early repaid. Cancellation costs for early amortisation amounted to EUR 1,039 thousand recorded under Finance Expense in the income statement for the year ended 31 December 2015.

Financial leases correspond mainly to vehicle leasing contracts that have been signed by subsidiaries of Grupo Ezentis Chile, S.A. and Ezentis Peru, S.A. during 2016 and 2015.

The carrying amount of debts with credit institutions and leasing entities (both current and non-current) is close to the fair value.

15. Other financial liabilities

Breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of Euros			
	At 31 December			
	2016		2015	
	Non-current	Current	Non-current	Current
Loans Planes Avanza	3,141	1,234	4,305	1,753
Other debts	51	4,427	1,337	6,825
	3,192	**5,661**	**5,642**	**8,578**

Loans Planes Avanza

At 31 December 2016 and 2015, this item includes loans received by the Group through its subsidiaries (mainly Ezentis Tecnología, SLU and Navento Technologies, SLU) from official bodies amounting to EUR 4,375 thousand as of 31 December 2016 (EUR 6,058 thousand at 31 December 2015). These loans are free of interest and are granted to finance development projects. These loans are initially measured at fair value and the difference between said fair value and the amount received is recorded as interest rate for subsidies under "Other non-current liabilities" and are applied to profit/loss according to the recognition criteria under the income statement as research and development expenses.

Other debts

At 31 December 2016, this item included the outstanding payment to minority shareholders for acquisitions made in 2014, 2015 and 2016:

- For the acquisition of Ezentis Engenharia, S.A. (SEICOM), as of 31 December 2016, the Group had a debt amounting to EUR 2,705 thousand (EUR 4,946 thousand at 31 December 2015).

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- For the acquisition of 45% of Ezentis Chile, S.A. at 31 December 2016, the Group had a debt amounting to EUR 917 thousand (same amount at 31 December 2015). Further, at 31 December 2016, the Group had a debt amounting to EUR 805 thousand for the purchase of the minority stake in Ezentis Chile during 2016.

- For the acquisition of Grupo Networks Test, at 31 December 2015, the Group had a debt amounting to EUR 1,227 thousand as current liabilities. Said debt was settled during 2016.

16. Trade and other payables

Detail of this item under the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	**2015**
Suppliers	37,734	21,225
Other payables	8,413	7,764
Remuneration payable	11,429	10,154
Current tax liabilities (Note 18)	19,876	11,114
Customer advances	7,939	4,149
	85,391	**54,406**

«In compliance with the ICAC Resolution as of 29 January 2016, the following information is provided as of 31 December 2016 in relation to the group of Spanish entities within the scope of consolidation»:

	2016	**2015**
	Days	
Average payment term to suppliers	161	233
Ratio of paid transactions	110	150
Ratio of outstanding payments	336	556
	Thousands of Euros	
Total payments made	11,011	11,533
Total outstanding payments	3,168	2,956

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At 31 December 2016, EUR 76,388 thousand (EUR 42,062 thousand as of 31 December 2015) correspond to balances in foreign currency other than the Euro for trade payables and other payables. A breakdown of this item by type of currency is included below:

	Thousands of Euros	
	2015	**2015**
Euros	9,005	12,345
Pesos (Chile)	14,074	4,214
Pesos (Argentina)	22,386	14,580
Peruvian Sol (Peru)	8,264	6,599
Dollars (American)	1,405	809
Real (Brazil)	28,278	15,281
Pesos (Colombia)	1,979	578
	85,391	**54,406**

17. Provisions

Changes in this item for years 2016 and 2011 are as follows:

	2016		2015	
	Thousands of Euros		Thousands of Euros	
	Non-current	**Current**	**Non-current**	**Current**
Opening balance	**31,119**	**4,531**	**31,609**	**3,507**
Additions	-	198	729	1,843
Business combinations	-	2,137	-	-
Reversals	(546)	(871)	(599)	(715)
Payments	(853)	(567)	(620)	(104)
Closing balance	**29,720**	**5,428**	**31,119**	**4,531**

Breakdown of said provisions at 31 December 2016 and 2015 is as follows:

	2016		2015	
	Thousands of Euros		Thousands of Euros	
	Non-current	**Current**	**Non-current**	**Current**
Disputes	29,720	325	30,669	4,531
Other	-	5,103	450	-
Closing balance	**29,720**	**5,428**	**31,119**	**4,531**

Directors of the Parent Company, based on their best estimate of all possible outcomes, have proceeded to re-estimate all the provisions required as of 31 December 2016, up to the amount of EUR 29,720 thousand

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(EUR 31,119 thousand at 31 December 2015) under non-current provisions and EUR 5,428 thousand (EUR 4,531 thousand as of 31 December 2015) under current provisions.

Litigation and/or claims in process

At 31 December 2016 and 2015 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. Both the legal advisors of the Group and the Directors understand that the completion of these legal procedures and claims will not have a significant impact on the consolidated financial statements for the period in which they will be concluded in addition to those already accounted for.

The main amount under this item at 31 December 2016 and 2015 corresponds to the provision amounting to EUR 28,236 thousand related to the litigation process maintained with the BNP Paribas in relation to the deposit made by the assignee, arising from the execution of a contract of assignment of non-recourse loans with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation). See Notes 10 and 20)

Further, the provision includes mainly EUR 882 thousand (EUR 1,461 thousand in 2015) and EUR 4,837 thousand (EUR 3,319 thousand in 2015) under non-current and current items, for provisions arising from different litigation processes and risks associated with subsidiaries with registered office in Argentina, Chile and Brazil.

Risk of litigation and/or claims in process

Among the objectives set by the Group's Directors is the reduction of legal disputes and the initiation of proceedings intended to recover assets lost in the past, not ruling out the requirement of civil and criminal liabilities, if applicable.

Therefore, the increase in risks arising from judicial conflicts is not expected, but quite the opposite, the resolution of the existing ones in positive terms for the Group, and the interposition of new actions that in any case will involve positive impact on the financial statements.

Note 20 to the consolidated financial statements includes detailed information on the main procedures in progress.

18. Taxation

a) Tax payables and receivables

Breakdown of payables and receivables recorded by the Group at 31 December 2016 and 2015 is as follows:

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	Thousands of Euros			
	2016		2015	
	Non-current	Current	Non-current	Current
Anticipated income tax	8,177	-	4,980	-
Other current tax assets	-	11,779	-	8,305
Tax receivables	**8,177**	**11,779**	**4,980**	**8,305**
VAT payable and Social Security contributions	-	12,643	-	5,742
Personal income tax, income tax payable and other payables	-	7,233	-	5,372
Deferred income tax	4,392	-	3,892	-
Tax payables	**4,392**	**19,876**	**3,892**	**11,114**

b) Reconciliation between consolidated taxable income and reported profit/(loss)

The Parent Company (Grupo Ezentis, S.A.) is taxed under the tax consolidation regime with other investees, acting as the head of the consolidated tax group. In 2016, the following companies of the Group form part of the tax consolidation group: the Parent Company (Grupo Ezentis, S.A.) and the following subsidiaries: Ezentis Tecnología, S.L.U., Radiotrónica Catalunya, S.A.U., Radiotrónica Galicia, S.A.U., Radiotrónica Zona Centro, S.A.U., Navento Technologies, S.L.U., Avánzit Infraestructuras y Servicios, S.A.U., Avánzit Comunicaciones Públicas, S.L.U., Naverggi, S.A.U., Avánzit Instalaciones e Ingeniería, S.L.U.), Electrificaciones Ferroviarias Catenaria, S.A.U., Moraleja Parque Fotovoltaico I, S.L.U., Moraleja Solar I, S.L.U., Avánzit I+D+I, S.L.U., Ezentis Internacional, S.L.U., Ezentis Chile, S.L., Ezentis Brasil Telecom, S.L.U., Ezentis Brasil Instalaciones, S.L.U., Calatel Spain, S.L.U., Avánzit Telco, S.L.U., Ezentis Telco, S.L.U., Calatel Andalucía, S.L.U., Ezentis Gestión de Redes, S.L.U. and Networks Test, S.L.U.

Subsidiaries file individual tax returns in accordance with the tax legislation in force in each country. .

The reconciliation of the consolidated accounting profit/(loss) for 2016 and 2015 with the theoretical taxable income (which would be the corresponding to the individual financial statements under Spanish accounting principles) is as follows:

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	2016			2015		
	Increase	Decrease	Amount	Increase	Decrease	Amount
Consolidated Profit/(Loss) before tax	-	-	1,129	-	-	(10,191)
Consolidations adjustments	11,559	(7,728)	3,830	75,950	(14,736)	61,214
Aggregate profit/(loss) from Spanish companies			**4,959**			**51,023**
Permanent differences of individual companies	3	(1,266)	(1,263)	1,238	-	1,238
Temporary differences of individual companies						
Provisions subsidiaries backlog	-	(20,225)	(20,225)	-	-	-
Allocation to provisions	-	-	-	2,688	-	2,688
Reversal of provisions	-	(996)	(996)	-	(66,280)	(66,280)
Tax amortisation of goodwill	-	(15,187)	(15,187)	-	(3,037)	(3,037)
Reversal finance expense		(1,606)	(1,606)			
Other	5,040	(123)	4,917	3,890	(851)	3,039
Taxable income (tax profit/(loss))			**(29,401)**			**(11,329)**

Positive temporary differences correspond to the fact that, due to different accounting and tax imputation criteria, certain expenses recorded are not considered as a tax-deductible expense in the current year. Negative temporary differences correspond mainly to the sale, by Grupo Ezentis, SA, of its stake in the company Vértice Trescientos Sesenta Grados, SA, to the amortisation of goodwill (whose impairment was adjusted in the corporate income tax of previous years), to general contingencies, to the reversal of financial expenses and to the reversal of the accounting depreciation that was not fiscally deductible in the years 2013 and 2014. At 31 December 2016, temporary differences in fees not recognised in the financial statements amounted to EUR 77,839 thousand (EUR 86,113 thousand at 31 December 2015).

Breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Current tax	3,034	2,510
Deferred tax	(2,674)	(1,367)
Income tax expense	**360**	**1,143**

Reconciliation between income tax expense and consolidated income statement is as follows:

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2016

Tax expense	Profit/(Loss) before tax	25% tax rate	Non deductible expense	Other adjustments	Tax credits	Tax rate correction	Tax expense 2016
Ezentis Argentina	2,580	(645)	62	-	-	(242)	(825)
Ezentis Chile	1,730	(433)	33	-	-	(290)	(690)
Ezentis Peru	(2,083)	521	50	-	-	(46)	525
Ezentis Energia (Brazil)	(2,407)	602	23	-	810	(838)	596
Ezentis Engenharia (Brazil)	(1,077)	269	-	-	182	(162)	289
Ezentis Caribe	1,124	(281)	-	-	-	(74)	(355)
Ezentis Colombia	(909)	227	-	-	-	(69)	158
Spain and the rest of the world	2,171	543	-	(444)	-	(158)	(59)
	1,129	**803**	**168**	**(444)**	**991**	**(1,879)**	**(360)**

2015

Tax expense	Profit/(Loss) before tax	28% tax rate	Non deductible expense	Other adjustments	Tax credits	Tax rate correction	Tax expense 2015
Ezentis Argentina	304	(85)	-	-	-	(21)	(106)
Ezentis Chile	3,205	(897)	-	-	-	(66)	(963)
Ezentis Peru	1,240	(347)	(91)	(4)	-	(18)	(460)
Ezentis Energía, S.A. (Brazil)	406	(114)	(1,111)	(224)	2,538	(1,078)	12
Ezentis SEICOM (Brazil)	(1,725)	483	-	-	-	21	504
Ezentis Caribbean	689	(193)	-	-	-	(14)	(207)
Spain and the rest of the world	(14,310)	77	-	-	-	-	77
	(10,191)	**(1,076)**	**(1,202)**	**(228)**	**2,538**	**(1,175)**	**(1,143)**

c) Non-current deferred assets and liabilities

Under the current tax regulations in the different countries where the consolidated entities are located, certain temporary differences shall be taken into consideration when quantifying the corresponding income tax expense.

The tax effect is adjusted to the 25% current tax rate in 2016 and 28% in 2015.

With effect as from years beginning on 1 January 2015, due to the entry into force in Spain of Law 27/2014, as of 27 November, on Corporation Tax, compensation for previous tax loss carryforwards is allowed unlimited in time. The amount of taxable income corresponding to Spanish companies amounted to EUR 506,416 thousand as of 31 December 2016 (EUR 477,015 thousand as of 31 December 2015).

In 2016, EUR 29,401 thousand of negative taxable income were generated in the Parent Company, which will be credited by the Group to the Public Treasury with the declaration of Corporation Taxes for 2016 (EUR 11,329 thousand as of 31 December 2015).

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Analysis of deferred tax assets and liabilities at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	**2015**
Deferred tax assets		
- Deferred tax assets recoverable in over 12 months.	7,517	4,421
- Deferred tax assets recoverable within 12 months.	660	559
	8,177	**4,980**
Deferred tax liabilities		
- Deferred tax liabilities recoverable in over 12 months.	2,775	3,082
- Deferred tax liabilities recoverable within 12 months.	1,617	810
	4,392	**3,892**

Deferred tax assets for tax loss carryforwards pending offset, as well as for deductions pending application, are recorded insofar as the corresponding tax benefit is probable through future tax benefits.

The amount recorded as of 31 December 2016 under deferred tax assets corresponds mainly to the following subsidiaries:

- EUR 1,282 thousand in Ezentis Engenharia, S.A.
- EUR 3,908 thousand in Ezentis Energía, S.A.
- EUR 1,507 thousand corresponding to the Chilean subsidiaries, Ezentis Chile S.A., Tecnet, S.A. and Ezentis Energia, SpA
- And EUR 1,774 thousand in subsidiaries of the Spanish Tax Group.

The amount recorded as of 31 December 2016 under deferred tax liabilities corresponds mainly to the following subsidiaries:

- EUR 848 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Ezentis Enengharia, S.A.
- EUR 508 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Ezentis Energía, S.A.
- EUR 910 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Grupo Networks Test, S.A.
- EUR 509 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Tecnet, S.A.
- And an additional amount of EUR 1,434 thousand associated mainly with the tax in Chile.

At 31 December 2016 and 2015, the tax loss carryforwards credited by the Group to the Public Treasury not activated in the balance sheet are the result of unusual events, mainly due to the Suspension of Payment of Grupo Ezentis, SA, Avánzit Telecom SLU and Ezentis Tecnología SLU creating negative tax bases in those years (2002 and 2003) and temporary differences for goodwill that has a tax amortisation of adjustments to negative tax bases in future years.

d) Years open for review

At 31 December 2016, both the Parent Company and the main subsidiaries have the last four years open for inspection for all taxes applicable thereto.

Due to the possible different interpretations that can be given to tax regulations, inspection outcome of tax authorities for the years subject to verification can give rise to tax liabilities, non-measurable in an objective way. However, in the opinion of the tax advisors of the Group and its Directors, the materialisation of significant liabilities for this concept in addition to those registered is remote

19. Guarantee commitments to third parties

At 31 December 2016, the Group has received guarantees from third-party financial entities presented to third parties amounting to EUR 30,379 thousand, corresponding mostly to technical guarantees provided for offers for new projects, as well as the successful completion of the execution of awarded works (as of 31 December 2015, the guarantees amounted to EUR 21,242 thousand).

Directors of the Parent Company estimate that no payment obligation for the consolidated companies that has not already been provisioned for will be derived from the guarantees and bonds described above, so that the joint balance of these commitments cannot be considered as a future need of financing or liquidity for third parties by the Group.

20. Litigation and arbitration

Main procedures and litigation in progress which the Group is a defendant and plaintiff in are the following:

20.1 Litigation in progress at 31 December 2016 by Grupo Ezentis S.A. and Subsidiaries:

ETB (Empresa Telefónica de Bogotá)

Radiotrónica Colombia (branch of Grupo Ezentis) sued ETB for damages and losses caused by the early cancellation of the Framework Contract 4200000855 signed with said company. Within this process, the competent court requested a financial and technical expertise.

After compliance with the different procedural stages, on 16 November 2006, the Judgement issued in the first instance was notified, for which ETB was ordered to pay Radiotrónica Colombia EUR 9,267 million Colombian Pesos (EUR 3,220 thousand). This ruling was appealed against by both parties, pending resolution. At 31 December 2016 the Group has not recorded any assets related to this contract.

Processes opened by Group companies against former directors and officers of the Group

At 31 December 2015 and 2016, the Parent Company has registered an account receivable with the former Chairman of the Parent Company Mr. Juan Bautista Pérez Aparicio amounting to EUR 80 thousand and the subsidiary, Ezentis Tecnología S.L.U. an account receivable amounting to EUR 1,421 thousand, both amounts being fully provisioned and which have been claimed in previous years before the anti-corruption prosecutor's office. After several judgements favourable for the Group, the execution against Mr. Juan Bautista Pérez Aparicio, Mr. Manuel No Sánchez and Mr. Eduardo Sunyer Martín, is processed as an Executory before Section 1 of the Provincial Court of Madrid.

Dispute with BNP

"Other non-current credits" basically corresponds to the balance in favour of the Parent Company established as a deposit with the assignee, resulting from the execution of a loan assignment agreement without recourse with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation), for an amount of US $ 25 million, entered into on 27 December 2001.

Due to the suspension of payments by the Parent Company, BNP Paribas communicated the unilateral resolution of the deposit agreement for a value of USD 25 million, compensating irregularly the entire amount mentioned above, which at 31 December 2010 and 2009 valued at a historical change rate and after the recording of interest amounts to EUR 28,236 thousand.

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In recent years, Grupo Ezentis has been defending its rights in different judicial instances in Lima (Peru), the latest actions being the pronouncement of the Commercial Court of Lima No. 17 (Peru), which issued the Judgement on 9 March 2015, by which the claim filed by BNPPA against the Company is rejected in its entirety, and Ezentis's counterclaim is estimated, condemning BNPPA to pay the Company USD 25,487,062.92, with express condemnation of interest and costs to BNPPA. On 3 March 2016, at 08:30 a.m. Lima held a hearing, leaving the case ready for judgement.

The aforementioned ruling will not be final and will be subject to appeal to the Commercial Court of the Superior Court of Justice of Lima and this in turn may be appealed to the Supreme Court.

Given the legal status of this asset, the Group maintains an adequate provision, recorded under "Long-term provisions" in the accompanying consolidated balance sheet as of 31 December 2016 (Note 17). The Parent Company will assert its rights in the judicial proceeding before the Courts of Lima and, before those necessary, so that, according to the law, it is decided on the validity of the alleged resolution and on the damages caused.

Procedure with the Tax Agency

On 14 July 2014, the Tax Agency announced the initiation of proceedings to assign tax responsibilities for tax liabilities of Vértice Trescientos Sesenta Grados, S.A., for EUR 7,565,477.72 million (Note 10).

On 5 January 2015, a declaration of tax liability declaration dated 17 December 2014 (hereinafter the "Declaration Agreement") was notified, issued by the Tax Agency declaring the joint and several liability of the Company with respect to debts of Vértice Trescientos Sesenta Grados, SA amounting to EUR 7.5 million.

Likewise, on 20 February 2015, the Company requested the suspension of the Declaration Agreement pursuant to Article 233 of the General Tax Law before the Regional Collection Unit of the Special Delegation of Madrid of the AEAT.

After the filing, on 29 January 2015, of the economic-administrative claim to the Central Economic-Administrative Court against the liability derivation agreement, the Company filed allegations dated 11 May 2015.

In relation to the request for suspension filed on 20 February 2015 to the Regional Collection Unit of the Special Delegation of Madrid, since this required that the guarantees provided would cover not only the principal debt (EUR 7.5 million), but also the default interest generated during the suspension plus 20% for the penalty surcharge that could accrue in case of execution of the guarantee, it was considered more beneficial in financial terms to proceed to the payment of the principal of the debt, renouncing the suspension requested.

The payment made does not imply acceptance of the liability derivation; the Company will request the refund as undue payment, together with the corresponding interest for late payment, when the economic-administrative claim filed before the TEAC is submitted. Payment took place on 7 August 2015. The Directors, in accordance with the legal advisors, consider that the Company's claims are unlikely to be dismissed, so that, in accordance with accounting regulations, no provision has been recorded under this item.

21. Revenue and expenditure

a) Net Revenue

Net revenue by type of activity and geographic market is detailed on Note 22.

During 2016 the Group continued with its policy of diversifying activities and customers, although approximately 56.1% is with Grupo Telefónica (approximately 55.4% in 2015).

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b) Staff costs

Consolidated staff costs during years 2016 and 2015 are detailed as follows, in thousands of Euros:

	Thousands of Euros	
	At 31 December	
	2016	**2015**
Salaries and wages	113,787	113,622
Social security costs	30,022	24,784
	143,809	**138,406**

The average number of employees, arranged by professional category, during years 2016 and 2015 is as follows:

	Average number of employees	
	2016	**2015**
Top Management	11	7
Qualified technicians	1,475	464
Non-qualified technicians	247	221
Administrative staff	1,296	1,072
Site personnel	7,140	7,106
	10,169	**8,870**

At 31 December 2016 and 2015, the number of employees arranged by sex and professional category is as follows:

	At 31 December			
	2016		2015	
	Men	**Female**	**Men**	**Female**
Top Management	13	-	8	-
Qualified technicians	1,390	173	327	101
Non-qualified technicians	277	52	189	35
Administrative staff	886	503	895	428
Site personnel	7,011	468	6,400	415
	9,577	**1,196**	**7,819**	**979**

At 31 December 2016, the average number of employees with disabilities amounts 37 (12 in Spain). Said figure is an estimation as of the closing date.

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c) Consumables and other external expenses

Breakdown of "Consumables and other external expenses" for years 2016 and 2015, in thousands of Euros, is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Consumables	13,041	13,792
Subcontracts	45,824	58,264
	58,865	**72,056**

d) Other operating expense

The detail of "Other operating expense" for years 2016 and 2015, in thousands, is as follows:

	Thousands of Euros	
	At 31 December	
	2016	2015
Rents and royalties	8,047	8,145
Repair and maintenance services	3,624	2,888
Independent professional services	7,784	11,701
Transports	19,137	16,281
Insurance premiums	1,485	1,641
Advertising, publicity and public relationships	94	251
Utilities	7,424	7,211
Other services	11,883	11,241
Other current operating expense	1,894	2,051
Taxes	21,231	7,311
	82,603	**68,721**

Expenses incurred into by the Group due to operating leases were as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Lease payments under operating leases recognised in profit/(loss) for the year	8,047	8,145

The Group has formalised several long-term leasing contracts. Among them, the most significant contracts refer to the leasing of real estate and the leasing of vehicles in some subsidiaries.

The total amount of the minimum future payments of non-cancellable operating leases, as well as the amounts by instalments is as follows:

	Thousands of Euros	
	31.12.2016	31.12.2015
Up to 1 year	6,438	4,896
From 1 to 5 years	12,875	19,839

e) Other revenue and expenditure

The detail of this item under the income statement for years 2016 and 2015 is as follows

	Thousands of Euros	
	At 31 December	
Other revenue and expenditure	**2016**	**2015**
Other expense	709	2,437
	709	**2,437**

"Other expenses" mainly includes the following 2 expenses for year 2016":

- Sale of a property located in Argentina that generated an extraordinary profit of EUR 2.9 million.
- Compensations and other expenses amounting to EUR 4.3 million

"Other expense" for year 2015 includes the consideration paid to the former chairman of the Parent, Mr. Manuel García-Durán de Bayo.

f) Financial income and expense

The detail of this item under the income statement for years 2016 and 2015 is as follows

	Thousands of Euros	
	At 31 December	
	2016	**2015**
Finance expense	**(21,938)**	**(24,641)**
Operating debt interest	(14,056)	(13,849)
Interest debt Senior Facility Agreement	(8,107)	(2,871)
Availability commission Senior Facility Agreement	(611)	(327)
Negative translation differences	836	(3,286)
Finance expense for update of derivative financial instruments derived from early repayment	-	(1,039)
Other	-	(3,269)
Changes in fair value	**(1,226)**	**1,181**
Profit/Loss from disposal of equity financial instruments	(1,226)	1,181
Financial income	**2,966**	**1,498**
Other interests and similar income	2,966	1,498

g) Transactions in a currency other than the Euro

During year 2016, approximately 90.7% (91% in 2015) of operating income and 88.0% (86% in 2015) of operating expenses of the Group were carried out abroad, mainly in the Group's Latin American subsidiaries. Disclosure on transactions in a currency other than the Euro are detailed on Note 3.1. herein.

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h) Audit fees and other services

Fees accrued by the Group's main auditor, during years 2016 and 2015 amount to EUR 568 thousand and EUR 553 thousand, respectively, under audit fees and other services. From this amount, fees accrued during the year by companies in the international network of PwC (other than Spain) amount to EUR 331 thousand (2015: EUR 310 thousand)

	2016	2015
Audit fees	542	448
Other services	26	105
	568	**553**

22. Segment reporting

Basis of segmentation

Segment information is structured, firstly, according to the geographical distribution of the Group and secondly according to the sector of activity where it operates.

Segment reporting is presented in the same way as the internal information submitted to the highest decision-making body (the Board of Directors of the Parent Company of the Group). Accounting policies of the segments are the same as those applied and detailed in these consolidated financial statements.

The Group's activities are carried out in the Domestic Market and Abroad, mainly in the following countries: Spain, Argentina, Chile, Peru, Brazil, Colombia, Jamaica and Panama.

On the other hand, the sectors of activity which the Group is operationally arranged into are the following:

1. Telecommunications.
2. Electricity.
3. Other: Including, water, mining, gas and other.

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Segment information

information referred to the different countries where the Group operates is the following:

Thousands of Euros	Spain		Argentina		Chile		Peru		Brazil		Caribbean		Colombia		Other		Elimination of intercompany		Total Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	**2016**	**2015**
Revenue:																				
Turnover	30,302	30,021	52,910	72,285	63,858	56,361	30,231	37,499	119,089	92,119	5,993	7,250	8,269	4,610	18,945	7,097	(22,187)	(11,791)	**307,410**	**295,451**
Financial income	142	303	1,164	271	286	465	40	73	690	690	67	1	1	9	1,983	1,012	(1,407)	(1,326)	**2,966**	**1,498**
Profit/(Loss):																				
Profit/(Loss) from operations	1,520	(372)	6,052	3,896	2,582	3,870	(905)	2,772	1,976	5,380	1,047	607	(280)	(161)	9,890	(5,247)	(556)	1,029	**21,326**	**11,774**
Financial profit/(loss)	(416)	(442)	(3,473)	(3,592)	(852)	(665)	(1,178)	(1,533)	(4,050)	(6,699)	77	82	(124)	(74)	(10,182)	(10,863)	-	1,824	**(20,198)**	**(21,962)**
Profit/(Loss) from associates	-	-	-	-	-	-	-	-	-	-			-	-	1	(3)	-	-	**1**	**(3)**
Profit/(Loss) before tax	629	(815)	2,580	304	1,730	3,205	(2,083)	1,240	(3,483)	(1,319)	1,124	689	(909)	(235)	2,097	(16,113)	(556)	2,853	**1,129**	**(10,191)**
Tax	(19)	133	(825)	(106)	(690)	(963)	525	(460)	886	516	(355)	(207)	158	36	(40)	(92)	-	-	**(360)**	**(1,143)**
Other disclosure																				
Additions to property, plant and equipment	31	159	725	1,155	5,373	728	998	609	1,978	3,030	-	-	804	-	-	(258)	-	-	**9,909**	**5,423**
Amortisation of property, plant and equipment	(71)	(62)	(330)	(431)	(2,212)	(1,759)	(1,284)	(1,310)	(2,438)	(2,592)	-	-	(97)	-	(117)	258	-	-	**(6,549)**	**(5,896)**
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Assets																				
Total Assets	28,783	27,301	32,658	23,015	64,927	26,034	44,141	39,702	70,883	49,236	5,248	4,117	8,037	5,811	144,929	141,183	(148,109)	(112,494)	**251,497**	**203,905**
Liabilities																				
Total liabilities	23,047	27,577	27,606	19,816	45,725	17,515	16,728	11,484	54,328	42,247	1,806	865	5,460	2,729	207,116	180,158	(148,109)	(112,494)	**233,707**	**189,897**

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According to geographical distribution, information is as follows:

Data in thousands of Euros	Net turnover		Total assets		Additions to non-current assets	
	2016	2015	2016	2015	2016	2015
Spain	30,302	30,021	28,783	27,301	1,293	741
Argentina	52,910	72,285	32,658	23,015	1,016	1,208
Chile	63,858	56,361	64,927	26,034	5,593	728
Peru	30,231	37,499	44,141	39,702	1,386	821
Brazil	119,089	92,119	70,883	49,236	2,840	3,166
Caribbean	5,993	7,250	5,248	4,117	-	-
Colombia	8,269	4,610	8,037	5,811	1,017	1
Other	18,945	7,097	144,929	141,183	178	78
Consolidation adjustments	(22,187)	(11,791)	(148,109)	(112,494)	-	-
	307,410	**295,451**	**251,497**	**203,905**	**13,323**	**6,743**

23. Transactions with related parties

For the purposes of information, the following are considered related parties:

- Significant shareholders of Grupo Ezentis SA, understood as those that directly or indirectly hold interest equal to or greater than 3%, as well as shareholders who, without being significant, have exercised the power to suggest the appointment of a member of the Board of Directors . See information included under Note 13.

- Executives and Directors of the Company and immediate family. "Director" refers to a member of the Board of Directors and "Executive" refers to a member of the Management Committee.

- Transactions carried out between companies or entities of the Group are part of the usual traffic. The amount of balances and transactions not eliminated in the consolidation process is not significant..

a) Purchase of goods, services and finance expense

During 2016, the Group received advisory services amounting to EUR 97 thousand from companies or offices of which member (s) of the Board of Directors of the Parent Company of the Group form part, that, as of 31 December 2016, recorded an unpaid balance amounting to EUR 12 thousand.

During year 2015, no transactions of this nature with related parties have taken place.

b) Other transactions

During years 2016 and 2015, no other transactions with related parties have taken place.

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d) Remuneration to Directors

Remuneration accrued during years 2016 and 2015 by members of the Board of Directors of the Parent Company, received from all Group Companies which they are Directors of is as follows:

	Thousands of Euros			
Year	**Monetary remuneration**	**Allowance**	**Independent professional services**	**Total**
2016	425	351	-	776
2015	3,028	348	-	3,376

Remuneration accrued by each member during years 2016 and 2015, is the following:

Director	**Monetary remuneration 2016**	**Monetary remuneration 2015**
Mr. Manuel García-Duran de Bayo	-	2,601
Mr. Fernando González Sánchez	150	302
Mr. Guillermo José Fernández Vidal	125	125
Mr. Carlos Mariñas Lage	150	-
TOTAL	**425**	**3,028**

Director	**Allowance 2016**	**Allowance 2015**
Mr. Enrique Sánchez de León	46	48
Mr. Luis Solana Madariaga	83	67
Mr. José Wahnon Levy	27	69
Mr. Francisco Javier Cremades Garcia	31	37
Mr. Guillermo Fernández Vidal	29	33
Mr. Pedro María Azcárate Palacios	46	-
Ms. Ana María Sánchez Tejada	20	28
Ms. Isla Ramos Chaves	2	26
Ms. Laura González Molero	14	-
Ms. Emma Fernández Alonso	16	-
Eralan Inversiones, S.L.	37	40
TOTAL	**351**	**348**

At 31 December 2016 the chief executive officer is entitled to a compensation equivalent to three gross monthly payments of the current remuneration, including fixed and variable remuneration, applicable in the event of termination of the contract (in 2015, the CEO was entitled to a compensation equivalent to two yearly payments, including fixed and variable remuneration, in the event of unfair dismissal).

At 31 December 2016 and 2015, there was no advance payment, no credit or pension plans granted to any member of the Board of Directors of the Parent Company. Further, there is a life insurance coverage for a member of the Board of Directors with an insured capital of three times the amount of the salary remuneration. The amount of the premium of said insurance amounted to EUR 12 thousand in year 2016.

Monetary remuneration for both 2016 and 2015 corresponds to the salaries and wages of members of the Board of Directors that perform executive functions within the Group. Allowances refer to allowances paid to directors in 2016 and 2015 for attending meetings of the Board of Directors and its Committees according to the position held in each case.

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Participation, position, functions and activities developed by Directors

Directors, members of the Board of Directors during the year, so as to avoid situations of conflict with the interest of the Company, have complied with the obligations established under Article 228 of the consolidated text of the Capital Companies Act. Likewise, they and any people related to them, have abstained from incurring into conflict of interest as provided for in Article 229 of said law.

d) Remuneration to executives

Remuneration of General Managers of the Parent Company and those who perform assimilated functions in subsidiaries, being excluded those who, simultaneously, have the status of member of the Board of Directors of the Parent Company (whose remuneration has been detailed above) during years 2016 and 2015 is summarised as follows:

Year	Number of people	Total monetary remuneration
2016	6	1,008
2015	7	1,263

All Senior Managers currently on the Group's payroll have life insurance with an insured capital of three times the salary remuneration. The amount of the premium of said insurance amounted to EUR 12 thousand in year 2016. There are no other remuneration or commitments other than those mentioned above.
Contracts of certain senior managers contain clauses of notice and non-competition post-contractual.

e) Outstanding balances at year-end arising from financial agreements.

At 31 December 2016 and 2015, there are no outstanding balances arising from financial agreements.

24. Environment

Due to nature of business activities developed by the Group, these do not have environmental liabilities, expense, assets, provisions or contingencies that might be material with respect to equity, financial position and profit/(loss).

25. Events occurred after the reporting period

As from 31 December 2016 and until the formulation of these Consolidated Financial Statements, the following significant events for Grupo Ezentis, S.A. have taken place:

On 9 January 2017 the Group has received funds from Tranche 3 of the loan with Highbridge Principal Strategies LLP, amounting to EUR 4,759 miles for financing the organics growth of the group in Peru, Colombia and Chile.

On 21 February 2017the chairman and CEO of the Board of Directors, Mr. Luis Solana Madariaga, has submitting his resignation for the position, and Mr. Guillermo Fernández Vidal was appointed Chairman of the Board of Directos, and Ms. Carmen Gómez de Barreda was appointed by co-option as independent member.

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

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(Thousands of Euros)

APPENDIX I

SUBSIDIARIES WITHIN GRUPO EZENTIS

			Voting rights %		Company details						
			Controlled by the Parent		Thousands of Euros						
Company	Address	Activity	Direct	Indirect	Cost	Provision	Net Value accounting	Assets	Liabilities	Equity	Profit/ (Loss) Year
Corporación Ezentis Holdco, S.à.r.L. (B)	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.	100%	-	38,141	-	38,141	40,341	379	39,962	(37)

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

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(Thousands of Euros)

SUBSIDIARIES WITHIN GRUPO EZENTIS

Subsidiaries of Corporación Ezentis Holdco S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Corporación Ezentis Internacional, S.à.r.L **(B)**	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.		100%

Subsidiaries of Corporación Ezentis Internacional S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis Tecnología. S.L.U. **(A) (B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Manufacturing activities, engineering, design, development projects, sale, operation, import, export, commercialisation, installation, civil works, etc. of switching products and network management.		100%
Naverggi, S.A.U. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Design, development, manufacture, distribution and commercialisation of technological-based electronic components, especially those that integrate communications and location, as well as the management of gateways with mobile operators.		100%
Avánzit Infraestructuras y Servicios, S.A.U.	c/ Santa Leonor, 65 Edificio B. Madrid	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.		100%
Avánzit instalaciones e ingenieria, S.L.	Poligono El Guadiel s/n (Jaén)	Execution and maintenance of electrical facilities. Execution and maintenance of telecommunication and computer systems, equipment and components.		100%
Calatel Andalucia, S.L. **(B)**	c/ Acustica, nº 24 41015 Sevilla	Study, development, construction and management of all kinds of works and installations. Execution and maintenance of electrical facilities. Execution and maintenance of telecommunication and computer systems, equipment and components.		100%
Ezentis Internacional, S,L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Purchase, holding, administration, management, and operation on own account of shares, securities and stocks of all types of commercial companies		100%
Ezentis Gestión de redes, S.L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication elements and equipment and information process for security applications.		100%
Moraleja Solar I, S.L.	c/ Santa Leonor, 65 Edificio B. Madrid	Production, transport and distributions of electrical energy		100%

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

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(Thousands of Euros)

(A) Companies audited by PricewaterhouseCoopers

(B) Guarantors of the financing agreement signed with Highbridge Principal Strategies LLP

Subsidiaries of Ezentis Tecnología S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Radiotrónica de Cataluña, S.A.	Calle Torrent del Ninou, s/n. Polígono Industrial Llevant Parets del Valles - Barcelona	Execution and maintenance of telecommunication systems, equipment and components for transmission and reception of any kind of information between people, whether the signal being mechanical, electrical, etc.	-	100%
Avánzit Comunicaciones Públicas , S.A.	c/ Santa Leonor, 65 Edificio B. Madrid	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	100%
Radiotrónica Zona Centro, S.A.	c/ Santa Leonor, 65 Edificio B. Madrid	The execution and maintenance of systems, equipment and telecommunication components of any kind of information between people, whether the sign, sound or images being by mechanical means, etc.	-	100%
Radiotronica Galicia, s.a.	Polígono Pocomaco, parcela C-4, nave 4, A Coruña	Execution and maintenance of telecommunication systems, equipment and components for transmission and reception of any kind of information between people, whether the signal being mechanical, electrical, etc.	-	100%
Avanzit I + D + I, S.L.	Avda. Ministro Josep Pique, S/N 23200 La Carolina (JAEN)	Consulting, design, network and system engineering, application development, implementation, maintenance and sale of solutions for network and telecommunication systems. Through the purchase, sale, exchange, operation, lease and management.		100%

Subsidiaries of Naverggi, S.A.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Navento Technologies, S.L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Development and commercialisation of a real-time localization programme of economic cost oriented to the mass public	-	100.0%

Subsidiaries of Avánzit Instalaciones e Ingeniería, S.L. (former Electrificaciones Ferroviarias, S.L.U.).:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Electrificaciones Ferroviarias Catenaria, S.A.	Calle Torrent del Ninou, s/n. Polígono Industrial Llevant Parets del Valles - Barcelona	Study, development, construction and management of all kinds of works and installations. Execution and maintenance of electrical facilities. Execution and maintenance of telecommunication and computer systems, equipment and components.	-	100%

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Moraleja Parque Fotovoltaico I, S.L.	c/ Santa Leonor, 65 Edificio B. Madrid	Production, transport and distributions of electrical energy	-	100%
Avanzit Telco, S.L.	Avda. Ministro Josep Pique, S/N 23200 La Carolina (JAEN)	Study, development, construction and management of all kinds of works and installations. Execution and maintenance of electrical facilities. Execution and maintenance of telecommunication and computer systems, equipment and components.	-	100%
Ezentis Telco, S.L.	Avda. Ministro Josep Pique, S/N 23200 La Carolina (JAEN)	Study, development, construction and management of all kinds of works and installations. Execution and maintenance of electrical facilities. Execution and maintenance of telecommunication and computer systems, equipment and components.	-	100%

Subsidiaries of Ezentis Gestion de Redes, S.L. (former Teldad Security, S.L.U.).:

			Voting rights %	
			Controlled by the Parent	
Company	Address	Activity	Direct	Indirect
Network Test,S.L. **(A) (B)**	c/ Santa Leonor, 65 Edificio B	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication elements and equipment and information process for security applications.	-	100%
Ezentis Colombia, S.A.S. **(A) (B)**	Colombia	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication elements and equipment and information process for security applications.	-	100%
Network Test USA	USA	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication elements and equipment and information process for security applications.	-	100%

(A) Companies audited by PricewaterhouseCoopers

(B) Guarantors of the financing agreement signed with Highbridge Principal Strategies LLP

Subsidiaries of Ezentis Internacional, S.L.:

			Voting rights %	
			Controlled by the Parent	
Company	Address	Activity	Direct	Indirect
Ezentis Chile, S.L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.		100%
Ezentis Brasil Instalaciones, S.L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.		100%

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Ezentis Brasil Telecom, S.L. **(B)**	c/ Santa Leonor, 65 Edificio B. Madrid	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.		100%
Ezentis Argentina, S.A. (former Radiotrónica Argentina, S.A.) **(A) (B)**	La Habana 370. 1603 Villa Martelli.. Buenos Aires (Argentina)	Project, construction, installation and maintenance of telecommunication systems. The provision of auxiliary services of said telecommunications. Project, construction, maintenance of lines and transformer stations of Low, Medium and High Voltage. Project, construction and maintenance of networks, facilities, machines and accessories for the treatment and distribution of fluids, water and gas, as well as sewage and sanitation works. Consultancy, planning, construction, operation and maintenance of facilities and plants of deposits, treatment, use and final disposal of any solid, semi-solid, domiciliary, industrial, special, hazardous and any other kind of waste; of water and wastewater treatment, air purification and exhaust gases, as well as the commercialization and distribution of all types of technologies for the protection of the environment.		5%
Ezentis Energia SpA **(B)**	Miraflores 222 piso 28 ciudad de Santiago (Chile)	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.		5%
Tecnet S.A. **(B)**	Avenida Las Parcelas N°5490, ciudad de Santiago (Chile)	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.	-	5%
Corporación Ezentis Chile, S.A. **(B)**	Santiago de Chile	To arrange, incorporate and take part in all types of businesses, companies, whether of people or capital, national or foreign, currently existing or future, being able to such effects to constitute any type of company, acquire shares, shares or social rights. Provide advice on financial, economic or administrative material only to related persons or companies. In general, perform any other activity directly or indirectly related to the previous ones agreed by the partners. The company may develop its business directly or through another company or other companies which it forms a part of for that purpose.	-	95%
Gpon Services Limited	#6 Trafalgar Drive Park View, Chaguanas, Trinidad y Tobago	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.		100%

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Subsidiaries of Ezentis Brazil Telecom, S.L.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
EzentisEngenharia (SEICOM) **(A) (B)**	Rua São João 282, 7" Andar - Centro, 18147-000 Araçariguama, Estado de São Paulo, recorded with the Junta Comercial do Estado de São Paulo under number 352.2205699-I	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	100%

Subsidiaries of Ezentis Chile, S.L.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis Chile, S.A. **(A) (B)**	Avenida Pedro de Valdivia 6349, Comuna de Macul, Santiago (Chile)	Services and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and rail signalling, auxiliary activities in the construction and telecommunication sector, the provision of value services added to said telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those previously designated.	-	50%

Subsidiaries of Ezentis Brasil Instalaciones, S.L.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis Energía, Ltda. (former Servicios urbanos, LTDA. (SUL)) **(A) (B)**	Avenida Embaixador Abelardo Bueno, nº 1, Bloco 1, ala "C", Barra de Tijuca, Rio de Janeiro - Brazil	Cleaning and maintenance of buildings, Construction of engineering projects, Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	96%

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Subsidiaries of Ezentis Engenharia (SEICOM) (A):

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
SEICOM Redes de Telecomunicaçoes, LTDA	cidade de Sorocaba, Estado de São Paulo, na Rua Cabreúva, nº 447, Jardim Leocádia	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	100%

(A) Companies audited by PricewaterhouseCoopers

(B) Guarantors of the financing agreement signed with Highbridge Principal Strategies LLP

Subsidiaries of Calatel Andalucia, S.L.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Calatel Spain, S.L.U. **(B)**	c/ Santa Leonor, 65 Edificio B.Madrid	Holding, management and administration, on own account, of shares or other securities representing the capital stock of entities not resident in Spanish territory. The presentation of those services of a general nature required by the companies and, but not limited to, management services, administration, operation, quality and legal advice of the different Group companies.		100%
Ezentis Argentina, S.A. (former Radiotrónica Argentina, S.A.) **(A) (B)**	La Habana 370. 1603 Villa Martelli.. Buenos Aires (Argentina)	Project, construction, installation and maintenance of telecommunication systems. The provision of auxiliary services of said telecommunications. Project, construction, maintenance of lines and transformer stations of Low, Medium and High Voltage. Project, construction and maintenance of networks, facilities, machines and accessories for the treatment and distribution of fluids, water and gas, as well as sewage and sanitation works. Consultancy, planning, construction, operation and maintenance of facilities and plants of deposits, treatment, use and final disposal of any solid, semi-solid, domiciliary, industrial, special, hazardous and any other kind of waste; of water and waste water treatment, air purification and exhaust gases, as well as the commercialization and distribution of all types of technologies for the protection of the environment.		95%

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Ezentis Chile, S.A. (former Consorcio Radiotronica Dominia Tecnoredes Comservices, S.A.) **(A) (B)**	Avenida Isidora Goyenechea 2800 Vitacura Comuna, Las condes, Santiago (Chile)	Services and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and rail signalling, auxiliary activities in the construction and telecommunication sector, the provision of value services added to said telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those previously designated.	-	50%
Ezentis Energia SpA **(B)**	Miraflores 222 piso 28 ciudad de Santiago (Santiago)	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.		95%
Corporación Ezentis Chile, S.A. **(B)**	Santiago de Chile	To arrange, incorporate and take part in all types of businesses, companies, whether of people or capital, national or foreign, currently existing or future, being able to such effects to constitute any type of company, acquire shares, shares or social rights. Provide advice on financial, economic or administrative material only to related persons or companies. In general, perform any other activity directly or indirectly related to the previous ones agreed by the partners. The company may develop its business directly or through another company or other companies which it forms a part of for that purpose.	-	5%
Tecnimarket de Mexico, S.A.	Mexico	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel El Salvador, S.A.	El Salvador	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Guatemala, S.A.	Guatemala	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Cala Telecom Services, Ltd.	Jamaica	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Haitian Urban Construction, S.A.	#94 Rue V. Duval, Vivy Mitchel, Haití	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%

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Calatel Trinidad & Tobago Ltd.	Trinidad & Tobago	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Surinami, Ltd.	Suriname	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Guayana	Guayana	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel PNG Ltd.	Papua Nueva Guinea	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Vanuatu	Vanuatu	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Honduras, S.A.	Honduras	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Panama, S.A. **(B)**	Panama	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Riegner & Cía Ltda.	Colombia	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	70%
Perú, S.A.C. * **(A) (B)**	Avenida Argentina Número 3090, Provincia Constitucional del Callao, Lima (Peru)	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%

(A) Companies audited by PricewaterhouseCoopers

(B) Guarantors of the financing agreement signed with Highbridge Principal Strategies LLP

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Subsidiaries of Ezentis Argentina, S.A.

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Raselo, S.A. **(A) (B)**	Lavalle 310. 1° Buenos Aires (Argentina)	Construction, refurbishment and repair of gat networks		98.91%
Radiotronica Construcciones, S.A.	Lavalle 310. 1° Buenos Aires (Argentina)	Civil works, road works, infrastructure works of services and maintenance of works.		60%
Servicios Mineros del Noa, S.A.	Avenida Asunción 1850, ciudad de Salta, provincia de Salta (Argentina)	Construction, installation, auxiliary and maintenance of fixed and wireless telecommunication systems, electrical, industrial and administrative installations and plumbing installations for water, gas and oil, Provision and rental of Power Plants, Soil drilling for water extraction Underground and Operation, Construction and Services for underground mining.		51%

Subsidiaries of Ezentis Energia, S.p.A

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Tecnet S.A. **(B)**	Avenida Las Parcelas N°5490, ciudad de Santiago (Chile)	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.	-	95%

(A) Companies audited by PricewaterhouseCoopers

(B) Guarantors of the financing agreement signed with Highbridge Principal Strategies LLP

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COMPANIES NOT INCLUDED WITHIN THE SCOPE OF CONSOLIDATION OF GRUPO EZENTIS

Company	Address	Activity	Voting rights % Controlled by the Parent: Direct	Voting rights % Controlled by the Parent: Indirect
Avanzit Ena Sgt, S.A.U. (in liquidation)	Avda Leganés Km 1,700. 28924 Alcorcon (Madrid)	The realisation of projects, electrical and mechanical installations, assemblies, purchase of material, exploitation of patents and execution of works of any kind, in particular, earthworks, etc.	66.36%	32.01%
Comelta Distribución , S.L.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and appliances and computer equipment, etc.	-	100%
Circe Inmobiliaria	Torrelaguna, 79. 28043 (Madrid)	Purchase, sale, leases, construction of movable and immovable property, as well as management of companies and any other legal trade activity that is antecedent or complement of the previous ones.	-	100%
Comdist Portugal, Lda.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and appliances and computer equipment, etc.	-	100%
Escandia Inmobiliaria, S.L.	Torrelaguna, 79. 28043 (Madrid)	Purchase, sale, leases, construction of movable and immovable property, as well as management of companies and any other legal trade activity that is antecedent or complement of the previous ones.	-	100%
Freeway Electronics, S.A.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, development, purchase, lease, distribution, transport and storage of computer, electronic and electrical equipment, equipment, programs and components.	-	100%
Radiotrónica de Galicia, S.A.	Pol. Pocomaco Parcela C-4 Nave 4. 15190 A Coruña	Execution and maintenance of electrical installations, construction of civil works, etc.	-	100%
Móviles Guatemala, S.A.	14 calle3-51 zona 10 Edif. Murano Center. Oficina 1003 Guatemala 01010	Execution and maintenance of systems, equipment and components of telecommunication and emission.	100%	-
Radiotrónica Móviles de México, S.A.de C.V.	Guaymas8, Despacho 210 Colonia Roma México D.F. (Méjico)	Services of design, planning and construction of infrastructure for telecommunications of mobile and fixed wireless telephony and in general the maintenance, installation of systems, equipment and telecommunications components for the emission, transmission and reception.	100%	-
Radiotrónica do Brasil, Ltda..	Avda. da Paz, 925 sala 1. Barrio Utinga. Santo Andre. Sao Paulo (Brazil)	Construction, consulting, projects, management, maintenance and operation of networks, stations, antennas and infrastructures of radio communications, telephony and communications in general, as well as development and installation of advanced communications solutions.	-	100%

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Abradi Serviços, S.A.	Avda. da Paz, 925 sala 1. Barrio Utinga. Santo Andre. Sao Paulo (Brazil)	Assembly, operation, maintenance of telephone, electrical, mechanical and industrial equipment. The preparation of studies and projects, as well as the provision of advisory services with assemblies, telephone, electrical, mechanical and industrial installations.	-	100%
Constructora Radar, Ltda..	Avda. da Paz, 925 sala 1. Barrio Utinga. Santo Andre. Sao Paulo (Brazil)	Construction, consulting, projects, management, maintenance and operation of networks, stations, antennas and infrastructures of radio communications, telephony and communications in general, as well as development and installation of advanced communications solutions.	-	100%
Constructora de Redes de Comunicaçao e Proyectos, Ltda.	Rua Alto de Montijo, Lote 1 e 2R/C Fraccao A 2975-619 Carnaxide-Lisboa (Portugal)	Construction, enlargement, transformation, installation and maintenance of any telecommunications network station. Production, execution and maintenance of telecommunication systems, equipment and components for broadcast, transmission and reception.	-	100%
Radiotrónica de El Salvador, S.A. de C.V.	Jardines del Volcán, 2. Pasaje 24 planta B14 nº30. Nueva San Salvador.	Services of design, planning and construction of infrastructure for telecommunications of mobile and fixed wireless telephony and in general the maintenance, installation of systems, equipment and telecommunications components for the emission, transmission and reception.	-	100%
Tecder Grupo Radiotrónica, S.A.	Vargas Buston, 760. San Miguel. de Chile	Projects, installation, renovation and maintenance of systems, equipment and components that use gas and combustible fluids as energy, in all their extension, as well as those destined to the distribution and / or utilization of drinking water and sanitation.	-	99.90%
Radio CDS, S.A.	Vargas Buston, 760. San Miguel. de Chile	Projects, construction, installation and maintenance of systems, equipment and components of electricity transmission and distribution networks; the provision of value-added services to these networks.	-	50%
Avanzit Chile, Ltda.	Av. Apoquindo, 3721 – piso13. Comuna de las Condes. Santiago de Chile (Chile)	All kinds of contracts related to wireless telecommunications equipment.	100%	-
Tecder de Argentina, S.A.	La Habana 370. 1603 Villa Martelli.. Buenos Aires (Argentina)	The construction and assembly of networks, plants, pipelines and installations of natural gas, energy fluids and fuels in all its extension, water, sewerage, and purification of water and sewage.	-	100%
Avánzit Tecnología, Ltda.	Rua da Consolaçao, 247 6º andar. Sala 51, D Centro Estado Sao Paulo (Brazil)	Consulting, engineering and operation of networks and systems, project development, "call Centres", application development, advice and technical support and implementation of after-sales networks networks and telecommunications systems for operators.	100%	-
Avánzit Tecnología, S.A	Calle 93ª, No. 14-17 Oficina 502 Bogotá DC (Colombia)	Consulting, design, implementation and maintenance of after-sales solutions "turnkey", for networks and telecommunication systems for operators and other entities with investment in telecommunications and information technologies.	-	100%
Avánzit Wireless, S.A.U.	Avda. Leganés Km.1,700. 28924 Alcorcon (Madrid)	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	100%	-

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Avanzit Perú, S.A.C.	Martín Olaya, 129 Miraflores-Lima 18 (Peru)	Services and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and rail signalling, auxiliary activities in the construction and telecommunication sector, the provision of value services added to said telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those previously designated.	-	100%
Empresa Constructora Radiotrónica de Chile Ltda.	Vargas Buston, 760. San Miguel. de Chile	The preparation of projects for the construction, installation and maintenance of systems, equipment and components of electricity, electrification, road and rail signalling, gas distribution networks, drinking water and sanitary works; the development of auxiliary activities in the construction and telecommunication sector, the provision of services related to the area of telecommunications.	5%	94.40%

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Translation into English of financial statements and notes to the financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails

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APPENDIX III

JOINT VENTURES OF COMPANIES WITHIN GRUPO EZENTIS

Company	Address	Voting rights % Controlled by the Parent	
		Direct	Indirect
Joint venture of Avánzit Tecnologia, S.L.U., Blom Sistemas Geoespaciales, S.L.U, Telefonica Soluciones de Informática and Comunicaciones de España, S.A.U.	C/ Federico Mompou, 5 ed. (Madrid)	-	55%
Joint venture of Avanzit Infraestructuras and Servicios, S.A., Forcimsa, Alario.	C/ Federico Mompou, 5 ed. (Madrid)	-	45%
Joint venture of Avanzit Infraestructuras y Servicios, S.A., Comsa, S.A.	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U., Indra Sistemas I	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U., Indra Sistemas II	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U., Indra Sistemas III	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	18%
Joint venture of Avánzit Tecnologia, S.L.U., Everis Spain Outsourcing EPES	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - Nucleo	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - MCP sistemas	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - Exceltic -Deimos Space- Nextel	C/ Federico Mompou, 5 ed. (Madrid)	-	16%
Joint venture of Avánzit Tecnologia, S.L.U. - EMASCARO	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - Amper	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - MAGTEL Sistemas	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L.	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L. 2	C/ Federico Mompou, 5 ed. (Madrid)	-	50%
Joint venture of Navento Tecnologies, S.L.U. - Deimos	C/ Federico Mompou, 5 ed. (Madrid)	-	50%

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APPENDIX IV

SUMMARY OF THE MOST SIGNIFICANT ACCOUTING POLICIES

1) Basis of Consolidation of the Group

Scope of consolidation

Grupo Ezentis, S.A. consists of a Group formed by: Grupo Ezentis, S.A., Parent Company, Subsidiaries, Associates and Joint ventures (hereinafter referred to as the Group). Appendix I, II and III to these notes include additional information regarding the entities within the scope of consolidation, companies not included in the scope of consolidation and joint ventures included in the scope of consolidation in year 2016.

Units below 20% of the capital in other entities over which it has no significant influence are considered financial investments.

For the purposes of preparing the consolidated financial statements, it is understood that there is a group when the parent has one or more subsidiaries, over which the parent has control, either directly or indirectly.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has the right, to obtain variable returns due to its involvement in the investee and has the ability to use its power over it to influence those returns. Subsidiaries are included in the scope of consolidation as from the date on which control is transferred to the Group and are excluded from consolidation on the date on which the control ceases.

As for accounting purposes, the Group applies the acquisition method to the different business combinations. The consideration transferred for the acquisition of a subsidiary corresponds to fair value of the assets transferred, liabilities incurred into with the previous owners of the acquired company and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability arising from a contingent consideration agreement. The identifiable assets acquired and the 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 choose to recognise any non-controlling interest in the acquiree for the fair value or for the proportional part of the non-controlling interest of the recognised amounts of the net identifiable assets of the acquiree.

If the business combination is carried out in stages, the carrying amount at the acquisition date of the equity interest of the acquiree previously held by the acquirer is remeasured at fair value at the acquisition date; any loss or gain arising from this new valuation is recorded under profit or loss for the year.

Any contingent consideration to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent consideration considered an asset or a liability are recognised in accordance with IAS 39 as profit or loss. The contingent consideration that is classified as equity is not valued again and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any prior participation in the net equity in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the total of the consideration transferred, the non-controlling interest recognised and the previously held interest is less than the fair value of the net assets of the subsidiary acquired in the case of an acquisition under very advantageous conditions, the difference is recognised directly in the income statement.

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If the business combination can only be determined provisionally, identifiable net assets are initially recorded at their provisional values, recognising the adjustments made during the twelve-month period following the acquisition date as if they had been known at that date.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment loss on the transferred asset. When necessary to ensure its uniformity with the policies adopted by the Group, the accounting policies of the subsidiaries are modified.

Transactions with minority interest

The Group accounts for transactions with minority interests as transactions with the owners of the Group's assets. In purchases of minority interests, the difference between the consideration paid and the corresponding proportion of the carrying amount of the net assets of the subsidiary is recorded under equity. Gains or losses on disposal of minority interest are also recorded under equity, provided that control over such participation has not been lost.

Disposals of subsidiaries

When the Group no longer has control or significant influence, any retained interest in the entity is revalued at fair value, recognising the higher carrying amount of the investment against the income statement. The fair value is the initial carrying amount for the purpose of subsequent accounting for the retained interest in the associate, joint venture or financial asset. Any amount previously recognised under other comprehensive income in relation to said entity is accounted for as if the Group had directly sold all related assets and liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified under the income statement.

Associates

Associates are all entities over which the Group exercises significant influence but has no control. It is presumed that there is significant influence when the participation is between 20% and 50% of the voting rights or, whenever the participation is less, there are facts and circumstances that demonstrate the exercise of significant influence. Investments in associates are accounted for using the equity method and initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified in the acquisition.

If the ownership interest in an associate is reduced, but significant influence is maintained, only the proportional participation of the amounts previously recognised in the other comprehensive income is reclassified as profit or loss when appropriate.

The Group's share in the losses or gains subsequent to the acquisition of its associates is recognised under the income statement, and its impact in changes in other comprehensive income after the acquisition is recognised in other comprehensive income. Accrued post acquisition movements are adjusted against the carrying amount of the investment. When the Group's participation in the losses of an associate is equal to or greater than its participation in the same, including any other uninsured account receivable, the Group does not recognise additional losses, unless it has incurred into obligations or made payments on behalf of the associate.

In a new acquisition of equity investments in the company, the additional investment and the new goodwill (if any) is determined in the same way as the first investment and in the percentages of the net equity corresponding to that investment.

Note 9 discloses the identification data of associates within the scope of consolidation accounted for using the equity method.

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Joint ventures

IFRS 11 is applicable for all joint ventures. Investments in joint agreements under IFRS 11 are classified as joint operations or as joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures. Joint ventures are accounted for using the equity method (see Associates).

Closing date for the reporting period

For years 2016 and 2015, the closing date for the reporting period for all companies comprising Grupo Ezentis is 31 December.

Changes in the scope of consolidation

The main changes in the scope of consolidation in 2016 were as follows:

- Acquisition 100% of TECNET.

The main changes in the scope of consolidation in 2015 were as follows:

- Sales 100% of Sociedad Avanzit Argentina, S.A.

2) Segment reporting

Segment reporting is presented in the same way as the internal information submitted to the highest decision-making body (the Board of Directors of the Parent Company of the Group) (Note 22).

Accounting policies of the segments are the same as those applied and detailed in these consolidated financial statements.

3) Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are valued using the currency of the main economic environment where the entity operates ("functional currency"). Consolidated financial statements are presented in Euros, which is the functional currency of Grupo Ezentis, S.A., and the presentation currency of these consolidated financial statements.

Transactions and balances

Transactions in foreign currency are converted into the functional currency using the exchange rates prevailing on the date of said transactions. Gains and losses in foreign currency resulting from the settlement of these transactions and the conversion at the closing exchange rates of monetary assets and liabilities denominated in foreign currency are recognised under the income statement, unless deferred in net equity as the hedges of qualified cash flows and the hedges of qualified net investments.

Foreign exchange losses and gains related to foreign financing and cash and cash equivalents are presented in the income statement within "financial income" or "finance expense". Other gains and losses on the exchange rate are recognised in the income statement within "other (losses) / gains for exchange differences - net".

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Exchange differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are presented as part of the gain or loss in fair value. Exchange differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in other comprehensive income.

Companies of the Group

Profit/(Loss) and the financial position of all Group companies (none of which have the currency of a hyperinflationary economy, according to the criteria established in this respect by IFRS) that have a functional currency different from the presentation currency are converted to the presentation currency as follows:

- Assets and liabilities of the balance sheet are translated into Euros at the exchange rate prevailing on the balance sheet date.
- Revenue and expense of each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the existing rates on the dates of the transaction, in which case revenue and expenses are convert on the date of the transactions).
- Net equity items (unless the income statement) are converted at historical exchange rates; and
- All resulting translation differences are recorded as a separate component of the other overall profit/(loss).

In consolidation, the exchange differences arising from the conversion of any net investment in foreign transactions, and from financial debts and other financial instruments designated as hedges of these investments, are recognised under comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign company qualify as assets and liabilities of said foreign company and are translated at the closing rate. Translation differences are recorded under other comprehensive income.

4) Property, plant and equipment

Items of property, plant and equipment, for own use, are recorded at acquisition cost, (updated, where applicable, with various legal provisions prior to the date of transition according to IFRS) minus any accumulated amortisation and any impairment loss.

Enlargement, update or improvement costs leading to an increase in productivity, capacity and efficiency or an increase in useful life, are recognised as higher cost of property, plant and equipment.

Repairs that do not represent an extension of the useful life and maintenance expenses are recorded under the income statement of the year which they are incurred into.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their costs, or revalued amounts, up to the amount of their residual values, over their estimated useful lives. Annual provisions for depreciation of property, plant and equipment are carried out with a balancing entry in the consolidated profit/(loss) based on the years of estimated useful life, as an average, of the different elements and in a linear manner, according to the following detail:

	Estimated useful life in years
Buildings	33 to 50
Plant and machinery	10 to 25
Other fixtures, tools and furniture	4 to 10
Transport items	5 to 8
Information devices and other items of property, plant and equipment	4 to 5

The residual value and the useful life of assets are reviewed, and adjusted if necessary, on the date of each balance.

When the carrying amount of an asset is higher than its estimated recoverable amount, its carrying amount is immediately reduced to its recoverable amount.

Losses and gains from the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying amount and are recognised in the income statement under "Other operating (expenses) / income". Works carried out by the Company for its fixed assets are valued at their production cost and appear as income under the income statement.

Assets held under finance leases are classified on the basis of their nature and are depreciated over their expected useful lives on the same basis as owned assets.

Expenses incurred into in the refurbishment of a property where the Group carries out its activity, maintained by virtue of an operating lease, which represent concrete improvements carried out in it, are classified under this item in the consolidated balance sheet according to their nature (technical facilities) . They are amortised based on the estimated useful life for these assets (10 years), which is less than the term of the lease contract according to which they should be amortised if useful life was shorter.

5) Other intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable net assets of a subsidiary or associate acquired at the date of acquisition. Goodwill related to acquisitions of subsidiaries is included in intangible assets. Goodwill related to acquisitions of associates is included in investments in associates and is subject to impairment tests together with the total balance of the associate. Separate goodwill is subject to impairment tests at least annually or whenever there is evidence of impairment and are valued at cost minus accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to the entity sold.

Goodwill is allocated to each cash generating unit (CGU) so as to provide evidence of impairment loss. The allocation is made to the Cash Generating Units (CGU) or Groups of Cash Generating Units that are expected to benefit from the business combination in which the identified goodwill arises.

The recoverable amount of a CGU is determined based on calculations of its use value or its fair value less selling expenses, the higher of the two. These calculations use projected cash flow based on financial budgets approved by the Management. Cash flows cover the periods included in the Strategic Plan approved by the Directors and beyond that period they are extrapolated using constant growth rates.

The methodology and main hypotheses used to carry out the impairment tests at the CGU level are described in Note 6.

Losses recorded under goodwill for impairment are recognised in the income statement under "Impairment and profit/loss on disposal of financial instruments", which are not reversed in the future.

Customers, contracts, non-compete agreements and brands

"Customers, contracts and non-competition agreements" includes defined useful life assets identified in the purchase price allocation processes of the net assets corresponding to Ezentis Energía, S.A., Ezentis Engenharia, Grupo Networks Test and Tecnet. These assets consist of the valuation of:

- Contracts: corresponds with maintenance contracts and extension of electric networks that Ezentis Energía, S.A. had signed with certain customers, mainly Light, which are amortised on a straight-line basis over their estimated useful life (5 years), to framework contracts signed with Telefónica in Spain, Colombia and the USA that are amortised by the straight-line method over the estimated useful life (4 years for the first two and 6 years in the later case) and the framework

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contract signed with CGE for the acquisition of Tecnet that is amortised by the linear method over the estimated useful life (5.7 years).

- Portfolio of customers: corresponds to the commercial relationship that Ezentis Engenharia maintains with its customers. This customer portfolio has a defined useful life and is amortised according to the linear method over its estimated useful life (15 years). It also corresponds to the customer portfolio of the Tecnet acquisition, which is amortised according to the straight-line method over the estimated useful life (3.2 years).
- Non-competition agreements signed with the sellers of the shares of Ezentis Energía, S.A. and Ezentis Engenharia. The purchase and sale agreements of the participations between the Group and the sellers of both companies include clauses of obligations to the sellers, which grant certain contractual rights that consist of the value that the protection provides against future losses in income, profits or cash flows, in case the owners / sellers with greater knowledge decided to compete directly with the Company in the Brazilian market. These contracts have a defined useful life of 3 years in the case of Ezentis Energía, S.A. and 4 years for Ezentis Engenharia and are amortised according to the linear method.
- Brand: corresponds to the value assigned to the Tecnet brand that is amortised according to the linear method during the estimated useful life (5.2 years).

At the end of this year, no impairment of such intangible assets has been recorded.

Other intangible assets

"Other intangible assets" consists of:

- Computer software

Computer software purchased from third parties are capitalised on the basis of the costs incurred into in its acquisition and subsequent preparation for use. These costs are amortised over its useful life, in a maximum period of 5 years.

Expenses related to the development or maintenance of computer programmes are recognised as an expense when incurred into. Costs directly related to the production of unique and identifiable computer programmes controlled by the Group, and that are likely to generate economic benefits higher than costs for more than one year, are recognised as intangible assets. Direct costs includes the expense of the personnel that develops computer programmes and an adequate percentage of general expenses.

Software development costs recognised as assets are amortised according to the straight-line method over their estimated useful life (not exceeding 5 years).

- Research and development expenses

Research expenses are recognised as an expense when they are incurred into and, therefore, they are not capitalised. Costs incurred into in development projects (related to the design and testing of new or improved products) are recognised as an intangible asset when the following requirements are met:

a) Technically, it is possible to complete the production of an intangible asset so that it can be available for use or sale;

b) The Management intends to complete the intangible asset so as to use or sell it;

c) There is the ability to use or sell the intangible asset;

d) It is possible to demonstrate the way in which the intangible asset will generate probable economic benefits in the future;

e) There is availability of adequate technical, financial or other resources to complete the development and to use or sell the intangible asset; and

f) It is possible to reliably assess the disbursement attributable to the intangible asset during its development.

Other development expenses are recognised as an expense when incurred into. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The amounts received as grants for research and development projects are applied to profit/loss according to the recognition criteria under the income statement as research and development expenses.

6) Borrowing Costs

Interest costs incurred into for the construction of any eligible asset are capitalised during the period of time that is necessary to complete and prepare the asset for the intended use. During years 2016 and 2015 the Company has not recorded any capitalisation under this item.

7) Impairment loss of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment losses. Assets subject to amortisation are subject to revisions for impairment losses whenever an event or change in circumstances indicates that the carrying amount may not be recoverable.

An impairment loss is recognised for the carrying amount of the asset if it exceeds its recoverable amount. The recoverable amount is the fair value of an asset minus any costs for sale or value in use, the higher of the two. For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffer an impairment loss are subject to revisions for a possible reversal of the loss at each reporting date.

Impairment losses on non-financial assets are recognised as an expense in the income statement under "Impairment and profit/loss from disposal of financial instruments". Impairment losses recognised in an asset in previous years are reversed when there is a change in the estimates of their recoverable value increasing the value of the asset with the limit of the carrying value that the asset would have had if the impairment had not taken place. The reversal of the impairment loss as income in the consolidated income statement is recognised immediately. In the case of goodwill, the write-downs made are not reversible.

8) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their value is to be recovered mainly through their sale, provided that the sale is considered highly probable. These assets are valued at least between the carrying amount and fair value minus costs for sale.

9) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and accounts receivable and available for sale. The classification depends on the purpose with which the financial assets were acquired. The Management determines the classification of financial assets at the time of initial recognition and reviews the classification on each date of presentation of financial information. At 31 December 2016 and 2015, the Group did not hold investments held for sale.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled in twelve months; otherwise, they are classified as non-current.

The realised and unrealised losses and gains arising from changes in the fair value of the category of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

Loans and receivables

Loans and accounts receivable are non-derivative financial assets with fixed and determinable payments, which are not quoted in an active market. The Group's loans and receivables comprise the items of the balance sheet of customers and other accounts receivable and cash and cash equivalents.

Held-for-trading financial assets

Financial assets available for sale are non-derivative assets designated to this category, or that are not classified in any other category. They are included in non-current assets unless they expire within 12 months after the balance sheet date or if the Management intends to dispose the investment in said period.

Classification and assessment

The usual acquisitions and disposals of investments are recognised on the trading date, that is, the date on which the Group undertakes to acquire or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets that are not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged to the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all the risks and advantages derived from their ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently accounted for at fair value. Loans and accounts receivable are recorded at amortised cost according to the effective interest rate method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are presented in the income statement under "other (losses) / net income" in the period which they were originated in. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised under other comprehensive income.

When securities classified as available for sale are sold or impaired, accumulated fair value adjustments recognised in equity are included under the income statement as "gains and losses on investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of the financial income. Dividends from available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

10) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and presented for a net in the balance sheet, when there is a legally enforceable right to offset the amounts recognised, and the Group intends to settle for the net, or to realise the asset and cancel the liability simultaneously.

11) Impairment loss of non-financial assets

Assets at amortised cost

The Group evaluates as of the date of each financial statement of financial position whether there is objective evidence of a financial asset or group of financial assets that may have suffered impairment losses. A financial asset or group of financial assets is impaired, and an impairment loss is incurred into, if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an event that causes the loss), and the event or events causing the loss have an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be reliably estimated.

Criteria used by the Group to determine whether there is objective evidence of an impairment loss include mainly: significant financial difficulties of the obligor; breach of contractual clauses, such as defaults or delays in payment and the disappearance of an active market for the financial asset, due to financial difficulties, among others.

The Group assesses, first, if there is objective evidence of impairment. The loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be attributed to an event occurring after the impairment has been recognised, the reversal of the previously recognised impairment will be recorded under the consolidated income statement.

Held-for-sale assets

If this type of evidence exists for financial assets available for sale, the accumulated loss valued as the difference between the acquisition cost and the current fair value, less any impairment loss of that financial asset previously recognised in results is eliminated from net equity and is recognised as profit/(loss). Impairment losses recognised in the consolidated income statement for equity instruments are not reversed in the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be attributed objectively to an event that occurred after the impairment loss was recognised in profit or loss, the impairment loss recognised in the income statement. will be reverted to the consolidated income statement.

12) Derivative financial instruments

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is signed. In subsequent closures, they are revalued at fair value.

The accounting recording of any gain or loss that results from changes in the fair value of a derivative depends on whether the derivative has been designated as a hedge and, if so, on the nature of the hedge relationship.

The group designates certain derivatives as hedges of a net investment in a business abroad (net investment hedges).

The group documents at the beginning of hedging transaction the relationship between hedging instruments and hedged items, as well as its objective for risk management and the strategy to undertake several hedging transactions. The group also documents its assessment, both at the beginning of the hedge and on a continuous basis, of whether the derivatives used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of certain derivative financial instruments used for hedging purposes are disclosed in Note 31.

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The entire fair value of a hedge derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item exceeds 12 months; it is classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months.

Hedges of net investments in businesses abroad are accounted for as follows:

- Any gain or loss in the hedging instrument related to the effective portion of the hedge is recognised in other comprehensive income and increases reserves under equity. The loss or gain related to the ineffective part is recognised immediately as gain or loss under other income or other expenses.

- Gains and losses accumulated in equity are reclassified under profit or loss when the business is partially disposed of abroad.

13) Inventories

This item of the consolidated balance sheet reflects non-financial assets that consolidated companies:

1. Hold for sale in the ordinary course of business.
2. Are in the process of constructing or developing for such purpose, or
3. Expect to be consumed in the production process or in the provision of services.

Inventories are measured at the lower of acquisition or production cost and net realisable value. On going production cost includes the costs of direct materials and, as applicable, the costs of direct labour and general manufacturing expenses incurred into up to that date. Cost price is calculated by using the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The valuation of obsolete, defective or slow-moving products has been reduced to its net realisable value.

Impairment losses on inventories are included in the income statement under "Consumption and other external expenses".

14) Trade and other receivables

Trade receivable are initially recognised at their fair value and subsequently at their amortised cost in accordance with the effective interest rate method, minus the provision for impairment losses. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced as the provision account is used and the loss is recognised in the income statement. When an account receivable is uncollectible, it is regularised against the provision account for accounts receivable. The subsequent recovery of previously written-off amounts is recognised under profit or loss of the year in which the recovery occurs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits in credit institutions, other highly liquid short-term investments with an original maturity of three months or less and also temporary financial investments with a maturity of more than three months that do not include restrictions or penalties for their disposition. The balances held in a current account that are restricted at the end of the year securing guarantees provided to third parties related to commercial transactions, are presented as cash equivalents if it is expected that said amounts will be free of disposition within a period not exceeding three months from the end of the year, if they do not comply with this condition they are presented as other current or non-current assets depending on the period of free disposal. (Note 12 d). In the balance sheet, bank overdrafts are classified as debts with credit institutions in current liabilities.

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16) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of taxes, from the income obtained.

When any Group entity acquires shares of the Company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from equity attributable to holders of equity instruments of the Company, its cancellation, new issuance or transfer. When these shares are subsequently issued again, any amount received, net of any directly attributable incremental cost of the transaction and the corresponding effects of income tax, is included in the equity attributable to holders of equity instruments of the Company.

The Group has calculated the profit or loss per share for years 2016 and 2015. Information on diluted profit / loss per share is presented in Note 13h of these consolidated financial statements.

Basic earnings per share are calculated by dividing:

- the profit attributable to the owners of the company, excluding any service cost of net assets other than ordinary shares.

- between the weighted average number of ordinary shares during the year, adjusted by the incentives in ordinary shares issued during the year and excluding own shares.

For diluted earnings per share, the figures used in determining basic earnings per share are adjusted to take into account:

- the effect after income tax on interest and other financial costs associated with potential ordinary shares with dilutive effects, and

- the weighted average number of additional ordinary shares that would have been into circulation assuming the conversion of all potential ordinary shares with dilutive effects.

Capital increases related to non-monetary contributions for the offset of financial liabilities are recorded at the fair value of the credit offset at the date of the capital increase agreement. The difference is recognised as an expense or income for the year.

Capital increases related to non-monetary contributions for business combinations, in which equity instruments are exchanged, are valued at fair value at the acquisition date which the equity instruments are delivered in as consideration for the net assets acquired.

17) Grants

Grants received from the Government are recognised at fair value when there is reasonable assurance that the subsidy will be charged and the Group will comply with all the established requirements.

Official grants related to costs are deferred and recognised under the income statement during the period necessary to correlate them with the costs that they intend to offset.

Official subsidies related to the acquisition of property, plant and machinery are included under non-current liabilities as official grants and credited to the income statement using the straight-line method over the useful life of the corresponding assets.

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The amounts received as grants for research and development projects are applied to profit/loss according to the recognition criteria under the income statement as research and development expenses.

18) Accounts payables

Commercial accounts payable are payment obligations for goods or services that have been acquired from suppliers in the ordinary course of exploitation.

Commercial accounts payable are initially recognised at fair value and subsequently valued at amortised cost using the effective interest rate method when they have a maturity of more than one year and their financial effect is significant.

19) Financial debts

Financial debts are recognised initially at their fair value minus the costs of the transactions that have been incurred into. Subsequently, financial debts are valued at amortised cost; the difference between the funds obtained, net of the costs necessary to obtain them and the reimbursement value, is recognised in the income statement over the life of the debt in accordance with the effective interest rate method.

Commissions paid for obtaining lines of credit are recognised as debt transaction costs whenever it is probable that part or all of the line will be credited. In this case, commissions are deferred until the disposition occurs. Since it is not probable that all or part of the credit line will be credited, the commission will be capitalised as an advance payment for liquidity services and amortised in the period which the credit availability refers to.

Interesting bearing bank loans and credits are recognised for the amount received, net of direct issuing costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

In certain bank loans there are conditions related to the compliance of financial ratios, and the -compliance could cause the loans to be automatically demandable and, therefore, be classified as current liabilities.

The Group receives official loans at zero rate to finance development projects. These loans are initially measured at fair value and the difference between said fair value and the amount received is recorded as interest rate for subsidies under "Other non-current liabilities" and are applied to profit/loss according to the recognition criteria under the income statement as research and development expenses.

20) Transfers of financial assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is conditioned by the way in which the risks and benefits associated with the assets transferred are transferred to third parties:

1. If the risks and benefits are transferred substantially to third parties, the financial asset transferred is derecognized from the balance sheet.

2. If the risks and benefits associated with the financial asset transferred are substantially retained, it is not derecognized from the balance sheet and continues to be valued using the same criteria used before the transfer.

In accordance with the foregoing, financial assets are only derecognized when the cash flows they generate have been extinguished or when the risks and benefits that they imply have been substantially transferred to third parties. Similarly, financial liabilities are only written off the balance sheet when the obligations they generate have been extinguished or when they are acquired (either with the intention of cancelling them or with the intention of repositioning them again).

21) Provisions

In the preparation of these consolidated financial statements, Directors of the Parent Company differentiate between:

1. Provisions: credit balances that cover obligations present at the date of the consolidated balance sheet arising as a result of past events from which property losses for the entities may be derived; specific in their nature, but undetermined in terms of their amount and / or time of cancellation, and

2. Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

The Group's consolidated financial statements include all material provisions with respect to which it is considered that the settlement of said obligations is more likely than not. Contingent liabilities are not recognised in the consolidated balance sheet, but are rather reported in accordance with the requirements of IAS 37 (Notes 17 and 20).

22) Classification of current and non-current balances

Balances are classified according to their maturity, considering as current debts those whose maturity, as of the balance sheet date, is less than twelve months, and those maturing over twelve months are classified as non-current.

23) Income tax

The tax expense for the period includes current and deferred tax. Taxes are recognised under profit or loss, except to the extent that they relate to items recognised in the comprehensive income or directly in equity. In this case, tax is also recognised in the overall profit/loss or directly in equity, respectively.

The current tax expense is calculated based on the laws approved or to be approved at the balance sheet date in the countries where the subsidiaries and associates of the Company operate and where they generate taxable income. The Management periodically evaluates the positions taken in the tax returns regarding situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to tax authorities.

Deferred taxes are recognised, according to the liability method, by the temporary differences that arise between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxes are not recorded if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, which, at the time of the transaction, does not affect the accounting result or tax profit or loss. The deferred tax is determined using tax rates (and laws) approved or about to be approved on the balance sheet date and that are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability is settled.

In accordance with the provisions of International Accounting Standard No. 12 "Income Tax", deferred tax assets are recognised to the extent that it is probable that future tax benefits will be available to offset the asset. Regarding the evaluation of the possibility of having fiscal gains against which to charge the unused tax losses or credits, the Group considers the following aspects:

- If the Group has sufficient taxable temporary differences, related to the same tax authority and referred to the same tax entity, that may give rise to taxable amounts, in sufficient quantity to charge against them the unused tax losses or credits, before the right of use expires;

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- If the Group is likely to have taxable profits before the right to offset unused tax losses or credits prescribes;

- If unused tax losses have been caused by identifiable causes, which are unlikely to recur, and

- If the Group has tax planning opportunities that will generate tax gains in the periods in which the losses or tax credits can be used.

Insofar as it is not probable to have taxable profits against which to charge the unused tax losses or credits, deferred tax assets are not recognised.

Deferred tax liabilities are recognised on temporary differences that arise in investments in subsidiaries and associates, except in those cases which the Group can control the date on which the temporary differences will revert and these are unlikely to reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognised right to offset current tax assets with current tax liabilities and when deferred tax assets and deferred tax liabilities arise from the tax on the corresponding profits to the same tax authority, that fall on the same entity or tax subject, or different entities or tax subjects, that they try to liquidate current tax assets and liabilities by their net amount.

24) Employee benefits

Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for those benefits. The Group recognises these benefits on the first of the following dates: (a) when the Group can no longer withdraw the offer of such compensation; or (b) when the entity recognises the costs of a restructuring within the scope of IAS 37 and this involves the payment of severance payments. When an offer is made to encourage voluntary resignation of employees, severance payments are valued based on the number of employees expected to accept the offer. The benefits that will not be paid in the following twelve months are discounted at their current value.

Profit sharing and bonuses

The Group recognises a liability and an expense for bonuses based on a formula that takes into account the profit attributable to shareholders of the Company after certain adjustments. The Group recognises a provision when it is contractually obligated or when the practice in the past has created an implicit obligation.

25) Share-based payment

The fair value of the shares granted under a Variable Remuneration Plan for executive directors and / or senior executives of the group is recognised as an expense for employees' remuneration with the corresponding income in equity. The total amount to be recognized as an expense is determined by reference to the fair value of the shares granted:

- including conditions of market performance (for example, the share price of the entity)

- excluding the impact of service or performance conditions for the irrevocability of the concession not related to the market (for example, profitability, sales growth objectives and the remaining period of the employee's obligation to remain in the entity for a period of certain period), and

- including the impact of any condition that does not determine the irrevocability of the concession (for example, the obligation for employees to keep or hold shares for a certain period of time).

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Total expense is recognised during the period for irrevocability, which is the period during which all the conditions specified for the irrevocability of the concession have to be met. At the end of each year, the entity reviews the estimates of the number of shares it expects to consolidate based on the terms of service and irreversibility not related to the market. The impact of the revision of original estimates, if applicable, is recognised under profit or loss, with the corresponding adjustment to equity.

26) Recognition of revenue and expenditure

Overall

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at fair value of the consideration received and represents the amounts receivable for the goods and services provided in the normal course of business.

Construction contracts and contracts for installation and provision of services

Revenue from short-term works and contracts for installations is recognised in each year as the difference between the production (sale price of the work executed during said period) and the costs incurred into during the year, given that it is possible to make a reliable estimate of the result of the contract at the balance sheet date. Usually, this status is measured by the proportion represented by contract costs incurred into in the work performed at that date with respect to the estimated total costs of the contract, unless said proportion is not representative of the state of realisation. Amendments, claims and incentive payments are included insofar as they have been agreed with the client. When a reliable estimate of the result of a contract can not be made, only income derived from said contract is recognised with the limit of costs incurred into. Contract costs should be recognised as expenses in the period which they are incurred into. When the total cost of the contract is likely to be greater than the total revenue of the contract, the expected loss is recognised as an expense.

Costs incurred into in each project are re-estimated on a monthly basis, working hours are allocated, associated indirect costs are distributed and direct costs are calculated. Total costs of each project are obtained at the end of each month, the corresponding profit margin and its degree of progress is calculated, adjusting the differences that may arise in that same month.

The difference, if any, between the executed work accounted for and that certified up to the balance sheet date is recorded under "Clients, work executed pending invoicing" under "Receivables" in the consolidated balance sheet. In turn, the amounts corresponding to the other amounts certified in advance for various items are recorded under "Advances from customers" under "Trade payables and other payables" in the consolidated balance sheet.

Dividend income

Dividend income is recognised when the shareholder's rights to receive payment have been established.

Interest income

Interest income is recognised using the effective interest rate method.

27) Leasing

Finance Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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Operating Leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

28) Consolidated cash flow statements

The following terms are used in the consolidated cash flow statements, which was prepared using the indirect method, with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

29) Balances with related parties

Transaction with related parties take place at market price being related parties those defined by IAS 24.

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Translation into English of a Consolidated Directors' Report originally issued in Spanish. In the Event of discrepancy, the Spanish language version prevails.

Directors' Report

Grupo Ezentis Consolidated Group

January-December 2016

February 2017

Translation into English of a Consolidated Directors' Report originally issued in Spanish. In the Event of discrepancy, the Spanish language version prevails.

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1 CAPITAL STRUCTURE

The Backlog of Grupo Ezentis as of 31 December 2016 stood at EUR 848.4 million with EUR 676.1 million as a result of commercial activity leveraged in the quality of the services delivered to our customers.

The Group's revenue during 2016 stood at EUR 316.5 million, representing a 4.2% growth (more than EUR 12.9 million) with respect to the previous year, and in a constant currency revenue would amount to EUR 361.1 million (+ 19%; +57.5 million euros compared to 2015).

This growth and expansion has been based on a commercial activity materialised in the organic and inorganic growth that occurred through the purchase in November 2016 of the Chilean company TECNET SA, leader in the provision of installation and maintenance services in the electric sector.

EBITDA of the Group stood at EUR 32.4 million at the end of 2016, representing a 33.0% growth compared to EUR 24.4 million in 2015. Compared in constant currency, EBITDA would amount to EUR 37.7 million (+ 54.6%; +13.3 million euros compared to 2015).

Upon application of the Group's profitability policies such as cost containment, improvement of technologies, synergies between business lines and obtaining projects with greater benefits, the Group has achieved an EBITDA margin of 10.2% compared to the 8% obtained at the end of the previous year (10.4% in constant currency).

Taking into consideration the economic outcome for the twelve months of 2016 of the recently acquired company TECNET S.A., we can configure proforma profit/(loss) for Grupo Ezentis with revenue standing at EUR 342.6 million and an EBITDA of EUR 35.1 million.

The positive growth in both revenue and EBITDA has been translated into Operating Profit which in 2016 amounted to EUR 22.5 million (7.1% on revenues) compared to EUR 14.2 million in the previous year (4.7% on revenues). Considered at a constant currency, the Operating profit for the year would amount to EUR 25.2 million (7.0% on revenues)

Consolidated financial loss for 2016, which includes the financial effect of interest ownerships in associates and divestments, amounted to EUR -20.6 million (6.5% on revenues), experiencing an improvement compared to EUR -21.9 million (7.2% over revenues) in 2015. Considering the proforma profit/(loss) of 2016 when adding the revenues of TECNET SA, the financial expense on income decrease to 6.3%.

2 DETAILLS BY COUNTRY

Grupo Ezentis is arranged into the following areas of activity:

- Brazil
- Chile
- Argentina
- Peru
- Spain
- Colombia
- Caribbean
- Other

Revenue breakdown of Grupo Ezentis by country is as follows:

Thousands of Euros	2016	Ownership %	2015	Ownership %	Var % 2015-2016
Brazil	121,238	*38%*	96,362	*32%*	26%
Chile	64,120	*20%*	56,360	*19%*	14%
Argentina	56,333	*18%*	75,700	*25%*	-26%
Peru	30,995	*10%*	37,800	*12%*	-18%
Spain	28,836	*9%*	25,601	*8%*	13%
Caribbean	5,967	*2%*	6,865	*2%*	-13%
Colombia	8,413	*3%*	4,610	*2%*	82%
Other	554	*0%*	266	*0%*	n.a.
Total	**316,457**		**303,564**		**4%**

Taking into consideration the average exchange rate for year 2015, breakdown of revenue is as follows:

Thousands of Euros	2016*	Ownership %	2015	Ownership %	Var % 2015-2016*
Brazil	126,516	*35%*	96,362	*32%*	31%
Chile	66,683	*19%*	56,360	*19%*	18%
Argentina	89,640	*25%*	75,700	*25%*	18%
Peru	32,820	*9%*	37,800	*12%*	-13%
Spain	28,836	*8%*	25,601	*8%*	13%
Caribbean	5,949	*2%*	6,865	*2%*	-13%
Colombia	9,330	*3%*	4,610	*2%*	102%
Other	554	*0%*	266	*0%*	n.a.
Total	**360,327**		**303,564**		**19%**

* Revenue converted from local currency into Euro at a constant exchange rate.

Revenue corresponds to the sum of the items of the Net Turnover, changes in inventories goods in process and finished goods, work carried out by the company for its assets and the other operating income.

Taking into account revenue from TECNET S.A. for year 2016, the stake in Chile within total revenue of Grupo Ezentis stands at 26,5% according to the following breakdown:

Thousands of Euros	2016	Ownership %	2015	Ownership %	Var % 2015-2016
Brazil	121,238	*35%*	96,362	*32%*	26%
Chile	90,257	*26%*	56,360	*19%*	60%
Argentina	56,333	*16%*	75,700	*25%*	-26%
Peru	30,995	*9%*	37,800	*12%*	-18%
Spain	28,836	*8%*	25,601	*8%*	13%
Caribbean	5,967	*2%*	6,865	*2%*	-13%
Colombia	8,413	*2%*	4,610	*2%*	82%
Other	554	*0%*	266	*0%*	n.a.
Total	**342,594**		**303,564**		**13%**

EBITDA by each subsidiary of Grupo Ezentis is as follows:

Thousands of Euros	2016	Ownership %	2015	Ownership %	Var % 2015-2016
Brazil	11,054	*34%*	7,319	*30%*	51%
Chile	10,702	*33%*	5,632	*23%*	90%
Argentina	6,854	*21%*	4,722	*19%*	45%
Peru	4,759	*15%*	4,315	*18%*	10%
Spain	3,663	*11%*	2,285	*9%*	60%
Caribbean	2,186	*7%*	724	*3%*	202%
Colombia	429	*1%*	448	*2%*	-4%
Other	-7,230	*-22%*	-1,065	*-4%*	579%
Total	**32,416**		**24,380**		**33%**

Taking into consideration the average exchange rate for year 2015, breakdown of EBITDA is as follows:

Thousands of Euros	2016*	Ownership %	2015	Ownership %	Var % 2015-2016*
Brazil	11,535	*31%*	7,319	*30%*	58%
Chile	11,130	*30%*	5,632	*23%*	98%
Argentina	10,907	*29%*	4,722	*19%*	131%
Peru	5,039	*13%*	4,315	*18%*	17%
Spain	3,663	*10%*	2,285	*9%*	60%
Caribbean	2,179	*6%*	724	*3%*	201%
Colombia	475	*1%*	448	*2%*	6%
Other	-7,231	*-19%*	-1,065	*-4%*	579%
Total	**37,697**		**24,380**		**55%**

* EBITDA converted from local currency into Euro at a constant exchange rate.

2.1 BRAZIL

In 2016, revenue arising from Brazil experienced a 25.8% increase with regards to the previous year, amounting to EUR 121.2 million versus EUR 96.4 million in 2015.

On the other hand, EBITDA has also been favoured with this growth in sales, amounting to EUR 11 million in 2016, representing an increase of 51% (EUR 3.7 million) with respect to the same period of the previous year. This improvement in EBITDA is mainly due to the execution of operational efficiency and cost control policies.

Brazil's portfolio stands at EUR 314.1 million, with important clients in the country such as Light, Coelba, Celpe and AES Eletropaulo in the energy sector and Telefónica, Claro-Embratel and TIM in the telecommunications sector.

2.2 CHILE

Chile continues the path of growth in revenue amounting to EUR 64.1 million, representing a 14% increase (7.8 million) compared to 2015, supported by the increase in contracts for the provision of services to companies in the Telecommunications sector (Entel, Claro and Telefónica) and companies of other services (Aguas de Antofagasta).

The country's EBITDA stood at year-end at EUR 10.7 million, what involves a EUR 5 million increase and a 90% growth compared to the previous year.

The investment in TECNET S.A., executed in November 2016, whose figures are included under profit/(loss) for the year in Chile, involved the recognition of EUR 5.9 million in revenues and EUR 0.8 million in EBITDA. Taking into consideration year 2016 as a whole, this subsidiary achieved EUR 32.1 million in revenue and EUR 3.5 million in EBITDA.

The backlog of Chile stands at EUR 294 million, considering EUR 130 million from TECNET SA, with Telefónica, Claro and Entel as main customers within the Telecommunication sector and CGE and Chilectra within the energy sector and Aguas Antofagasta in the Health sector.

2.3 ARGENTINA

Argentine Revenue for 2016 amounted to EUR 56.3 million, recording a 26% decrease in sales compared to 2015 due to the impact of local currency depreciation together with the effect of the termination of some deficit contracts.

EBITDA amounted to EUR 6.9 million, recording a EUR 2.1 million increase compared to the previous period due to the greater efficiency in direct labour and subcontractors, as well as the reduction in general operating expenses

The Argentine backlog stands at EUR 68.4 million, with customers such as Telefónica in the Telecommunications sector, EDENOR within the Electricity sector and Municipalities and Banks for whom it carries out construction and maintenance works.

2.4 PERU

Revenue for 2016 in Peru amounted to EUR 31 million, recording a 18% decrease compared to those registered in the previous year, mainly due to the termination of service contracts in the electricity sector and the slowdown in demand for certain contracts.

Despite the above, EBITDA increased 10% versus year 2015, amounting to EUR 4.8 million in the period, with improvements in the consumption of materials and fuels, and reduction in indirect labour.

The Peruvian backlog stands at EUR 130.4 million, with Telefónica as main customer in the Telecommunications sector and Edelnor, in the energy sector. The subsidiary is implementing new operations with Americatel Perú and Fenosa.

2.5 SPAIN

At the end of 2016, revenue from Spain amounted to EUR 28.8 million, representing a 13% growth compared to the previous year, and a contracted backlog standing at 10.8 million, mainly due to more projects in the technology area and their diversification.

As for EBITDA, it amounted to EUR 3.7 million with a 60% increase (more than EUR 1.4 million) compared to that recorded for 2015, due to policies established with regards to expense containment and production efficiencies.

2.6 CARIBBEAN

The Caribbean region, incorporating Panama, Jamaica, Trinidad and Haiti into the area of operations of the Group, closed 2016 with revenues amounting to EUR 6 million, recording a 13% decrease in sales compared to the previous year due to the completion of several networks and external plant installation projects.

On the other hand, EBITDA stood at EUR 2.2 million versus EUR 0.7 million in 2015, as a consequence of the change in the mix of services provided and the search for higher returns.

Contracted backlog at the end of the year stood at EUR 5.4 million, although in this region most contracts are renewed annually.

2.7 COLOMBIA

Revenue of Ezentis Colombia, SAS for 2016 amounted to EUR 8.4 million, recording an 82% increase compared to the previous period (EUR 3.8 million more), continuing with the development of its activity in network management for Telefónica and private network projects.

At 2016-year-end, EBITDA amounted to EUR 0.4 million, supported by Group policies on productivity and expense control, mainly in consumption.

Contracted backlog in Colombia at the end of the year stood at EUR 24.8 million, with Codensa and Telefónica as main customers.

During 2017 new contracts for new customers will be implemented.

EXCHANGE RATES

Exchange rates used for conversion were as follows:

	T/C MEDIO DIC-15	T/C MEDIO DIC-16
Chile (CLP)/€	726,04	755,05
Argentina (ARS)/€	10,28	16,35
Perú (PEN)/€	3,58	3,79
Colombia (COP)/€	3.070,33	3.404,93
Brasil (BRL)/€	3,70	3,86
Caribe (USD)/€	1,11	1,11

3.- DETAIL BY SEGMENTS

Grupo Ezentis is arranged into the following segments:

- Telecommunications
- Electricity
- Other

Breakdown of revenue of Grupo Ezentis by segment is as follows:

Thousands of Euros	2016	Ownership %	2015	Ownership %	Var % 2015-2016
Telecommunications	235,257	*74%*	217,286	*72%*	8%
Electricity	66,836	*21%*	62,795	*21%*	6%
Other (*)	14,364	*5%*	23,483	*8%*	-39%
Total	**316,457**		**303,564**		**4%**

(*) It includes: Water, Fuel, Gas and other

Revenue from the energy sector at the end of 2016 stood at EUR 235.3 million, representing an 8.3% increase (EUR 17.9 million) with respect to 2015.

Revenue from the energy sector at the end of 2016 stood at EUR 66.8 million, representing a 6.4% increase (EUR 4.0 million) with respect to 2015.

Taking into consideration TECNET S.A. for year 2016, the impact of the Electricity sector within total revenue of Grupo Ezentis stands at 27%:

Thousands of Euros	2016	Ownership %	2015	Ownership %	Var % 2015-2016
Telecommunications	235,257	*69%*	217,286	*72%*	8%
Electricity	92,973	*27%*	62,795	*21%*	48%
Other (*)	14,364	*4%*	23,483	*8%*	-39%
Total	**342,594**		**303,564**		**13%**

4 FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

The profit/(loss) of the Group at the end of 2016, compared to the same period of the previous year, is as follows:

Thousands of Euros	2016	2015	VAR	%
Revenue	316,457	303,564	12,893	4%
EBITDA	**32,416**	**24,380**	**8,035**	**33%**
Amortisation and provision	-8,116	-8,223	107	-1%
Intangible amortisation (PPA)	-1,828	-1,947	119	-6%
EBIT	**22,472**	**14,211**	**8,260**	**58%**
Financial profit/(loss)	-19,408	-23,143	3,735	-16%
Var financial instruments	-1,226	1,181	-2,407	-204%
Extraordinary profit/(loss)	-709	-2,440	1,731	-71%
Minority	134	446	-312	-70%
EBI	**1,263**	**-9,745**	**11,008**	**-113%**
Tax	*-360*	*-1,143*	*784*	-69%
Net Profit/ (Loss)	**903**	**-10,888**	**11,792**	**-108%**

The Group's Revenue for year 2016 amounts to EUR 316.5 million, compared to EUR 303.6 million in 2015, involving a growth in sales of 4.3% (EUR 12.9 million).

EBITDA for the year amounts to EUR 32.4 million, versus EUR 24.4 million in 2015. This growth is a consequence of the Group's industrialisation strategy that allows efficiency gains together with a strict control of operating costs and structure. On the other hand, the EBITDA Margin on Revenue reaches 10.2%, which is higher than the 8% obtained in 2015.

The management EBIT for year 2016 stands at EUR 22.5 million, with regards to the EUR 14.2 million in 2015.

The reconciliation of management EBIT with profit/(loss) from operations included in the half-year Financial Report as of 31 December 2016 is shown below:

Thousands of Euros	DEC 2016 R
EBIT	**22,472**
Extraordinary profit/(loss)	-709
Cancellation variable remuneration	-437
Profit (Loss) from operations	**21,326**

Extraordinary profit/(loss) for year 2016 includes mainly the following 2 effects:

- Sale of a property located in Argentina that generated an extraordinary profit of EUR 2.9 million.
- Non-recurrent expenses for compensations and other amounting to EUR 3.3 million.

Financial expenses in 2016 amounted to EUR 20.6 million (6.5% on revenue) compared to EUR 22.0 million (7.2% on revenue) in 2015.

Profit before tax at the end of 2016 amounts to EUR 1.3 million and the consolidated net profit for the period attributed to the parent company stands at EUR 0.9 million.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016 AND 2015.

Below is the Balance Sheet as for 31 December 2016, which generally shows stability in the main items integrating the same according to the positive evolution and growth of the business.

Thousands of Euros **ASSETS**	31/12/2016	31/12/2015
Non-current assets	**131,954**	**114,464**
Intangible assets	51,487	45,080
Property, plant and equipment	25,901	16,857
Long-term investments in Group companies and associates	121	118
Long-term financial investments	46,268	47,428
Deferred tax assets	8,177	4,980
Current assets	**119,692**	**89,442**
Inventories	5,914	3,090
Trade and other receivables	102,970	71,697
Other current assets	4,110	3,732
Cash and cash equivalents	6,697	10,923
TOTAL	**251,645**	**203,906**

LIABILITIES	31/12/2016	31/12/2015
Net equity	**17,937**	**14,008**
Non-current liabilities	**117,205**	**107,189**
Bank borrowings	79,545	65,899
Other financial liabilities	3,192	5,642
Provisions	29,720	31,119
Deferred tax liabilities	4,392	3,892
Grants	356	638
Current liabilities	**116,503**	**82,708**
Bank borrowings	20,022	15,192
Other financial liabilities	5,661	8,578
Held-for-sale liabilities	0	0
Trade payables	78,146	49,033
Provisions	5,428	4,530
Current tax liabilities	7,234	5,373
Other current liabilities	12	2
TOTAL	**251,645**	**203,906**

5.- RISK EXPOSURE

Grupo Ezentis develops its activities in different sectors, countries and socio-economic and legal environments which involve exposure to different risks inherent to the business it operates in.

Grupo Ezentis has an Integral Risk Management System which identifies, assesses, prioritises and manages the Group's relevant risks. This System works in an integral and continuous way, and is the result of the consolidation at corporate level of the steps taken by each of the business units, countries or companies that form or have been part of Grupo Ezentis throughout the year.

This Integral Risk Management System aims to ensure that risks affecting the strategies and objectives of Grupo Ezentis are duly identified, analysed, assessed, managed and controlled in a systematic manner, with uniform criteria and established within agreed tolerance levels of risk.

As established in the Regulations of the Board of Directors of Grupo Ezentis, the Board of Directors is responsible for defining the Risk Control and Management Policy, identifying the main risks of the Company, especially tax risk, and organising, implementing and executing the monitoring of adequate internal control and information systems.

Grupo Ezentis is exposed to various risks arising from the businesses themselves, as well as specific risks of a financial nature that have been duly identified in the Comprehensive Risk Management System.

Within the risk categories considered in the Comprehensive Risk Management System of Grupo Ezentis according to the International COSO II Methodology, we highlight the following risks in 2016:

i) Strategic Risks

- Risk of loss of key customers. Concentration risk: The current strategic plan 2015-2017 continues with one of the main lines of action such as the diversification of the business by geographical areas, sectors of activity and customers. During 2016, the Group continued with the firm commitment to diversify services and customers, keep high quality standards of services provided as a basic element of customer retention.

- Risk of not obtaining the expected returns in acquisitions and investments made: A permanent control and monitoring of the evolution of results and key indicators of each business unit / country / company acquired by the Group is maintained.

ii) Compliance / Reporting Risks:

- Risks of non-compliance with financial and non-financial obligations derived from the financing agreements signed. The Group has implemented procedures for the periodic monitoring of covenants committed to the financing contract, as well as early warnings in case of potential non-compliance.

- Risks derived from non-compliance with existing regulations in the countries where the group operates, especially tax, legal and labour regulations. The Group relies on internal legal, human resources and tax management departments, as well as external tax and legal advisors who provide advice on and supervise compliance with the applicable legislation in force in each country where the Group is present.

iii) Financial risks:

- Foreign currency risk: This risk is basically related to the operations of Group companies located outside Spain, and especially in Latin America. Currencies other than the Euro which the Group operates the most as of 31 December 2016 are: Brazilian Real, Argentine Pesos, Chilean Pesos, Peruvian Soles and Colombian Pesos.
  To mitigate this risk, the Group tries to match, whenever possible, the costs and revenues indexed to the same currency, as well as the amounts and maturity dates of assets and liabilities arising from operations in currencies other than the Euro. Likewise, during 2016 it has contracted derivative financial instruments that allow to mitigate the materialisation of this risk.

- Risk of changes in interest rate and inflation rate: Changes in interest rates modify the fair value of those financial assets and liabilities that accrue a fixed interest rate, as well as the cash flows of financial assets and liabilities referenced at a variable interest rate, thus affecting both, equity and profit/(loss), respectively. To mitigate the same, the Group maintains an active policy in the management of interest rate risk, with constant monitoring of the market. Financial debts and other payables, as well as contracts with customers, are referenced to a market interest rate and inflation rates.

- Credit risk: Collection of customers: To minimise the risk of default, Ezentis analyses the credit quality of customers, which in any case are first-line companies in their markets. With regards to receivables, the Group reduces credit risk through the non-recourse factoring of accounts receivable of customers within certain business areas, always subject to the restrictions of financing agreements entered into by the Group.

- Liquidity risk: This risk is motivated by the time lags between resources generated by the activity and the needs of required funds. The Group determines treasury and financing needs using various budgeting tools, as well as measures for the management of working capital. At 31 December 2016, the Group has a working capital amounting to EUR 3.2 thousand (EUR 6.7 thousand at the end of 2015).

  At 31 December 2016, cash and cash equivalents amount to EUR 6,697 thousand and there is a long-term current account associated with the company's financing structure amounting to EUR 6,000 thousand.

iv) Operational risks:

- Inadequate management of the income cycle (invoicing and collection) Due to the operations of the Group, the process of recognising the executed, invoiced and collected work from customers is critical, minimising the time elapsed in said cycle. So as to minimise the same, it has been identified as one of the key processes to be monitored in the internal control systems of financial information (ICSIF), and specific procedures and controls have been implemented for the efficient management of the cycle of certified / billed / collected work.

- Budget reductions of customers. The company continues to monitor the budgets of customers, as well as the degree of satisfaction and commitment of the same, with tools and appropriate follow-up meetings.

6.- EVENTS OCCURED AFTER THE REPORTING PERIOD

As from 31 December 2016 and until the formulation of these Consolidated Financial Statements no significant events have taken place:

7.- ACQUISITION OF TREASURY SHARES

At 31 December 2016 Grupo Ezentis has a total of 665,954 shares. Transactions carried out during 2016 are as follows:

Purchases: 1,450,428 shares

Sales: 864,268 shares

The financing agreement entered into by the Company with Highbridge Principal Strategies in July 2015 establishes restrictions on the purchase / sale of shares of Grupo Ezentis S.A.

8.- ACTIVITIES RELATED TO RESEARCH AND DEVELOPMENT

The Group maintains a permanent commitment to innovation and technological development in all its business areas, which allows continuous improvement of its operations, the quality of service to customers and the improvement of its competitive position through the expansion of its commercial offer and the development of new business areas. Within this general framework of action, the greatest R&D activity is focused on the technology area, in Ezentis Tecnología, S.L.U. and Naverggi, through the company Navento Technologies, S.L.U.

9.- USE OF FINANCIAL INSTRUMENTS

In order to mitigate the exchange rate risk for the quarterly interest payments of the financial debt in Euros, the Group arranged hedges through "put" options for the sale of currencies representing the majority of the cash flows that are expected to be repatriated from the subsidiaries. The notional amounts of the options were calculated to cover the payment of total interest accrued by the debt with Highbridge Principal Strategies, LLC during the following 3 years as from the transaction.

10.- CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. issued the Annual Corporate Governance Report for the year ended 31 December 2015 on 31 March 2016.

11.- CAPITAL STRUCTURE

In accordance with the provisions under Article 5 of the Bylaws, the share capital of Grupo Ezentis, S.A. at 31 December 2016 is composed of 235,655,488 shares with a par value of EUR 0.30 each, all of the same class and series, fully subscribed and paid up. Shares are represented by book entries.

12.- RESTRICTONS ON THE TRANSFERABILITY OF SHARES

There are no restrictions on the acquisition or transferability of shares.

13.- SIGNIFICANT STOCKS IN CAPITAL, EITHER DIRECT OR INDIRECT

Significant stakes in the capital, either direct or indirect, excluded members of the Board as of 31 December 2016 are:

Accionista	Acciones directas	% Participación directa	Acciones indirectas	% Participación indirecta	% Total
Eralan Inversiones, S.L.	12.296.664	5,218	0	0	5,218
Riquelme Vives, Enrique	0	0	11.447.774	4,858	4,858

Members of the Board of Directors entitled to voting Rights are as follows:

Nombre o denominación del Consejero	Acciones directas	Acciones indirectas	Total acciones	(%) del capital
D. Luis Solana Madariaga	250	0	250	0
D. Guillermo José Fernández Vidal	321.675	7.260.653	7.582.328	3,218
D. Enrique Sánchez de León García	24.545	0	24.545	0,01
D. Javier Cremades García	25	0	25	0
TOTALES	**346.495**	**7.260.653**	**7.607.148**	**3,228**

14.- RESTRICTIONS TO VOTING RIGHTS

Restrictions on the exercise of voting rights are those common to any limited company, with no specific restrictions on this regards under the bylaws.

Article 527 of the Consolidated Text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, as of 2 July, provides that in listed companies the statutory clauses that, directly or indirectly, set a general maximum number of votes that can be issued by a single shareholder, the companies belonging to the same group or those acting in concert with the previous ones, will be rendered ineffective when, after a public tender offer, the offeror reaches a percentage equal to or greater than 70% of the capital entitled to voting rights, unless said bidder is not subject to equivalent neutralisation measures or has not adopted them. Bylaws of Grupo Ezentis, S.A., do not contain any clause limiting the maximum number of votes that can be cast by the same shareholder or companies belonging to the same group.

15.- SOCIAL COVENANTS

On 30 May 2016, a syndication agreement was signed by the shareholders Mr. Guillermo José Fernández Vidal, Mr. Carlos Mariñas Lage, Mr. Fernando González Sánchez, Mr. Jorge de Casso Pérez, Mr. José María Maldonado Carrasco, Mr. Roberto Cuens González , Mr. Gabriel Frías García, Mr. Ademir Castilho Piqueira, Mr. Roberto Takashi Araki, Mr. Víctor Alfredo Drasal, Teleprocesing Service, SA and Constanter, S.L., where the parties designate Mr. Guillermo Fernández Vidal as Trustee. The aforementioned contract has a duration of 3 years, and will terminate automatically in the event of termination or resignation of Mr. Guillermo Fernández Vidal. Subsequently they have adhered to the aforementioned social covenant, by signing the corresponding letters of adhesion, Mr. José Homobono Ocaña, Mr. Luis García Merchán, Mr. Oscar Palencia Perdones, Mr. Antonio Villarejo Díaz, Mr. José Luis Márquez Dotor , Mr. Clemente Luis Márquez Cruz and Mr. Fermín González García.

The syndication agreement is valid until 30 May 2019 and includes, at this time, a total of 7,582,328 shares of Ezentis, representing 3.218 % of its share capital.

16.- REGULATIONS APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD AND AMENDMENT OF BY-LAWS OF THE PARENT

They are set out by the Bylaws and the Regulations of the Board of Directors. Consequently, the appointment of members of the Board of Directors corresponds to the Annual General Meeting, in accordance with the provisions of the Capital Companies Act and the bylaws. In the event of vacancies, the Board may designate by co-option, from among the shareholders, those who will occupy said vacancies until the following Annual General Meeting is held.

Those proposed for the position of director must meet the requirements established under applicable regulations in force and the bylaws, as well as show recognised good repute, solvency, competence, experience, qualifications and availability for the performance of the position.

Company directors can't be those who are involved in the cause of disability, prohibition or incompatibility in accordance with the applicable regulations in force, the Bylaws and the Regulations of the Board of Directors. The proposals for the appointment or re-election of directors submitted by the Board to the General Meeting, as well as their provisional appointment by co-option, shall be preceded by the corresponding report of the Appointments and Remuneration Committee.

The statutory period of duration of the position of director is four years, and may be re-elected indefinitely, one or more times, for periods of equal duration. Upon expiration of the term, the appointment will expire whenever the next General Meeting is held or whenever the legal term for the celebration of the AGM has elapsed.

Directors appointed by co-optation must be ratified in their position at the first General Meeting held after their appointment.

Directors shall resign from their position upon expiration of the period which they were appointment for, whenever agreed so by the General Meeting or when incurring into legal reason for such resignation. Likewise, the Board of Directors may propose the General Meeting the dismissal of a director.

The AGM has the exclusive competence on the amendments of bylaws. It requires the concurrence of the following requirements according to the provisions under the Capital Companies Act and the bylaws:

- That directors or, where appropriate, shareholders responsible for the proposal, shall submit a written report with the justification thereof.
- That terms to be amended shall be clearly marked.
- That the call notice clearly indicates the right of all shareholders to examine the full text of the proposed amendment and the report on the same and request the delivery of said documents.
- That the agreement shall be adopted by the Board in accordance with the provisions under Article 201.2 of the Capital Companies Act.
- In any case, the agreement will be recorded in a public deed that will be registered in the corresponding Trade Registry and published in the Official Gazette of the Trade Registry

17.- POWERS OF MEMBERS OF THE BOARD AND, MAINLY THOSE RELATED TO ISSUE AND REPURCHASE

The Annual General Meeting held on 29 June 2016 agreed to authorise the Board of Directors to acquire derivative treasury shares, either directly or through Group companies, in accordance with current regulations.

In accordance with provisions under Article 30 of the Articles of Association and Article 24 of the Regulations of the Board of Directors, the Chairman of the Board of Directors shall in all cases hold the maximum representation of the Company and exercise the leadership of the Board of Directors, in addition to the all the powers and faculties he is entitled to by Law and the Bylaws.

Mr. Guillermo Fernández Vidal, was appointed on 29 June 2016 as Chief Executive Officer with broad powers of representation and management.

18.- SIGNIFICANT AGREEMENTS WITH CHANGES OF CONTROL DUE TO A PUBLIC ACQUISITION OFFER

There are no significant agreements of this nature.

19.- AGREEMENTS WITH DIRECTORS, EXECUTIVES AND EMPLOYEES WITH INDEMNITY

Agreements with directors and executives of Grupo Ezentis, S.A. do not currently include indemnity except as indicated below for the CEO, Mr. Guillermo Fernández Vidal, and the General Director, Mr. Fernando González Sánchez. Contracts of certain senior executives include clauses of notice and post-contractual competition that in no case exceed the annuity.

Mr. Guillermo Fernández Vidal is entitled to a compensation equivalent to three gross monthly payments of the current remuneration, including fixed and variable remuneration, in certain cases of termination of the contract, among other, unilateral termination without invocation of cause by Ezentis, unfair dismissal, the failure of Ezentis to comply with its contractual obligations or a change of control of Ezentis. In the event Mr. Guillermo Fernández Vidal decides to terminate his contract unilaterally, he must give at least three-month-notice, unless he compensates for the lack of prior notice, in whole or in part, with a compensation equivalent to the current fixed remuneration, proportional to the part of the notice that was not complied with.

The Director General is entitled to a compensation equivalent to two annuities, including fixed and variable remuneration, in certain cases of termination of the contract, among other, the unilateral termination without invocation of cause by Ezentis, the unfair dismissal, the revocation of essential faculties for the exercise of his position, the failure of Ezentis to comply with contractual obligations or a change of control of Ezentis.

Likewise, a gross amount of eight monthly payments of the fixed and variable annual remuneration is recognised as compensation for not competing with the Group in the twelve months following the termination of the contract.

In the event the Director General decides to terminate his contract unilaterally, he must give at least three-month-notice, unless he compensates for the lack of prior notice, in whole or in part, with a compensation proportional to the part of the notice that was not complied with.

Contracts of the employees linked to Grupo Ezentis, S.A. under a common labour relationship do not contain indemnity clauses, therefore, in the event of the termination of the employment relationship, the general labour regulations will apply.

20.- STAFF INFORMATION

The average workforce during 2016 arranged by professional categories is as follows:

	2016	
	Hombres	**Mujeres**
Alta dirección	13	-
Técnicos titulados	1.390	173
Técnicos no titulados	277	52
Personal administrativo	886	503
Personal de obra	7.011	468
	9.577	**1.196**

CERTIFICATION

I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs,

do hereby certify

that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

In Madrid, on the ninth of June, two thousand and eighteen.

CERTIFICACIÓN

Yo, Estefanía Calvo Iglesias, Traductora e Intérprete Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,

certifico que

la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.

Madrid, a nueve de junio de dos mil dieciocho.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA-INTÉRPRETE JURADA DE INGLÉS
Nº 6427

Estefanía Calvo Iglesias