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 2017

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

Independent auditor's report on the consolidated financial statements

To the shareholders of Grupo Ezentis, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Grupo Ezentis, S.A. (the Parent) and subsidiaries (the Group), which comprise the balance sheet at 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in total equity, the statement of cash flows, and the notes, all of them consolidated, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group at 31 December 2017 and of its financial performance and cash flows, all of them consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key Audit Matters

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

Key audit matters	How the matter was handled in the course of the audit
Fulfilment of financial ratios According to information provided under note 14 of the accompanying notes the consolidated financial statements, the Group has a loan including terms on the fulfilment of financial ratios.	With regards to this matter, the audit procedures conducted, among others, were as follows: • Understanding the terms and

Said loan, with a recognised amount at 31 December 2017 of EUR 73,118 thousand, is subject to certain financial and non-financial obligations, whose default could lead to the loan being demandable and thus reclassified as current liabilities.

We have focused on this loan due to its amount, the risk arising from the non-compliance with contractual obligations and its impact on the consolidated financial statements.

conditions of the financing agreement, as well as the obligations set out therein.

- Meeting the management and analysing the understanding of the terms and conditions of the financing agreement.
- Verifying the coherence of the financial ratios at 31 December 2017 prepared by executives of the Group with the audited information and the correctness of the calculations.
- Analysing the forecasts of executives of the Group regarding the fulfilment of said ratios in 2018.
- Verifying notes to the financial statements include adequate information and breakdown.

Based on the procedures performed, we believe there are no significant comments.

Business combinations

According to note 5 to the accompanying consolidated financial statements, during year 2017, the Group has acquired five companies, by means of business combinations, amounting to EUR 4,018 thousand. Transactions are within the scope of IFRS 3 Business Combination, and, therefore, assets and liabilities acquired were recognised at fair value at the date of acquisition under the consolidated financial statements.

Note 5 details all the information related to said business combinations.

We have focused on the analysis of these business combinations due to the amount of the transaction, the fact that the recognition of acquired assets and assumed liabilities, even interim, involves significant estimations on key hypothesis and significant judgements to be carried out by directors and executives of the Group on future profit/(loss) of acquired companies and hypothesis considered for future flow estimates.

Audit procedures conducted included, among others:

- Understanding of the acquisition contract and the reports of the external experts used by the Management for the valuation of acquired assets and assumed liabilities.
- Assessing of the reasonableness of key assumptions and estimations used for the calculation of projections when determining the value of assets and liabilities.
- Verifying the accounting records of the transactions according to the above-mentioned documentation.
- Verifying the capacity, competence and objectivity of external experts.
- Considering the sufficiency of breakdown in the consolidated financial statements for this transaction.

On our audit procedures we achieved sufficient evidence so as to satisfy our audit objectives without any comments on the same.

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Recoverability of goodwill and intangible assets

According to notes 6 and 7 of the accompanying consolidated financial statements, there are goodwill and intangible assets (contracts, portfolio of customers and non-compete agreements) amounting to EUR 34,6 million and EUR 5,5 million, respectively, allocated to the different cash generating units (CGUs).

The recoverability of the carrying value of CGUs is determined by the management of the Group based on the value in use according to the discounted future cash flow method. Cash flows are calculated based on the budgets passed on by the management and the estimations of directors. Key hypothesis are detailed on notes 6 and 7 of the accompanying consolidated financial statements.

On the other hand, directors' of the Group have carried out a sensitivity analysis of key hypothesis that nay suffer from significant variations.

This is essential since it involves the application of critical judgements and significant estimations on key hypothesis used in the calculations of the recoverability of assets, which, if different, could have a significant impact on the consolidated financial statements of the Group.

With regards to this matter, our audit procedures include, among others, the following:

- Achievement of details on identified significant CGUs and assets associated with them.
- Verification of sufficiency of information included in the consolidated financial statements with regards to the assessment of the recoverability of goodwill and intangible assets.

Further, the most significant CGUs are as follows:

- Assessment of directors' hypothesis on forecast of:
  - Long-term growth rates, compared to economic and industry forecasts;
  - Discount rate, assessing the capital cost for the entity and comparable organisations, as well as taking into consideration specific factors of each country; as well as the increase of income as from estimations of directors on the renewal of main contracts and operative margins.
- Confirmation of the correctness of calculations of fair value and sensitivity carried out by directors.

Our tests verify the approach and breakdown of information provided by directors of the Group, which seem to be coherent with the evidence obtained.

Recognition of revenue

According to appendix IV section 26) of the accompanying consolidated financial statements, the recognition of revenue is based, mainly, on the percentage of completion method.

The percentage of completion is

To assess revenue recognition our audit procedures include, among others, the following:

- Assessing the consistency in the application of the accounting policies under appendix IV section

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determined as from significant estimations carried out by directors according to the fulfilment of milestones associated with each project and the sale price and terms and conditions of contract.

We deem it is a key aspect for our audit due to the high level of judgement and estimation, the great volume of transactions and material misstatement.

26).

- Understanding and assessing the main controls in the revenue recognition process.
- Obtaining a sample of contracts, the amount and supportive documentation, for the recognition of revenue for year 2017 according to the percentage of provision of service.
- Verifying the accounting records for the period for transactions at 31 December 2017 by means of a selected sample.
- Requiring and verifying balances at year-end for a sample of customers, as well as verification procedures according to supportive documentation in the event of lack of response.

Our audit outcome has allowed the reasonable conclusion in terms of audit objectives.

Other information: Consolidated Directors' Report

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

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

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

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit.

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Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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

Directors' and Audit Committee's Responsibility for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 4 April 2018.

Contract Period

The AGM held on 29 June 2017 appointed as auditors for a period of one year, for the year ending 31 December 2017.

Previously, we were appointed by the AGM for a period of nine years and we have been conducting audit services continuously since the year ended 31 December 2008.

Services provided

Services other than those related to audit services provided to the Group are detailed on note 21.h) of the notes to the accompanying consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L.

Manuel Rioja Delgado (18832)

4 April 2018

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2017 & 2016

(Thousands of Euros)

ASSETS	Note	31 12 2017	31 12 2016
Non-current assets		**128,631**	**131,806**
Intangible assets		**46,294**	**51,339**
Goodwill	6	34,681	37,810
Other intangible assets	7	11,613	13,529
Property, plant and equipment	**8**	**20,908**	**25,901**
Land and buildings		86	116
Plant and machinery		2,883	5,589
Furniture		3,448	4,030
Transport items		7,486	8,280
Information devices and other items of property, plant and equipment		7,005	7,886
Investments in associates	**9**	**82**	**121**
Non-current financial assets	**10**	**48,741**	**46,268**
Deferred tax assets	**18**	**12,606**	**8,177**
Current assets		**150,884**	**119,691**
Inventories	**11**	**10,982**	**5,914**
Receivables		**128,270**	**102,970**
Trade receivables for sales and services provided	12	54,311	41,366
Customers, amounts to be billed for works performed	12	56,508	46,368
Sundry receivables	12	5,408	3,457
Current tax assets	18	12,043	11,779
Other current assets	**12**	**3,726**	**4,110**
Cash and cash equivalents	**12**	**7,906**	**6,697**
Total Assets		**279,515**	**251,497**

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 2017 & 2016

(Thousands of Euros)

	Note	31 12 2017	31 12 2016
NET EQUITY			
Net equity of the Parent Company		**31,031**	**17,255**
Subscribed capital		88,473	70,697
Issuance rights		46,864	31,578
Other reserves		(78,307)	(75,866)
Treasury shares		(11)	(237)
Gains and losses attributable to the Parent Company		(6,701)	903
Cumulative translation differences		(19,287)	(9,820)
Minority interest		**590**	**535**
Total net equity	**13**	**31,621**	**17,790**
Non-current liabilities		**117,382**	**117,205**
Provisions	**17**	**31,013**	**29,720**
Non-current financial liabilities		**81,199**	**82,737**
Bank borrowings	14	77,164	79,545
Other financial liabilities	15	4,035	3,192
Deferred tax liabilities	**18**	**4,951**	**4,392**
Other non-current liabilities		**219**	**356**
Current liabilities		**130,512**	**116,502**
Current financial liabilities		**21,225**	**25,683**
Bank borrowings	14	15,529	20,022
Other financial liabilities	15	5,696	5,661
Trade payables and other payables	**16**	**107,310**	**85,391**
Suppliers	16	45,406	37,734
Other payables	16	6,640	8,413
Remuneration payable	16	13,975	11,429
Current tax liabilities	18. 16	31,299	19,876
Customer advances	16	9,990	7,939
Provisions for other liabilities and expenses	**17**	**1,977**	**5,428**
Total liability		**247,894**	**233,707**
Total net equity and liability		**279,515**	**251,497**

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDING 31 DECEMBER 2017 & 2016
(Thousands of Euros)

	Note	31 12 2017	31 12 2016
Operating income			
Net Revenue	21. 22	387,396	307,410
Other operating income		1,997	1,222
In-house work on assets		2,249	2,282
Change in inventories of finished goods and goods in progress		7,293	5,542
Operating expense			
Consumables and other external expenses	21	(82,885)	(58,865)
Operating expense	21	(179,003)	(143,809)
Provision for fixed asset amortisation	7.8	(10,670)	(9,916)
Impairment and profit/loss from disposal of property		(163)	-
Change in provisions	17	(1,525)	772
Other operating expense	21	(102,031)	(82,603)
Other revenue and expenditure	21	(5,806)	(709)
Consolidated Profit/(Loss) from operations	**22**	**16,852**	**21,326**
Financial income and expense			
Other interests and similar income	21.22	1,590	2,966
Financial costs and similar expenses	21	(27,198)	(22,774)
Net translation differences	21	(745)	836
Impairment and profit/loss from disposal of financial instruments	21	(290)	(1,226)
Financial profit/(loss)	**22**	**(26,643)**	**(20,198)**
Impact on the total profit/(loss) of associates		1	1
Consolidated Profit/(Loss) before tax		**(9,790)**	**1,129**
Income tax	18.22	3,010	(360)
Consolidated Profit /(Loss) for the year		**(6,780)**	**769**
Attributable to:			
Minority interest		(79)	(134)
Owners of the Parent		(6,701)	903
Basic profit/(loss) per share of the Parent Company	13	(0.0271)	0.0036
Basic profit/(loss) per share of continuing operations		(0.0274)	0.0031
Diluted profit/(loss) per share of the Parent Company	13	(0.0271)	0.0036
Diluted profit/(loss) per share of continuing operations		(0.0274)	0.0031

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 STATEMENT OF FINANCIAL POSITION FOR THE YEARS ENDING 31 DECEMBER 2017 & 2016 (INCOME AND EXPENSE UNDER EQUITY)

(Thousands of Euros)

	Note	31 12 2017	31 12 2016
Consolidated Profit /(Loss) for the year		**(6,780)**	**769**
Other comprehensive income:			
Items which may be recorded under profit or loss		**(9,467)**	**4,384**
Hedges of net investment	3.1	(474)	(1,434)
Translation differences of foreign currency	13.22	(8,993)	5,818
Other comprehensive income, net of tax		**(9,467)**	**4,384**
Total comprehensive income for the year		**(16,247)**	**5,153**
Attributable to:			
Owners of the Parent		(16,168)	5,287
Minority interest	13.22	(79)	(134)
Total comprehensive income for the year		**(16,247)**	**5,153**
Total comprehensive income, attributable to shareholders:			
On-going activities		(16,168)	5,287
Discontinued operations		-	-
		(16,168)	**5,287**

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 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2017 & 2016

(Thousands of Euros)

Thousand 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 owner of the Parent (Note 13)	Non-controlling interest (Note 13)	Total net equity
Balance at 01.01.2017	**70,697**	**31,578**	**(75,866)**	**903**	**(9,820)**	**(237)**	**17,255**	**535**	**17,790**
Profit /(Loss) for the year	-	-	-	(6,701)	-	-	(6,701)	(79)	(6,780)
Other comprehensive income for the year	-	-	-	-	(9,467)	-	(9,467)		(9,467)
Total comprehensive income for the year	**-**	**-**	**-**	**(6,701)**	**(9,467)**	**-**	**(16,168)**	**(79)**	**(16,247)**
Transactions involving shares	-	-	145	-	-	226	371	-	371
Capital increase /(decrease)	17,776	15,286	(2,712)	-	-	-	30,350	-	30,350
Disinvestment of subsidiaries			(516)	-	-	-	(516)	-	(516)
Other transactions with shareholders	-	-	(261)	-	-	-	(261)	134	(127)
Transactions with owners	**17,776**	**15,286**	**(3,344)**	**-**	**-**	**226**	**29,944**	**134**	**30,078**
Transfer to accumulated profit/(loss)	-	-	903	(903)	-	-	-	-	-
Total changes in equity	**17,776**	**15,286**	**(2,441)**	**(7,604)**	**(9,467)**	**226**	**13,776**	**55**	**13,831**
Balance at 31.12.2017	**88,473**	**46,864**	**(78,307)**	**(6,701)**	**(19,287)**	**(11)**	**31,031**	**590**	**31,621**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2017 & 2016

(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 owner of the Parent (Note 13)	Non-controlling 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)
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.

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2017 & 2016

(Thousands of Euros)

Thousands of Euros	**Note**	**2017**	**2016**
A) CASH FLOW STATEMENTS OF OPERATING ACTIVITIES (1+2+3+4)		**15,140**	**20,557**
1. Profit/(Loss) before tax		**(9,790)**	**1,129**
2. Adjustment for gain or loss:		**35,991**	**24,977**
Fixed asset depreciation	7	10,670	9,916
Impairment losses	21	241	1,226
Change in provisions		1,525	(772)
Allocation of grants		(137)	(282)
Gains/Losses on write-offs	21	163	(2,865)
Financial income	21	(1,590)	(2,966)
Finance expense	21	27,198	22,774
Impact on profit/(loss) of associates	21	1	1
Net translation differences	10	745	(836)
Other adjustments of the result	24	(2,825)	(1,219)
3. Chenges in working capital		**(10,701)**	**(4,406)**
Inventories		(1,886)	(2,493)
Trade receivables and other receivables	12	(18,896)	(23,482)
Other current financial assets	12	-	(254)
Trade payables and other current liabilities	16	10,081	24,418
Other non-current assets and liabilities	16	-	(2,595)
4. Other cash flows from operating activities:		**(360)**	**(1,143)**
Paid tax		(360)	(1,143)
B) CASH FLOWS FROM DISINVESTMENT ACTIVITIES (1+2)		**(5,814)**	**(17,935)**
1. Disinvestment payments (-)		**(7,026)**	**(22,180)**
a) Acquisition of subsidiaries, net of cash (-)		1,705	(6,401)
b) Property, plant and equipment and investment property (-)	7.8	(7,826)	(13,082)
c) Other financial assets (-)	7	(712)	(2,697)
d) Payments for investment in group companies	11	(193)	-
2. Collection from disinvestments (+)		**1,212**	**4,245**
b) Property, plant and equipment and investment property (+)		860	3,188
c) Other financial assets (+)		93	1,057
c) Other assets (+)		259	-
B) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)		**(5,270)**	**(6,846)**
1. Collection and (payments) from equity instruments	**13**	**30,043**	**(201)**
a) Issuance (+)		29,660	-
b) Acquisition (-)		-	(201)
(c) Disposal (*)		383	-
d) Grants, donations and legacies received		-	-
2. Collection and (payments) from financial liabilities	**14.15**	**(12,619)**	**13,593**
a) Issuance (+)		12,496	19,399
b) Repayment and amortisation (-)		(25,115)	(5,806)
3. Cash flows from financing activities		**(22,694)**	**(20,238)**
a) Payment of interest (-)		(24,284)	(22,774)
b) Collection of interest (+)		1,590	2,536
a) Acquisition of stocks in subsidiaries (-)		-	-
4. Payment for dividends and remuneration of other equity instruments		**-**	**-**
- Dividends		-	-
D) IMPACT OF CHANGES IN INTEREST RATES		(2,847)	**(2)**
E) NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS (A+B+C+D)		**1,209**	**(4,226)**
F) Cash and cash equivalents at the opening of the year		**6,697**	**10,923**
G) CASH AND CASH EQUIVALETNS AT THE END OF THE YEAR (E + F)	**13.d**	**7,906**	**6,697**

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(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 from 15 November 2017 at 2, Avenida Hytasa, 2nd floor, door 20, Edificio Hytasa 41006 Seville, Spain. The Parent is recorded at the Trade Registry of Seville with said registered office since 13 December 2017.

As of 31 December 2017, the Parent Company develops its business in the domestic market, and its subsidiaries develop their business in Spain, Argentina, Brazil, Chile, Colombia, Peru and Mexico, and their corporate purpose 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 main accounting policies

2.1) Basis of presentation

The consolidated financial statement of Grupo Ezentis for the year ended 31 December 2017 have been drafted:

1. by Directors of the Parent at the meeting of the Board of Directors held on 21 March 2018.

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 2017, 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 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 2017 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 2017, the Group had recorded losses amounting to EUR 6,701 (a EUR 903 thousand profit at 31 December 2016). During year 2017, a EUR 17,183 thousand increase in working capital has taken place, mainly due to better management of working capital and the capital increase described in note 13 of this report.

The Group has a positive working capital as of 31 December 2017 amounting to EUR 20,372 thousand. At 31 December 2017, contracted backlog amounts to EUR 775 million. The backlog consists mainly of multi-annual contracts with a duration between 3 and 5 years with the main operators in the sectors of activity where Ezentis operates in Europe and Latin America.

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 their fair value.

Financial statements of the Group for the year ended 31 December 2016 were approved at the Shareholders' General Meeting held on 29 June 2017.

These consolidated financial statements and the individual financial statements of Group companies for the year ended 31 December 2017 have not yet been approved by the shareholders at the respective Annual General Meeting. 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.

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 1 January 2017:

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- Information disclosure initiative - Amendments to IAS 7.
- Recognition of deferred tax assets due to unrealised losses - Amendments to IAS 12.
- Annual improvements - Years 2014-2016: Amendment of IFRS 12

Directors indicate that the implementation of these interpretations and amendments has not had a significant impact on the consolidated financial statements of the Group.

Standards and regulations non-adopted up to date

Some accounting standards and new interpretations published are not mandatory for the financial period ended on 31 December 2017 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:

Standards and amendments:	Description	Applicable for financial periods starting from:
IFRS 15	Income from contracts with clients	1 January 2018
IFRS 15 (Amendment)	Clarifications to IFRS 15 "income from contracts with clients"	1 January 2018
IFRS 9	Financial instruments (full version) (July 2014)	1 January 2018
IFRS 4 (Amendment)	Application of IFRS 9 "Financial instruments" of IFRS 4 "Insurance contracts"	1 January 2018
IFRS 16	"Leases"	1 January 2019

Standards, amendments and interpretations to existing published standards that can not be adopted in advance or that have not been adopted by the European Union:

Standards and amendments:	Description	Applicable for financial periods starting from:
IFRS 17	Insurance contracts	1 January 2021
IFRS 9 (Amendment)	Advance payment with negative offset	1 January 2019
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associates or joint ventures	Not identified
IAS 28	Long-term interest in associates and joint ventures	01 January 2019
IFRS 2 (Amendment)	Classification and valuation of transactions with share-based payments	1 January 2018
IFRS 23	Uncertainty on tax treatment of gains	1 January 2019
IAS 40 (Amendment)	Transfer of investment property	1 January 2018
IFRS 22	Anticipated Transactions and Considerations in Foreign Currency	1 January 2018

The Group is currently analysing the impact that the previously described standards may have on the consolidated financial statements. Directors, with the analysis carried out to date, consider that the adoption of these new standards and interpretations will not have a significant impact on the Group's consolidated financial statements.

IFRS 9 *Financial Instruments*

Regarding the application of IFRS 9 (Financial Instruments), Grupo Ezentis does not expect the new standard to affect the classification and valuation of these 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 the new regulation to have a significant impact on the classification and valuation of its financial assets.

Likewise, no impact on the accounting of financial liabilities will be recorded by the group, since 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.

In force as from 1 January 2016, the Company designated the current options as hedges of net investment in a foreign operation. 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 with the translation differences arising from the exchange rate applied to the businesses abroad. Translation differences are recognised under the profit/ (loss) for the year.

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The group confirms that current hedging relationships qualify as hedges that continue under the adoption of IFRS 9 and therefore do not expect a significant impact in 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. The group deems that all provisions recorded for impairment of value will not be affected by the new model.

IFRS 15 *Income from contracts with clients*

With regards to IFRS 15 (Revenue from contracts with customers), replacing IAS 18, covering contracts for goods and services and IAS 11, covering construction contracts, the Group provides in these financial statements all assets and liabilities associated with each contract with customers.

Most of the income generated by the group refers to contracts for the provision of operation and maintenance services in the field of telecommunications and energy infrastructure and services, with execution in the short-term. We understand that the application of IFRS 15 does not have a significant impact on the recognition of Group revenue.

IFRS 16 *Leases*

Regarding IFRS 16 (Leases), foreseen to be adopted as of 1 January 2019, the group is already analysing the impact and modifying its accounting policies to adequately reflect in its Financial Statements the requirements of the International Accounting Standards Board (IASB)

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.

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 business unit, country or company that form or have been part of Gropo Ezentis throughout the year.

This Integral Risk Management System aims to ensure that risks that may affect the strategies and objectives of Grupo Ezentis are identified, analysed, assessed, managed and controlled in a systematic manner, with uniform criteria and established within the 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 fiscal 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 main risks are identified, managed and known.

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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.

Financial risk management is the responsibility of the Financial Department, which evaluates and covers 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 2017 and 2016 are as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Financial assets		
Non-current financial assets	48,741	46,268
Trade receivables and other receivables	128,270	102,970
Other current financial assets	3,726	4,110
Cash and cash equivalents	7,906	6,697
	188,643	**160,045**
Financial liabilities		
Non-current bank borrowings	77,164	79,545
Other non-current financial liabilities	4,035	3,192
Current bank borrowings	15,529	20,022
Other current financial liabilities	5,696	5,661
Trade payables and other payables	97,320	77,452
	199,744	**185,872**

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.

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).

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 creditors, as well as contracts with customers, are referenced to a market interest rate and inflation rates.

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Only a part of the financial liabilities are subject to fair value risk by interest rate. Financial debts and other creditors are referenced to a market interest rate. At 31 December 2017, the Group does not have hedges contracted in relation to the interest rate.

Debt structure at 31 December 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	31.12. 2017	**31.12. 2016**
Fixed interest rate	9,731	8,853
Variable interest rate	92,693	99,567
Total	**102,424**	**108,420**

The variable interest rate is subject mainly to the fluctuations of the different reference rates used to calculate the interest for 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 the total profit/(loss) before tax**
2017	+/-1%	+/- 946
2016	+/-1%	+/- 996

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 profit/(loss), 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 operate the most as of 31 December 2017 are Pesos (Argentina), Pesos (Chile), Reales (Brazil), Soles (Peru), Pesos (Colombia) and Pesos (Mexico). The sensitivity of profit/loss and equity (increase and decrease) of the exchange rate of these currencies against the Euro is as follows:

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		Thousands of Euros	
		31.12.2017	31.12.2016
Argentina			
Impact on profit/(loss) before tax	(+5% - 5%)	10	129
Impact on equity (adjustment change of value)	(+5% - 5%)	185	253
Chile			
Impact on profit/(loss) before tax	(+5% - 5%)	62	86
Impact on equity (adjustment change of value)	(+5% - 5%)	934	543
Peru			
Impact on profit/(loss) before tax	(+5% - 5%)	0	(104)
Impact on equity (adjustment change of value)	(+5% - 5%)	1,486	1,371
Brazil			
Impact on profit/(loss) before tax	(+5% - 5%)	(149)	(174)
Impact on equity (adjustment change of value)	(+5% - 5%)	1,052	891
Colombia			
Impact on profit/(loss) before tax	(+5% - 5%)	(59)	(45)
Impact on equity (adjustment change of value)	(+5% - 5%)	185	126
Mexico			
Impact on profit/(loss) before tax	(+5% - 5%)	(4)	-
Impact on equity (adjustment change of value)	(+5% - 5%)	119	-

During year 2017, 92.1% (91.2% in 2016) of the turnover and 90% in 2017 (88% in 2016) of the operating expenses of the Group were generated in foreign currency.

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

	Net turnover	
	2017	2016
Peru	42,363	30,231
Argentina	64,456	52,910
Chile	99,148	63,858
Brazil	130,153	119,089
Colombia	10,206	8,269
Caribbean	4,455	5,993
Mexico	6,013	-
Total currencies other than the Euro	**356,794**	**280,350**
Total turnover	**387,396**	**307,410**
% operations in currencies other than the Euro	**92,1%**	**91,2%**

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(Thousands of Euros)

The investment of property, plant and equipment located abroad stands at EUR 20,069 thousand at net book value as of 31 December 2017 (EUR 23,844 thousand as of 31 December 2016), which represents 95.4% of total net book value of property, plant and equipment at 2017-year end (92.1% at 2016-year end).

The investment in other intangible assets located abroad amounts to EUR 38,678 thousand (EUR 44,530 thousand at 31 December 2016), which mainly includes EUR 23,445 thousand of goodwill of Ezentis Perú, S.A.C. EUR 3,914 thousand of goodwill and intangible assets identified in Ezentis Energía SA, EUR 3,882 thousand of goodwill and intangible assets identified in Ezentis Engenharia (SEICOM), EUR 1,201 thousand corresponding to the identified intangibles in the Colombian subsidiary of Grupo Networks Test and goodwill and intangible assets identified in the acquisition of Tecnet for an amount of EUR 1,779 thousand.

A portion of the loans to Brazilian subsidiaries indexed in Euros have been designated as a net investment of the investees, amounting to EUR 2,758 thousand (EUR 2,758 thousand at 31 December 2016). The exchange difference loss amounting to EUR 474 thousand (a EUR 560 thousand profit at 31 December 2016), originated in the conversion of debts into Euros, at balance sheet date, was recorded under "Other comprehensive income".

In order to mitigate the exchange rate risk for 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 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 transaction (see description of the Capital Risk Financing Agreement).

Option	Date of expiry	Period	Local currency	Notional (local currency)	Notional (EUR)	Option Premium EUR
10	26-Jan-18	4.1176	PEN	1,173,516	285,000	29,000
10	26-Jan-18	876.47	CLP	446,999,700	510,000	43,000
11	26-Jan-18	4.1176	PEN	1,173,516	285,000	33,000
11	26-Jan-18	876.47	CLP	446,999,700	510,000	48,000
12	26-Jul-18	4.1176	PEN	1,173,516	285,000	36,000
12	26-Jul-18	876.47	CLP	446,999,700	510,000	55,000

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 Parent 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 against 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 options contracted (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 the translation differences arising from the exchange rate applied to the businesses abroad. Translation 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.

At 31 December 2017, the fair value of hedges is 0 and the loss generated has been recorded in the accompanying consolidated income statement for EUR 240 thousand

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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 customer, which in any case is excellent because they are first-line companies in their markets.

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

Likewise, the amounts of the commercial debt 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, that of Telecommunications depend on the group headed by Telefónica, S.A., representing approximately 58.2% of the group's revenues (56.1% in 2016). In relation to accounts receivable, 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 Telefónica Group companies.

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 2017 and 2016 is as follows:

Thousands of Euros

	31 December 2017			31 December 2016		
	(Past-due receivables) and not impaired	Not past-due	Total	(Past-due receivables) and not impaired	Not past-due	Total
Less than 180 days	9,258	44,352	53,610	2,959	37,197	40,156
More than 180 days	701	-	701	1,210	-	1,210
Total	**9,959**	**44,352**	**54,311**	**4,169**	**37,197**	**41,366**

Less than 180 days:

This segment includes EUR 53,610 thousand in 2017 (EUR 40,156 thousand in 2016) 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).

More than 180 days:

This segment includes customers paying over 180 days, EUR 701 thousand at the end of 2017 (EUR 1,210 thousand at the end of 2016) qualifies 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 1,501 thousand at the end of 2017 (EUR 1,476 thousand at the end of 2016).

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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 2017, the Group presents a positive working capital amounting to EUR 20,372 thousand (positive working capital amounting to EUR 3,189 thousand at the end of 2016).

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 2017, the availability of liquidity reached EUR 7,906 thousand, taking into consideration cash and cash equivalents as of 31 December 2017 (Note 12d).

The detail of the due dates of financial liabilities of the Company at 31 December 2017 is as follows:

	Thousands of Euros at 31 December 2017				
	2018	**2019**	**2020**	**2021 and following**	**Total**
Suppliers and other payables	52,046	-	-	-	52,046
Remuneration payable	13,975	-	-	-	13,975
Current tax liabilities	31,299	-	-	-	31,299
Bank borrowings	15,529	2,622	74,223	319	92,693
Other financial liabilities	5,696	2,727	629	679	9,731
Total	**118,545**	**5,349**	**74,852**	**998**	**199,744**

The detail of the due dates of financial liabilities with maturity within 2017 is as follows:

	Thousands of Euros at 31 December 2017			
	Up to 3 months	**From 3 to 6 months**	**From 6 to 12 months**	**Total 2017**
Suppliers and other payables	30,535	20,818	693	52,046
Remuneration payable	13,975	-	-	13,975
Current tax liabilities	25,837	3,755	1,707	31,299
Bank borrowings	11,147	1,784	2,598	15,529
Other financial liabilities	352	91	5,253	5,696
Total	**81,846**	**26,448**	**10,251**	**118,545**

Financial resources available in the first months to meet the financial liabilities as of 31 December 2017 are:

a) Cash and cash equivalents 7, 906 thousands of Euros
b) Other current assets: 3,726 thousands of Euros

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c) Receivables: 128,270 thousands of Euros

At 31 December 2017, the Group has authorised factoring lines amounting to EUR 61,517 thousand and EUR 28,684 thousand in other financing lines (Note 12a).

The average period of work in progress at the end of 2017, considering total revenue, is 51 days (53 days at the end of 2016).

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 2017, that is, EUR 56,508 thousand.

The evolution of customers, amounts to be billes for works performed is representative of the evolution experienced by the Group since 2015, with the acquisition of new companies and the awarding of new relevant contracts, as shown in the following summary:

	2017	2016	2015
Revenue	398,935	316,456	303,564
Customers, amounts to be billed for works performed	56,508	46,368	33,555
% / Revenue	**14,2%**	**14,7%**	**11,1%**

Year 2016:

The detail of due dates of financial liabilities of the Company at 31 December 2016 is 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**

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 abroad.

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 the capital according to the leverage ratio, in line with market practice. 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 equivalents, minus current financial assets. Total capital contributed to the business is calculated as the net worth plus the net debt. Likewise, the ratio of total capital used into revenue is monitored.

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Leverage ratio at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Bank borrowings	92,693	99,567
Other financial liabilities	9,731	8,853
Cash and cash equivalents and current financial assets	(11,632)	(10,807)
Net debt	**90,792**	**97,613**
Net equity	31,621	17,790
Total capital used in the business	**122,413**	**115,403**
Leverage ratio	0.74	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 the fulfilment of certain financial covenants that include i) a limit to 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.

The Group defines EBITDA as consolidated operating profit/(loss) for 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 the 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 interests, excluding participation in the other 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:

	2017	2016
Profit/(Loss) for the year	**(6,780)**	**769**
Income tax	3,010	(360)
Impact on profit/(loss) of associates	1	1
Financial outcome	(26,643)	(20,198)
Amortisation and impairment	(10,670)	(9,916)
Impairment and profit/loss from disposal of property	(163)	-
Sale provisions	(1,525)	(28)
Other profit/(loss)	(5,806)	(709)
Cancellation for the provision for variable remuneration	-	(437)
EBITDA	**35,016**	**32,416**

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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 immediately determinable. Actual results may be different from those estimated.

Accounting estimates and judgements used at 31 December 2017 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 2016.

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

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

Directors of the group determine the estimated useful lives 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 date 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.

Directors of the group, with regards to intangible assets with indefinite useful lives (Goodwill), carry out a test of impairment at least once a year. The recoverable amount of each CGU allocated to 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 taxes will be necessary. When the final result of these items is different from the amounts initially recognised, such differences will have an effect on income tax and deferred tax provisions in the year in which such determination were 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 2017 there are deferred tax assets in Latin America, mainly in Brazil, amounting to EUR 4,157 thousand, in Chile amounting to EUR 1,507 thousand and in Spain amounting to EUR 5,025 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 in 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.

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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 in revenue recognition accordingly, in accordance with IAS 8.

4.6 Derivatives

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

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

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 against 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 options contracted (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 with the 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.

5. Business combinations

Year 2017:

On 30 June 2017, the Group has acquired 100% of the shares and participations of the companies Comunicaciones and Sonido México, S.A. of C.V. (Mexico), Ingeniería Celular Panamericana, S.A. de C.V. (Mexico), GTS Thaumat XXI, S.A. (Spain) and Ingeniería Celular Andina, S.A. (Peru).

During the second half of year 2017, the administrative condition associated with the purchase of the Peruvian company Ingeniería Celular Andina, S.A. has been fulfilled.

Further, to the extent that a series of suspensive conditions have been met as of 31 December 2017, Ezentis has acquired 100% of the shares and participations of the Spanish company Grupo Comunicaciones y Sonido, S.L.

The following table summarises the book value, the consideration delivered on the date of the transaction at 30 June 2017 and 31 December 2017, the fair values of assets acquired, the assumed liabilities and considerations depending on future events, for acquiring the control:

	Thousands of Euros
Cash	104
Deferred payments	2,191
Total consideration transferred 30-6-2017	**2,295**

	Thousands of Euros
Deferred payments	1,723
Total consideration transferred 31-12-2017	**1,723**

Recognised interim amounts of acquired identifiable assets and assumed liabilities:

30/06/2017	Book value	Adjustments fair value	Fair value
Intangible assets	15	-	15
Property, plant and equipment	618	-	618
Non-current financial assets	20	-	20
Deferred tax assets	305	-	305
Current assets	7,728	-	7,728
Current financial assets	139	-	139
Cash and cash equivalents	667	-	667
Deferred tax liabilities	(8)	-	(8)
Non-current liabilities	0	(1,438)	(1,438)
Current liabilities	(3,079)	-	(3,079)
Total recognisable net assets	**6,406**	**(1,438)**	**4,968**
Goodwill /(Negative difference in consolidation)			(2,672)
Total			**2,295**

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(Thousands of Euros)

31/12/2017	**Book value**	**Adjustments fair value**	**Fair value**
Intangible assets	27	-	27
Property, plant and equipment	19	-	19
Non-current financial assets	35	-	35
Deferred tax assets	330	-	330
Current assets	3,185	-	3,185
Current financial assets	14	-	14
Cash and cash equivalents	875	-	875
Deferred tax liabilities	-	-	-
Non-current liabilities	-	-	-
Current liabilities	(1,730)	(600)	(2,330)
Total recognisable net assets	**2,755**	**(600)**	**2,155**
Goodwill /(Negative difference in consolidation)			(432)
Total			**1,723**

The valuation of net assets acquired in 2017 has been carried out by AFI 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 1 February 2018 on data of 30 June 2017 and 31 December 2017.

In order to test the reasonableness of negative difference in consolidation arising from the purchase transaction, an analysis of the nature of the items within the balance sheet of each of the acquired companies was carried out. The purpose was to evaluate whether there are elements whose fair value is susceptible of making additional adjustments to those already made prior to the integration of the companies in the scope of consolidation<.

Balance sheets of acquired companies present a similar structure, in which 5 large groups can be established:

i. Working capital: non-financial current assets (stocks and customers) - current liabilities (suppliers)

ii. Treasury and financial investments

iii. Property, plant and equipment

iv. Deferred tax assets

v. Intangible assets

It is estimated that the fair value of groups i to iv coincides with the book value, and therefore the only items susceptible to record adjustments in value would be intangible assets.

However, in the specific case of the acquired companies, these assets mainly comprise computer applications, with a given useful life and a residual relative weight on the total balance and there are no other intangible assets identified.

The negative difference in consolidation arising in both transactions, whose value amounts to a total of EUR 3,104 thousand (Note 22-e) is mainly identified with the need to industrialise the operating processes of the acquired subsidiaries and to proceed with the necessary investments to promote its development and growth according to the needs and investment plans of customers.

The amount of revenue recognised in the consolidated financial statements at 31 December 2017 corresponding to the acquired companies amounted to EUR 13,928 thousand, related to the months of July to December, with the resulting contribution of EUR 826 thousand.

If the Group had consolidated the acquisition of these companies from 1 January 2017, the consolidated income statement would show a pro forma revenue amounting to EUR 416 million and an operating result before amortisation, depreciation and other results (EBITDA) amounting to EUR 35.4 million.

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 values 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 definitive amounts of acquired identifiable assets and assumed liabilities:

	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	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

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assets identified in accordance with criteria established under international accounting standards IAS 38 and IFRS 3. The Report is dated from 22 February 2016 on data of 31 October 2016.

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

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 (2017-2022), 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 its services in the field throughout the country.

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 from 1 January 2016, the consolidated income statement would show a pro forma revenue amounting to EUR 343 million and an operating result before amortisation, depreciation and other results (EBITDA) amounting to EUR 35 million.

6. Goodwill

The movements of Goodwill, the only intangible assets with indefinite useful lives, are shown below:

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Opening balance	37,810	34,090
Business combinations	-	1,027
Other movements (Translation differences and other)	(3,129)	2,452
Other	-	241
Closing balance	**34,681**	**37,810**

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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 2016.

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 2017 the effect of the translation differences for the year amounting to EUR (3,129) 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:

		Thousands of Euros	
CGU	**Segment**	**31.12.2017**	**31.12.2016**
Ezentis Peru	Peru	23,445	25,685
Ezentis Energia	Brazil	3,212	3,708
Ezentis Engenharia	Brazil	2,211	2,552
Grupo Networks Test	Spain	4,821	4,821
Tecnet	Chile	992	1,044
Total		**34,681**	**37,810**

Goodwill impairment loss test

Goodwill is allocated to each cash generating unit (CGU). The impairment tests were performed on 31 December of each year.

Directors of the Parent Company have performed an impairment test on goodwill as of 31 December 2017 and 2016, identifying that the cash flow forecasts attributable to each CGU bear the value of the goodwill recorded. Projections used to calculate the value in use are based on the budget for 2018 approved by the Directors of the Parent Company of the Group on 21 December 2017, the forecasts of economic growth of the sector for each country and the long-term projections carried out by each of the local Directorates of those countries.

In the case of the CGU Ezentis-Peru 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.

In the case of the other three CGUs (Ezentis Energía, S.A. Ezentis Engenharia and Networks Test) which Trade Funds are associated to, projection periods of less than 5 years have been considered.

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 to which goodwill has been allocated are the forecast of revenue growth based on the estimates of the renewal of main contracts and operative margins.

At 31 December 2017, 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.

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(Thousands of Euros)

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

	Discount rate %		Growth rate %	
CGU	**2017**	**2016**	**2017**	**2016**
Ezentis Peru	12.7%	14.4%	3.5%	3.5%
Ezentis Energia	15.4%	19.0%	4.6%	5.0%
Ezentis Engenharia (SEICOM)	15.8%	18.3%	4.5%	5.0%
Networks Test Spain	9.0%	9.6%	1.6%	1.4%
Networks Test Colombia	11.6%	13.5%	3.2%	4.0%
Tecnet	11.3%	-	3.3%	-

In the determination of the 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, and 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	**2017**	**2016**
Ezentis Peru	16.0%	17.8%
Ezentis Energia	21.9%	25.8%
Ezentis Engenharia (SEICOM)	22.9%	25.0%
Networks Test Spain	11.4%	13.2%
Networks Test Colombia	15.0%	14.1%
Tecnet	13.0%	-

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 below the average of the products or industry where the CGUs operate have been considered, which were obtained from the "EIU, Thomson Reuters and analysts' report":

Growth rate %				**Inflation L/T**
Countries	**Min.**	**Max.**	**Average**	**2022**
Brazil	3.0%	9.0%	5.1%	4.0%
Spain	1.0%	1.5%	1.2%	1.9%
Colombia	2.5%	5.0%	3.3%	3.0%
Peru	2.0%	7.0%	4.0%	2.0%
Chile	3.0%	5.0%	3.3%	3.0%

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The book value of each CGU as of 31 December 2017 and 2016 and its recoverable amount is as follows:

Thousands of Euros	**2017**		**2016**	
CGU	**Book value**	**Recoverable value**	**Book value**	**Recoverable value**
Ezentis Peru	26,025	30,741	29,219	33,395
Ezentis Energia	12,279	21,134	9,225	18,037
Ezentis Engenharia (SEICOM)	9,489	25,887	7,704	37,491
Grupo Networks Test	10,936	16,058	12,103	16,369
Tecnet	7,027	9,667	-	-

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:

Thousands of Euros	**2017**			**2016**		
CGU	**Discount rate %**	**Growth rate %**	**Recoverable value**	**Discount rate %**	**Growth rate %**	**Recoverable value**
Ezentis Peru	-	+1.-1	33,524.28,503	-	+1.-1	35,711.31,470
	+1.-1	-	27,400.34,913	+1.-1	-	30,290.37,141
Ezentis Energia	-	+1.-1	23,228.19,394	-	+1.-1	19,012.17,193
	+1.-1	-	19,053.23,646	+1.-1	-	16,813.19,450
Ezentis Engenharia (SEICOM)	-	+1.-1	28,071.24,059	-	+1.-1	39,608.35,670
	+1.-1	-	23,657.28,553	+1.-1	-	34,887.40,519
Grupo Networks Test	-	+1.-1	18,042.14,521	-	+1.-1	18,259.14,867
	+1.-1	-	14,274.18,361	+1.-1	-	14,465.18,769
Tecnet	-	+1.-1	10,509.9,013	-	-	-
	+1.-1	-	8,753.10,835	-	-	-

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7. Other intangible assets

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

Year 2017:

	Thousands of Euros		
	Contracts, Client portfolio and non-compete agreements	Other Property, plant and machinery Intangible	Total
Cost:			
Opening balances	13,919	12,966	26,885
Additions	-	3,360	3,360
Business combinations (Note 5)	-	42	42
Exchange rate differences	(1,263)	(146)	(1,409)
Withdrawals	-	(52)	(52)
Closing balances	12,656	16,170	28,826
Accumulated amortisation:			
Opening balances	(4,977)	(8,379)	(13,356)
Provision for the year	(2,178)	(1,679)	(3,857)
Transfers	-	-	-
Closing balances	(7,155)	(10,058)	(17,213)
Other net intangible assets:			
Opening balances	**8,942**	**4,587**	**13,529**
Closing balances	**5,501**	**6,112**	**11,613**

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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
Exchange rate 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)
Other net intangible assets:			
Opening balances	**7,722**	**3,269**	**10,991**
Closing balances	**8,942**	**4,587**	**13,529**

During years 2017 and 2016 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 2017 in Navento Technologies S.L.U. for this concept amounts to EUR 1,350 thousand (EUR 896 thousand in 2016). 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 258 thousand (EUR 125 thousand in 2016).

Further, during year 2017 there were internal developments and developments in computer applications amounting to EUR 1,216 thousand, mainly in Peru (EUR 276 thousand), Argentina (EUR 203 thousand) and Chile (EUR 737 thousand).

At 31 December 2017, other intangible assets in use for a gross amount of EUR 2,777 thousand were fully amortised (EUR 2,716 thousand at 31 December 2016).

At 31 December 2017, the Group has investments abroad in other intangible assets with a net amortisation value amounting to EUR 9,250 thousand (EUR 9,287 thousand at 31 December 2016).

Provision for impairment

Based on the valuation criteria of intangible assets with a defined useful life, in 2017 and 2016, 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 2017 and 2016 no provision has been made for impairment of other intangible assets.

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8. Property, plant and equipment

Breakdown of this item under the consolidated balance sheet for years 2017 and 2011 is as follows:

						Thousands of Euros
Year 2017:	**Land and buildings**	**Plant and machinery**	**Furniture**	**Transport items**	**Information devices and other items of property, plant and equipment**	**Total**
Cost:						
Opening balances	903	8,590	9,696	20,636	11,914	51,739
Exchange rate differences	(13)	(490)	(471)	(983)	(552)	(2,509)
Additions (Note 22)	-	340	823	2,800	685	4,648
Business combinations (Note 5)	-	-	-	-	637	637
Withdrawals	-	(1,250)	-	(139)	-	(1,389)
Closing balances	890	7,190	10,048	22,314	12,684	53,126
Accumulated amortisation:						
Opening balances	(787)	(2,516)	(5,666)	(12,356)	(4,028)	(25,353)
Exchange rate differences	-	-	-	-	-	-
Provisions	(17)	(1,306)	(1,228)	(2,611)	(1,507)	(6,669)
Business combinations (Note 5)	-	-	-	-	(144)	(144)
Withdrawals	-	-	294	139	-	433
Closing balances	(804)	(3,822)	(6,600)	(14,828)	(5,679)	(31,733)
Provision for impairment						
Opening balances		(485)				(485)
Closing balances	-	(485)	-	-	-	(485)
Net property, plant and equipment						
Opening balances	**116**	**5,589**	**4,030**	**8,280**	**7,886**	**25,901**
Closing balances	**86**	**2,883**	**3,448**	**7,486**	**7,005**	**20,908**

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					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
Exchange rate differences	-	38	152	118	24	332
Additions (Note 22)	-	56	1,509	5,741	2,603	9,909
Business combinations (Notes 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)
Provisions	-	(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 balances	-	(1,285)	-	-	-	(1,285)
Reversal (Provision) for the year	-	800	-	-	-	800
Closing balances	-	(485)	-	-	-	(485)
Net 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**

Main additions for 2017 correspond to the purchases of transport items in Chile for an amount of EUR 1,690 thousand, in Brazil for an amount of EUR 228 thousand, in Peru for an amount of EUR 228 thousand and in Argentina for an amount of EUR 559 thousand, acquisitions of information equipment and other fixed assets in Chile for an amount of EUR 312 thousand, in Colombia for an amount of EUR 66 thousand, in Brazil for an amount of EUR 63 thousand and in Peru for an amount of EUR 175 thousand, acquisitions of Furniture in Argentina for an amount of EUR 37 thousand, in Brazil for an amount of EUR 224 thousand, in Peru for an amount of EUR 108 thousand and in Chile for an amount of EUR 298 thousand.

Further, the additions by business combination correspond to the acquisition of the companies of the Grupo Comunicaciones y Sonido, , see note 5.

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).

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At 31 December 2017, fully depreciated items of property, plant and equipment amounted to EUR 7,078 thousand (EUR 7,067 thousand at 31 December 2016).

At 31 December 2017 there are no mortgage guarantees on properties owned by the Group. At 31 December 2016 there were pledged assets derived from the contract with Highbridge.

At 31 December 2017, the Group has investments abroad in other intangible assets with a net amortisation value of EUR 20,069 thousand (EUR 23,844 thousand at 31 December 2016).

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 2017 and 2016, 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:			
Opening balances	3,142	18,774	21,916
Additions / (Cancellations)	56	4,181	4,236
Closing balances	3,198	22,955	26,152
Accumulated amortisation:			
Opening balances	(1,491)	(10,218)	(11,709)
(Provisions) / Cancellations	(631)	(3,091)	(3,721)
Closing balances	(2,122)	(13,309)	(15,430)
Net balances	**1,076**	**9,646**	**10,722**

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 2017 and 2016, the average effective interest rate of this debt was approximately 7.8% and 19.7%, respectively, 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 2017 and 2016, which are classified under the heading "Bank borrowing " in the consolidated balance sheet at those dates:

	Thousands of Euros	
	Rental charges	
	31.12.2017	31.12.2016
Financial lease instalments:		
Less than a year (Note 14)	3,313	4,041
From two to five years (Note 14)	3,710	4,422

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9. Investments in associates

Details and changes under this item in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	**2016**
Cost:		
Opening balances	50,171	50,168
Business combinations (Note 5)	35	-
Withdrawals	(45)	-
Profit/(loss) from companies accounting for using the equity method	-	-
Other	(29)	3
Closing balances	**50,132**	**50,171**
Provision for impairment:		
Opening balances	(50,050)	(50,050)
Provision for the year	-	-
Withdrawals	-	-
Closing balances	**(50,050)**	**(50,050)**
Net investments accounted for using the equity method:		
Opening balances	121	118
Closing balances	82	121

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.

At 31 December 2017, investments in associates amounting to EUR 82 thousand (EUR 121 thousand in 2016) correspond to the investment in joint ventures, which are accounted for using the equity method.

a) Provision for impairment

At 31 December 2017 and 2016, the impairment provision is EUR 50,050 thousand, which corresponds to other equity interests of companies not included in the consolidation perimeter 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

The breakdown for years 2017 and 2016 is as follows:

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	Thousands of Euros	
	2017	**2016**
Cost:		
Opening balances	46,268	47,427
Additions / disposals due to changes to the scope of consolidation (Note 5)	-	22
Additions	3,870	2,298
Withdrawals	(1,397)	(3,479)
Closing balances	**48,741**	**46,268**
Provision for impairment:		
Opening balances	-	-
Additions / disposals due to changes to the scope of consolidation	-	-
Provision for the year (recognised in other comprehensive income)	-	-
Application for the year (recognised in other comprehensive income)	-	-
Closing balances	-	-
Net non-current financial assets:		
Opening balances	**46,268**	**47,427**
Closing balances	**48,741**	**46,268**

Additions for year 2017 correspond mainly to deposits constituted in Brazil for legal reasons of employment nature, customer retentions that are delivered upon completion of the work once the guarantee has been released by said client and the deposit made for the amount of EUR 1,257 thousands in relation to a tax appeal filed with the administration of Mexico (Comunicaciones y Sonido México, SA de CV) that is being provisioned (see note 17).

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

Withdrawals for 2017 and 2016 correspond mainly to changes in fair value and losses realised in the derivative financial instruments contracted by the Parent of the Group.

At 31 December 2017 and 2016, 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 to 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 2017, valued at historical exchange rate, amounted to EUR 28,236 thousand (EUR 28,236 thousand at the end of 2016 (See note 20).

Additionally, this payment includes the payment of the 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).

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11. Inventories

Breakdown at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Raw materials and other procurements	7,357	3,728
Advances to suppliers	3,625	2,186
	10,982	**5,914**

"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) Receivables for sales and services

The breakdown in the consolidated balance sheets at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Trade receivables for sales and services	54,311	41,366
Customers, amounts to be billed for works performed	56,508	46,368
	110,819	**87,734**

The balance of receivables for sales and services as of 31 December 2017 is net of the effects discounted by non-recourse factoring and discount of commercial checks amounting to EUR 18,592 thousand and EUR 8,924 thousand, respectively (EUR 20,358 thousand and EUR 7,775 thousand) at 31 December 2016). This amount has been derecognised from the corresponding assets and liabilities at the end of 2017 and 2016, since it corresponds to non-recourse commercial discount transactions in which the debtor's solvency risks have been substantially transferred to the financer.

Below is the information regarding the non-recourse discount contracts held by the Group's subsidiaries at the end of 2017:

Ezentis Tecnología, S.L.U holds non-recourse discount facilities with a maximum limit standing at EUR 30,500 thousand. At 31 December 2017, the amount available stands at EUR 1,204 thousand (EUR 1,663 thousand at 31 December 2016). 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 2016).

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Networks Test, S.L holds non-recourse discount facilities with a maximum limit standing at EUR 4,000 thousand. At 31 December 2017, the amount available stands at EUR 2,535 thousand (EUR 1,855 thousand at 31 December 2016). Contract terms are 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 2016).

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 2017, the amount available stands at EUR 4,513 thousand (EUR 3,014 thousand at 31 December 2016).

The conditions of the non-recourse factoring contracts signed by Ezentis Engenharia S.A. are indexed to an interest rate of 1.05% per month and a commission per discount of 0.19%. At 31 December 2017, the amount available stands at EUR 5,679 thousand (EUR 22,541 thousand).

The conditions of the non-recourse factoring contracts signed by Ezentis Energia S.A. are indexed to an interest rate of 1.20% per month without a commission per discount. At 31 December there is no amount recorded under this item. At 31 December 2016, the amount recorded stands at EUR 1,260 thousand.

Ezentis Chile, S.A. has non-recourse credit discount lines with a limit of EUR 6,257 thousand (CLP 4,600 million) at an annual interest rate of 4.74%. At 31 December 2017, the amount available stands at EUR 3,684 thousand (CLP EUR 2,708 million).

Tecnet, S.A. has non-recourse credit discount lines with a limit of EUR 2,040 thousand (CLP 1,500 million) at an annual interest rate of 4.8%, being the amount drawn as of 31 December 2017, EUR 148 thousand (CLP 109 million). At 31 December 2016 this company did not have any credit discount lines.

Ezentis Energia Chile, S.A. holds non-recourse discount facilities with an amount drawn of EUR 829 thousand. At 31 December 2016 this company did not have any credit discount lines.

Ezentis Argentina, S.A. hold check discounting lines. At 31 December 2017, the amount drawn stands at EUR 8,924 thousand (CLP 200,066 thousand). At 31 December 2016, the amount drawn stands at EUR 7,775 thousand (CLP EUR 130,236 thousand). Contract terms signed by Ezentis Argentina, S.A. are indexed to a 31% annual interest and a discount commission of 0.6% (same terms and conditions for 2016).

Cstomers for the provision of services pending invoicing includes the rendering of services under contracts with customers pending invoicing at the end of the year.

Receivables for sales and the provision of services as of 31 December 2017 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 2017 and 2016, 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:

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	Thousands of Euros	
	2017	**2016**
Opening balances	1,476	1,448
Provision for the year	25	28
Cancellations	-	-
Closing balances	**1,501**	**1,476**

At 31 December 2017, EUR 1,501 thousand (EUR 1,476 thousand in 2016) correspond to provisioned receivables for sales and provision of services, with maturity over 180 days.

During years 2017 and 2016, the Group has not executed any type of guarantees so as to recover provisions related to receivables for sales and provision of services.

At 31 December 2017, EUR 101,943 thousand (EUR 82,612 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	
	2017	**2016**
Euros	8,876	5,122
Pesos (Chile)	29,745	22,941
Pesos (Argentina)	20,475	15,043
Peruvian Sol (Peru)	12,386	8,776
Dollars (American)	-	1,550
Pesos (Colombia)	3,365	3,309
Real (Brazil)	32,929	30,993
Pesos (Mexico)	3,043	-
	110,819	**87,734**

b) Other receivables

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Sundry receivables	6,575	5,008
Staff costs	717	333
Provision for impairment	(1,884)	(1,884)
	5,408	**3,457**

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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 2017 and 2016, sundry receivables included receivables for VAT consolidated with Sedesa amouting to EUR 1,884 thousand, which was fully provisioned since 2013 year-end. Further, this item includes sundry receivables, mainly in Peru amounting to EUR 1,195 thousand, in Argentina amounting to EUR 686 thousand and in Chile amounting to EUR 1,810 thousand.

c) Other current assets

"Other current assets" under the consolidated balance sheet at 31 December 2017 and 2016 includes the following:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Short-term accruals/deferrals	2,961	2,029
Other	765	2,081
	3,726	**4,110**

Short-term accruals/deferrals

It mainly includes deferrals as of 31 December 2017 and 2016 for insurance premiums and prepaid expenses related to works, which will be accrued in the following twelve months.

Other

At 31 December 31, 2017 and 2016, "other current assets" mainly includes short-term bonds delivered in the normal course of business.

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d) Cash and cash equivalents

The breakdown in the consolidated balance sheets at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Treasury	7,098	5,915
Other cash equivalents	808	782
	7,906	**6,697**

At 31 December 2017, from total "Treasury" amounting to EUR 7,098 thousand, EUR 2,060 thousand (EUR 5,915 thousand at the end of 2016) correspond to amounts in a currency other than the Euro and EUR 808 thousand are recorded under "Other cash equivalents".

At 31 December 2017, EUR 7,083 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

The breakdown for years 2017 and 2016 is as follows:

Year 2017:

	Thousands of Euros		
	2017		
	Number of shares	Par value	Share premium
Closing balance at 31/12/2016	**235,655,488**	**70,697**	**31,578**
Capital increase (1)	6,288,515	1,886	1,515
Capital increase (2)	52,965,292	15,890	13,771
Closing balance at 31/12/2017	**294,909,295**	**88,473**	**46,864**

(1) On 20 July 2017, the following resolutions to increase share capital, approved at the General Annual Meeting of Grupo Ezentis, held on 29 June 2017, according to items seventh and eighth of the agenda, were registered in the Trade registry of Seville:

I. Capital increase to offset credits amounting to EUR 2,248,643.16 implemented by issuing and putting into circulation 3,287,490 new shares of EUR 0.30 par value each and a EUR 0.384 issuance premium, fully subscribed and paid by Mr. Ademir Castilho Piqueira and Mr. Roberto Takashi Araki.

Offset credits derive from i) a purchase agreement signed on 28 November 2013, ii) a contract to exercise the purchase option of shares dated 19 June 2015 and iii) a modification letter of dated 11 March 2016, with Mr. Ademir Castilho Piqueira and Mr. Roberto Takashi Araki, assigned to Ezentis under the capitalisation agreement subscribed on 17 May 2017.

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The 3,287,490 new ordinary shares represent 1.37% social capital after the capital increase.

II. Capital increase agreement for the offset of credits for an amount of EUR 1,152,393.60 through the issue and putting into circulation of 3,001,025 new shares of EUR 0.30 of nominal value and EUR 0.084 of issue premium, subscribed and paid for Communications Services BRS Limitada, Eduardo Aroca Oliva and Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patricio Saavedra Rodríguez and Dominia Telecomunicaciones Limitad

Offset credits have their origin in i) a purchase agreement signed on 11 September 2013, modified by agreements dated 31 March, 23 May, 27 July, 2 August and 29 December 2016, ii) a purchase agreement signed on 31 March 2016, modified by agreements dated 27 and 29 July and 29 December 2016 and iii) a purchase agreement signed on 23 May 2016, modified on 2 August and 29 December 2016, with Servicios de Comunicaciones BRS Limitada, Eduardo Aroca Oliva and Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patricio Saavedra Rodríguez and Dominia Telecomunicaciones Limitada

The 3,001,025 new ordinary shares represent 1.24% social capital after the capital increase.

(2) On 26 October 2017, the deed relating to the capital increase for a nominal amount of EUR 15,889,587.60, corresponding to 52,965,292 shares with a nominal value of EUR 0.30 and a premium of EUR 13,770,975.29 equivalent to EUR 0.26 per share was registered with the Trade Registry of Seville.

At 31 December 2017, social capital amounts to EUR 88,472,788.50, arranged into 294,909,295 shares of EUR 0.3 par value each.

At the date of preparation of these consolidated financial statements, 294,909,295 shares have been 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 2017 amounted to EUR 2,712 thousand, which were charged to reserves at the closing date.

Year 2016:

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

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.

As of 31 December 2017 Mr. Ademir Castilho Piqueira, Mr. Roberto Takashi Araki and Mr. Clemente Luis Márquez have transmitted their shares.

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(Thousands of Euros)

The syndication agreement is valid until 30 May 2019 and includes, as of 31 December 2017, a total of 7,073,809 shares of Ezentis representing 2.399% of its social capital, consisting of the following voting rights:

Shareholder	Shares
Mr. Guillermo Fernandez-Vidal	606,631
Teleprocesing Service, S.A.	3,242,898
Constanter, S.L.	818,462
Mr. Carlos Mariñas Lage	899,483
Mr. Fernando González Sánchez	433,537
Mr. Jorge de Casso Pérez	318,755
Mr. José María Maldonado Carrasco	270,645
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
Mr. Luis García Merchán	1,200
Mr. Jose Luis Márquez Dotor	1,000
Mr. Fermín González García	733

Agreement with Teleprocesing Services, 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, it arose in favour of Teleprocesing Services, S.A. the 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. 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;

(a) 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;

(a) 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;

(a) 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 2017, 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 interests 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 2017:

In accordance with this definition, one of the significant shareholders of the Parent Company, in accordance with the information provided on the website of the National Securities Market Commission (CNMV), is Eralan Inversiones, SL, with 4.17% of direct voting rights. In second place, Lierde, SICAV, S.A. holding 3.326% of the rights. The outstanding percentage is held by sundry shareholders.

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 holding 4.858% of the indirect voting rights through the company Inversiones Riquelme Vives, S.L. The outstanding percentage of the shares is held by various shareholders.

b) Reserves

Share premium

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

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c) Translation differences

The breakdown for years 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	2016
Opening balance	(9,820)	(14,204)
Hedges of net investment (Note 3.1)	(474)	(1,434)
Translation differences	(8,993)	5,818
Closing balance	**(19,287)**	**(9,820)**

At 31 December 2017 and 2016 all translation differences correspond to subsidiaries.

d) Treasury shares

The breakdown for years 2017 and 2016 is as follows:

	Shares	Thousands of Euros
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**
Additions	75,720	41
Withdrawals	(725,126)	(267)
Balance at 31.12.2017	**16,548**	**11**

e) Minority interest

The balance included under this item in the consolidated balance sheet as of 31 December 2017 and 2016 includes the value of the participation of minority shareholders in consolidated companies.

The breakdown for years 2017 and 2016 is as follows:

	Thousands of Euros	
	31.12.2017	31.12.2016
Opening balance	535	1,046
Increase / (Decrease)	134	(525)
Profit/(Loss) for the year	(79)	(134)
Other	-	148
Closing balance	**590**	**535**

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Year 2017

The increase in minority interest during 2017 (EUR 134 thousand) corresponds to the partial purchase of the minority stake of the subsidiary Ezentis Energia, S.A. (Brazil). The difference between the acquisition price (EUR 127 thousand) and the decrease of minority interest has had a negative impact on reserves amounting to EUR 261 thousand.

The loss of minority interest as of 31 December 2017 amounts to EUR (79) thousand. Breakdown is as follows:

- Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR (34) thousand.
- Shareholders of 2% of Ezentis Energía S.A. (Brazil): EUR (45) thousand.

The breakdown of the amount of minority interest in the balance sheet as of 31 December 2017, is as follows:

- Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina) and Shareholders of 40% of Radiotronica Construcciones (Argentina): EUR 912 thousand.
- Other: EUR (353) thousand.

Further, the value of minority assets and liabilities as of 31 December 2017 and 2016 is as follows:

Thousands of Euros	31/12/2017	
	ASSETS	LIABILITIES
· Shareholder of 49% of Radiotronica Serv. Mineros del Noa (Argentina)	260	(87)
· Shareholder of 40% of Radiotronica Construcciones (Argentina)	2,569	(2,459)
· Shareholder of 2% of Ezentis Energía (Brasil)	619	(418)

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 loss of minority interests as of 31 December 2016 amounts to EUR (79) 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.
- Shareholders 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 and 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)

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.

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, for a 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 payment

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 interest) 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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	At 31 December	
	2017	2016
Profit (Loss) attributable to shareholders (thousand of Euros)	(6,701)	903
Weighted average number of shares (shares)	247,610,746	234,989,534
	(0.0271)	**0.0038**
Basic profit/(loss) per share of the Parent (Euros)		

	At 31 December	
	2017	2016
Profit (Loss) from continuing operations (thousands of Euros)	(6,780)	769
Weighted average number of shares (shares)	247,610,746	234,989,534
Basic profit/(loss) per share from continuing operations (Euros)	**(0.0274)**	**0.0033**

	At 31 December	
	2017	2016
Profit (Loss) attributable to shareholders (thousand of Euros)	(6,701)	903
Weighted average number of shares (shares)	247,610,746	234,989,534
Debt conversion	-	-
Stock options	-	-
Weighted average number of diluted shares	**247,610,746**	**234,989,534**
	(0.0271)	**0.0038**
Basic profit/(loss) per share of the		

	At 31 December	
	2017	2016
Profit (Loss) from continuing operations (thousands of Euros)	(6,780)	769
Weighted average number of shares (shares)	247,610,746	234,989,534
Debt conversion	-	-
Stock options	-	-
Weighted average number of diluted shares	**247,610,746**	**234,989,534**
Diluted profit/(loss) per share from continuing operations (Euros)	**(0.0274)**	**0.0033**

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14. Bank borrowings

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros			
	At 31 December			
	2017		2016	
	Non-current	Current	Non-current	Current
Loans and credit facilities	73,454	12,216	75,123	15,981
Finance leases (Note 8)	3,710	3,313	4,422	4,041
Bank borrowings	77,164	15,529	79,545	20,022

The detail by years of maturity of non-current bank debts for loans, credit facilities and financial leases as of 31 December 2017 and 2016 is as follows:

	Thousand of Euros
Year of maturity:	**2017**
2019	2,622
2020	74,223
2021	319
2022 and following	-
	77,164

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

The interest rate on loans and credit facilities during 2017 ranges between 5.69% and 31.01% (in 2016 between 6.58% and 22.49%), amounting the weighted average rate as of 31 December 2017 to 8.6% (10.0% in 2016). 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, expenses 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. This pledge was cancelled on 1 March 2017 by the funder.
- 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 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 transaction. (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.

The most significant financial obligations are as follows:

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- 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 were recorded as lower value of the same under the income statement according to the effective interest rate method of amortisation. The amount recorded under the consolidated income statement under 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, 6 September 2016 and 23 November 2016, the Group obtained new provisions from Tranche 3 of the loan amounting to EUR 3,490 thousand, EUR 2,950 thousand and EUR 7,065 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 2 June 2016, prepayments amounting to EUR 920 thousand and EUR 1,145 thousand, respectively, were made for Tranche 1 of the loan. Costs incurred into in said transactions amounted to EUR 126 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 available amount under Tranche 3 amounts to EUR 11,355 thousand.

During 2017 the following payments and provisions have taken place:

On 28 January 2017, 30 April 2017 and 31 July 2017, 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 2017 due to provisions under Tranche 3 of the loan amounted to EUR 312 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 2017 amounted to EUR 1,894 thousand.

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On 31 August 2017 and 31 December 2017, 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.

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During 2017, non-disposal expenses, amounting to EUR 148 thousand, of Tranche 3 of the loan were incurred into and recorded under "Financial expense" in the accompanying consolidated income statement.

Interest paid during 2017 amounted to EUR 8,403 thousand.

At 31 December 2017, debt recorded in the accompanying consolidated balance sheet amounts to EUR 73,118 thousand and there is no additional loan balance available.

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 BCI 2**	**BANCO CONSORCIO**	**BANCO SANTANDER 1**
Start date	07/10/2016	10/04/2017	11/11/2016	20/08/2016
Outstanding debt 31.12.2017 in CLP	590,210,797	100,682,332	115,710,000	123,005,410
Outstanding debt 31.12.2017 in EUR	**802,779**	**136,944**	**157,384**	**167,306**
Annual interest rate	5.80%	5.76%	5.51%	6.41%
Maturity date	07/09/2020	10/04/2018	11/04/2018	20/07/2018

CHILE (BANK LOANS)	**BANCO SANTANDER 2**	**BANCO DE CHILE**	**SECURITY**	**BANCO BBVA**
Start date	22/04/2016	22/02/2017	05/03/2017	07/01/2017
Outstanding debt 31.12.2017 in CLP	67,071,367	229,381,000	138,406,000	600,000,000
Outstanding debt 31.12.2017 in EUR	**91,227**	**311,994**	**188,254**	**816,093**
Annual interest rate	7.32%	5.83%	5.32%	5.31%
Maturity date	22/03/2018	22/08/2018	11/04/2018	07/12/2018

CHILE (BANK LOANS)	**BANCO BCI 3**
Start date	08/07/2017
Outstanding debt 31.12.2017 in CLP	609,587,159
Outstanding debt 31.12.2017 in EUR	**829,133**
Annual interest rate	5.76%
Maturity date	07/07/2020

CHILE (FINANCE LEASING)	**BBVA**	**BANCO BCI**	**BANCO DE CHILE**	**CORPBANCA**
Start date	03/08/2016	15/10/2017	27/11/2014	24/01/2015
Outstanding debt 31.12.2017 in CLP	484,515,000	234,125,968	42,077,000	18,379,000
Outstanding debt 31.12.2017 in EUR	**659,016**	**318,448**	**57,231**	**24,998**
Annual interest rate	6.35%	4.74%	6.38%	7.36%
Maturity date	25/02/2021	15/11/2021	18/06/2019	30/01/2019

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(Thousands of Euros)

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 31.12.2017 in CLP	73,175,000	811,871,000	123,113,000	170,076,000
Outstanding debt 31.12.2017 in EUR	**99,529**	**1,104,271**	**167,453**	**231,330**
Annual interest rate	6.50%	5.30%	5.95%	6.69%
Maturity date	25/05/2018	01/04/2021	15/06/2020	15/09/2020

CHILE (FINANCE LEASING)	BANCO BCI 2	BBVA 2
Start date	01/06/2017	01/05/2017
Outstanding debt 31.12.2017 in CLP	402,825,704	314,892,362
Outstanding debt 31.12.2017 in EUR	**547,906**	**428,303**
Annual interest rate	4.90%	5.04%
Maturity date	05/07/2021	01/06/2021

BRASIL (BANK LOANS)	BANCO SANTANDER	BANCO DAYCOVAL	BANCO CITIBANK
Start date	26/01/2016	23/11/2017	30/12/2014
Total outstanding debt at 31.12.2017 in BRL	0	1,524,825.88	0
Outstanding debt 31.12.2017 in EUR	**0**	**384,079**	**0**
Annual interest rate	25.49%	16.63%	20.63%
Maturity date	26/01/2018	23/11/2018	30/05/2017

BRAZIL (FINANCE LEASING)	BANCO ITAU	BANCO SANTANDER	BANCO DO BRASIL
Start date	28/08/2014	15/10/2015	11/02/2014
Total outstanding debt at 31.12.2017 in BRL	123,108.63	880,530.04	197,664
Outstanding debt 31.12.2017 in EUR	**31,015**	**221,835**	**49,798**
Annual interest rate	19.42%	19.99%	4.2817%
Maturity date	17/04/2018	26/01/2019	15/04/2019

PERU (FINANCE LEASING)	BANCO FINANCIERO	LEASING WITH SUPPLIERS
Start date	01/09/2014	30/08/2013
Total outstanding debt at 31.12.2017 in PEN	2,479,613	1,974,984
Outstanding debt 31.12.2017 in EUR	**628,546**	**500,630**
Annual interest rate	8.10%	8%
Maturity date	02/10/2020	29/02/2020

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COLOMBIA (BANK LOANS)	BANCO FINANCIERO
Start date	14/09/2017
Total outstanding debt at 31.12.2017 in COP	395,607,395
Outstanding debt 31.12.2017 in EUR	**110,545**
Annual interest rate	13.27%
Maturity date	14/03/2019

COLOMBIA (FINANCE LEASING)	BANCO FINANCIERO
Start date	28/11/2016
Total outstanding debt at 31.12.2017 in COP	105,817,319
Outstanding debt 31.12.2017 in EUR	**29,569**
Annual interest rate	13.04%
Maturity date	28/11/2018

ARGENTINA (BANK LOANS)	BANCO BCI	BANCO INDUSTRIAL
Start date	01/01/2017	01/12/2017
Outstanding debt 31.12.2017 in EUR	3,861,000	4,148,000
Outstanding debt 31.12.2017 in EUR	172,228	185,030
Annual interest rate	31%	31%
Maturity date	31/03/2018	31/01/2018

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 2017 and 2016.

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

Details at 31 December 2017 and 2016 are as follows:

	Thousands of Euros			
	At 31 December			
	2017		2016	
	Non-current	Current	Non-current	Current
Loans Planes Avanza	2,205	1,125	3,141	1,234
Other debts	1,830	4,571	51	4,427
	4,035	**5,696**	**3,192**	**5,661**

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Loans Planes Avanza

At 31 December 2017 and 2016, 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 3,330 thousand (EUR 4,375 thousand) as of 31 December 2016). 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 subsidies under "Other non-current liabilities". They are applied to the income statement in accordance with the recognition criteria in the income statement of development expenses.

Other debts

At 31 December 2017, this item includes outstanding payments for the following items:

- For specific financing of the Government of Argentina to the company Ezentis Argentina, as of 31 December 2017, the Group has a debt of EUR 1,779 thousand under non-current liabilities.

- For the acquisition of the companies Comunicaciones y Sonido México, S.A. of C.V. (Mexico), Ingeniería Celular Panamericana, S.A. of C.V. (Mexico), GTS Thaumat XXI, S.A. (Spain), Grupo Comunicaciones y Sonido, S.L. (Spain) and the Peruvian company Ingeniería Celular Andina, S.A. ("ICA") as of 31 December 2017, the Group has a debt amounting to EUR 3,950 thousand under current liabilities; of which, EUR 3,000 thousand shall be payable in shares of Grupo Ezentis, S.A.

- For the purchase of Tecnet, S.A. as of 31 December 2017, the Group has a debt amounting to EUR 621 thousand under current liabilities.

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.

- For the acquisition of 45% of Ezentis Chile, S.A. at 31 December 2016, the Group had a debt amounting to EUR 917 thousand. 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 purchase of Grupo Networks Test, at 31 December 2015, the Group has a debt amounting to EUR 1,227 thousand under current liabilities. Said debt was settled during 2016.

16. Trade and other payables

Breakdown of this item under the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Suppliers	45,406	37,734
Other payables	6,640	8,413
Remuneration payable	13,975	11,429
Current tax liabilities (Note 18)	31,299	19,876
Customer advances	9,990	7,939
	107,310	**85,391**

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In compliance with the ICAC Resolution as of 29 January 2017, the following information is provided as of 31 December 2017 in relation to the group of Spanish entities within the scope of consolidation:

	2017	2016
	Days	
Average payment term to suppliers	124	161
Ratio of paid transactions	124	110
Ratio of outstanding payments	126	336
	Thousand of Euros	
Total payments made	14,343	11,011
Total outstanding payments	3,538	3,168

At 31 December 2017, EUR 94,576 thousand (EUR 76,386 thousand as of 31 December 2016) correspond to balances in foreign currency other than the Euro for sale payables and other payables. A breakdown of this item by type of currency is included below:

	Thousands of Euros	
	2017	2016
Euros	12,734	9,005
Pesos (Chile)	23,333	14,074
Pesos (Argentina)	25,536	22,386
Peruvian Sol (Peru)	16,844	8,264
Dollars (American)	294	1,405
Real (Brazil)	25,627	28,278
Pesos (Mexico)	1,417	-
Pesos (Colombia)	1,524	1,979
	107,310	85,391

17. Provisions

Changes during years 2017 and 2016 is as follows:

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	2017		2016	
	Thousands of Euros		Thousands of Euros	
	Non-current:	Current	Non-current:	Current
Opening balance	**29,720**	**5,428**	**31,119**	**4,531**
Additions	240	1,421	-	198
Business combinations (Note 5)	1,438	-	-	2,137
Reversals	(157)	(219)	(546)	(871)
Payments	(228)	(4,653)	(853)	(567)
Closing balance	**31,013**	**1,977**	**29,720**	**5,428**

Breakdown of said item at 31 December 2017 and 2016, in accordance with the nature, is as follows:

	2017		2016	
	Thousands of Euros		Thousands of Euros	
	Non-current:	Current	Non-current:	Current
Disputes	31,013	748	29,720	325
Other	-	1,229	-	5,103
Closing balance	**31,013**	**1,977**	**29,720**	**5,428**

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 2017, up to the amount of EUR 31,013 thousand (EUR 29,720 thousand as of 31 December 2016) under non-current provisions and EUR 1,977 thousand (EUR 5,428 thousand as of 31 December 2016) under current provisions.

Litigation and/or claims in process

At 31 December 2017 and 2016 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 effect 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 2017 and 2016 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 Note 10 and 20.

Further, the provision includes mainly EUR 2,455 thousand (EUR 882 thousand in 2016) and EUR 1,977 thousand (EUR 4,837 thousand in 2016) under non-current and current items, for provisions arising from different litigation processes and risks associated with subsidiaries with registered office in Argentina, Chile, Mexico and Brazil.

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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, where 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 2017 and 2016 is as follows:

				Thousand of Euros
		2017		2016
	Non-current	Current	Non-current	Current
Prepaid income tax	12,606	-	8,177	-
Other current tax assets	-	12,043	-	11,779
Tax receivables	**12,606**	**12,043**	**8,177**	**11,779**
VAT payable and Social Security contributions	-	21,624	-	12,643
Persona income tax, income tax payable and other payables	-	9,675	-	7,233
Deferred income tax	4,951	-	4,392	-
Tax receivables	**4,951**	**31,299**	**4,392**	**19,876**

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 2017, 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.

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(Thousands of Euros)

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 2017 and 2016 with the theoretical taxable income (which would be the corresponding to the individual financial statements under Spanish accounting principles) is as follows:

	Thousands of Euros					
	At 31 December					
			2017			2016
	Increase	Decrease	Amount	Increase	Decrease	Amount
Consolidated Profit/(Loss) before tax	-	-	(9,790)	-	-	1,129
Profit/(Loss) from foreign subsidiaries and consolidation adjustments	18,562	(4,810)	13,751	11,559	(7,728)	3,831
Aggregate profit/(loss) from Spanish companies			**3,961**			**4,960**
Permanent differences of individual companies	22	(2,756)	(2,734)	3	(1,266)	(1,263)
Temporary differences of individual companies						
Provisions subsidiaries backlog	27		27	-	(20,225)	(20,225)
Provisioning			-	-	-	-
Reversal of provisions	67	(180)	(113)	-	(996)	(996)
Tax amortisation of merger goodwill		(15,187)	(15,187)	-	(15,187)	(15,187)
Reversal finance expense		(659)	(659)		(1,606)	(1,606)
Other		(2,059)	(2,059)	5,040	(123)	4,917
Taxable income (tax profit/(loss))			**(16,764)**			**(29,400)**

Permanent positive differences correspond mainly to expenses that are not fiscally deductible according to the provisions under Article 15 of Act 27/2014, as of 27 November.

Permanent negative differences correspond mainly to the exemption, pursuant to Article 21 Act 27/2014, as of 27 November, of positive income arising from the transmission of the entities Cala Telecom Services Limited, Calatel Panamá, S.A. and GPON Services Trinidad Limited, as well as dividends from the Chilean subsidiary Tecnet, S.A.

Positive temporary differences correspond to non-deductibility of the impairment of credits owed by related entities, as well as to the reversal of losses due to deterioration of securities representing the participation in the capital of entities that were, in previous years, fiscally deductible of the taxable income of income tax , in accordance with the provisions under the Sixteenth Transitory Provision of Act 27/2014, as of 27 November, on Income Tax.

Negative temporary differences correspond mainly to (i) the reversal, in the current fiscal year, of expenses that were not considered tax-deductible expense in the previous fiscal year as a result of different accounting and fiscal imputation criteria; (ii) the difference between the market value of the elements received and the tax value of the annulled interest resulting from the dissolution, in 2017, of the entities belonging to Grupo Ezentis, so called Radiotrónica Catalunya, SAU, Radiotrónica Zona Centro, SAU and Avanzit Comunicaciones Publicas, SLU; (iii) the tax amortisation of merger goodwill (whose impairment was adjusted in the corporate income tax from previous years as a positive temporary difference); (iv) the reversal of financial expenses (v) and the reversal of the accounting depreciation that was not tax deductible in the years 2013 and 2014.

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At 31 December 2017, temporary differences in fees not recognised in the financial statements amounted to EUR 73,341 thousand (EUR 77,839 thousand at 31 December 2016).

Breakdown of income tax expense is as follows:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Current tax	217	3,034
Deferred tax	(3,227)	(2,674)
Income tax expense	**(3,010)**	**360**

Reconciliation between income tax expense and consolidated profit/(loss) is as follows:

2017

Tax expense	**Profit/(Loss) before tax**	**25% tax rate**	**Non deductible expense**	**Other adjustments**	**Tax credits**	**Tax rate correction**	**Tax 2017 expense**
Ezentis Argentina	201	(50)	-	-	-	(225)	(275)
Chile	1,239	(310)	-	116	-	(670)	(864)
Ezentis Peru	(1,076)	269	-	-	-	(20)	249
Ezentis Energia (Brazil)	(3,356)	839	-	120	-	(607)	352
Ezentis Engenharia (Brazil)	382	(96)	-	189	1,274	(660)	707
Ezentis Caribe	11	(3)	-	-	-	(44)	(47)
Ezentis Colombia	(1,178)	295	-	169	-	(217)	247
Spain and the rest of the world	(6,014)	1,504	(684)	133	2,380	(692)	2,641
	(9,790)	**2,448**	**(684)**	**727**	**3,654**	**(3,135)**	**3,010**

2016

Tax expense	**Profit/(Loss) before tax**	**25% tax rate**	**Non deductible expense**	**Other adjustments**	**Tax credits**	**Tax rate correction**	**Tax 2016 expense**
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)**

c) Deferred tax 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 2017 and 2016.

With effect as from years beginning on 1 January 2015, due to the entry into force in Spain of Act 27/2014, as of 27 November, on Income Tax, compensation for previous tax loss carry forwards is allowed unlimited in time. The amount of taxable income corresponding to Spanish companies amounted to EUR 523,748 thousand as of 31 December 2017 (EUR 506,984 thousand as of 31 December 2016, after the presentation of Corporate Tax for year 2016 in July 2017).

In 2017, EUR 16,764 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 Income Tax for 2017 (EUR 30,615 thousand as of 31 December 2016, after the presentation of Income Tax for year 2016 in July 2017).

The analysis of deferred tax assets and liabilities as of 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	**2016**
Deferred tax assets		
- Deferred tax assets recoverable in over 12 months.	11,099	7,517
- Deferred tax assets recoverable in over 12 months.	1,507	660
	12,606	**8,177**
Deferred tax liabilities		
- Deferred tax liabilities recoverable in over 12 months.	4,060	2,775
- Deferred tax liabilities recoverable in over 12 months.	891	1,617
	4,951	**4,392**

Deferred tax assets for tax loss carry forwards 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 2017 under deferred tax assets corresponds mainly to the following subsidiaries:

- EUR 1,159 thousand in Ezentis Serviços, Instalação e Engenharia de Comunicações, S.A.
- EUR 2,999 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
- EUR 1,498 thousand corresponding to Peruvian subsidiaries, Ezentis Perú, S.A. and Ingeniería Celular Andina, S.A.
- EUR 423 thousand corresponding to Spanish subsidiaries in regional forest lands , GTS Thaumat XXI, S.A. y Grupo Comunicaciones y Sonido, S.L.
- And EUR 5,025 thousand in subsidiaries of the Spanish Tax Group.

The amount recorded as of 31 December 2017 under deferred tax liabilities corresponds mainly to the following subsidiaries:

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- EUR 789 thousand as a result of the deferred tax liabilities associated with intangible assets identified in the allocation of the purchase price of the Ezentis Serviços, Instalação e Engenharia de Comunicações, S.A.
- EUR 424 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Ezentis Energía SA, S.A.
- EUR 770 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Grupo Networks Test.
- EUR 393 thousand as a result of the deferred tax liabilities associated with the intangible assets identified in the purchase price allocation of Tecnet.
- And an additional amount of EUR 873 thousand associated mainly with the tax in Ezentis Chile.

At 31 December 2017 and 2016, 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 2017, 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 the tax regulations, inspection outcome of tax authorities for the years subject to verification can give rise to fiscal 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 2017, the Group has received guarantees from financial entities submitted in turn to third parties amounting to EUR 38,152 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 2016, the guarantees amounted to EUR 30,379 thousand).

Directors of the Parent Company estimate that no payment obligation for the consolidated companies that has not already been provisioned will be derived from the guarantees and bonds described above, so that the joint balance of these commitments can not 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:

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 2017 the Group has not recorded any assets related to this contract.

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

At 31 December 2016 and 2017, 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., amounting to EUR 1,421 thousand, both amounts being fully provisioned and claimed in previous years against the anti-corruption prosecutor's office. After several judgements favourable to the Group, the execution is processed as an Executor before Section 1 of the Provincial Court of Madrid.

Dispute with BNP

The main balance of the item "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 to 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 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.

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 2017 (Note 10). The Parent Company will assert its rights in the judicial proceeding against the Courts of Lima and, any other competent authorities, so that, according to the law, it is decided on the validity of the alleged resolution and on the damages caused.

Proceedings with the Tax Agency

On 14 July 2014, the Tax Agency announced the initiation of proceedings to assign tax responsibilities for tax debts of Vértice Trescientos Sesenta Grados, S.A., for EUR 7.5 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 against the TEAC is accepted. Payment took place on 7 August 2015.

On 5 March 2018, the resolution dated 31 January 2018 of the Central Economic-Administrative Court was notified, dismissing the claim of the Company. Despite the rejection of the ruling, the Company considers that the arguments of the allegations dated 11 May 2015 have not been invalidated, so that the Company's claim is fully in accordance with the law, agreeing the Board of Directors, at the meeting held on 21 March 2018, to challenge the aforementioned Resolution of the Central Economic-Administrative Court to the National Court.

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 2017 the Group continued with its policy of diversifying activities and customers, although approximately 58.2% is with Grupo Telefónica (approximately 56.1% in 2016).

b) Staff costs

Consolidated staff costs during years 2017 and 2016 are detailed as follows, in thousand of Euros:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Salaries and wages	157,706	113,787
Social security costs	21,297	30,022
	179,003	**143,809**

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

	Average number of employees	
	2017	**2016**
Top Management	13	11
Qualified and non-qualified technicians	1,153	1,722
Administrative staff	935	1,296
Site personnel	8,747	7,140
	10,848	**10,169**

At 31 December 2017 and 2016, the number of employees arranged by sex and professional category is as follows:

	At 31 December			
	2017		2016	
	Men	**Female**	**Men**	**Female**
Top Management	15	-	13	-
Qualified and non-qualified technicians	944	243	1,667	225
Administrative staff	549	427	886	503
Site personnel	7,974	533	7,011	468
	9,482	**1,203**	**9,577**	**1,196**

At 31 December 2017 and 2016, the number of employees with disabilities accounting for more than 33% amount to 37 (12 in Spain).

c) Consumables and other external expenses

Breakdown of "Consumables and other external expenses" for years 2017 and 2016, in thousands of Euros, is as follows:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Consumables	17,501	13,041
Suncontracts	65,384	45,824
	82,885	**58,865**

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d) Other operating expense

Breakdown of "Other operating expenses" for years 2017 and 2016, in thousands of Euros, is as follows:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Rents and royalties	11,425	8,047
Repair and maintenance services	4,853	3,624
Independent professional services	9,466	7,784
Transport items	16,459	19,137
Insurance premiums	1,892	1,485
Advertising, publicity and public relations	358	94
Utilities	14,553	7,424
Other Services	17,304	11,883
Other current operating expense	671	1,894
Taxes	25,050	21,231
	102,031	**82,603**

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

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Lease payments under operating leases recognised in profit/(loss) for the year	11,425	8,047

The Group has formalised several long-term leasing contracts. Among them, the most significant 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	
	31.12.2017	**31.12.2016**
Within 1 year	9,140	6,438
From 1 to 5 years	18,280	12,875

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e) Other revenue and expenditure

Breakdown of this item under the income statement for years 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
Other revenue and expenditure	**2017**	**2016**
Other expenses	5,806	709
	5,806	**709**

The following effects are mainly included under "Other expenses for 2017":

- Negative difference in consolidation amounting to EUR 3.1 million corresponding to the acquisition of the companies Comunicaciones and Sonido México, S.A. of C.V., Ingeniería Celular Panamericana, S.A. of C.V., GTS Thaumat XXI, S.A., Grupo Comunications y Sonido, S.L. e Ingeniería Celular Andina, S.A. (See Note 5).
- Expenses for compensation / labour restructuring, extraordinary terminations of contracts with customers and others amounting to EUR 8.9 million.

The following effects are mainly included under "Other expenses for 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

f) Financial income and expense

Breakdown of this item under the accompanying income statement for years 2017 and 2016 is as follows:

	Thousands of Euros	
	At 31 December	
	2017	**2016**
Finance expense	**(27,943)**	**(21,938)**
Operating debt interest	(16,167)	(14,056)
Finance expense debt Senior Facility Agreement	(10,873)	(8,107)
Availability commission Senior Facility Agreement	(158)	(611)
Negative translation differences	(745)	836
Changes in fair value	**(290)**	**(1,226)**
Profit/Loss from disposal of equity financial instruments		
	(290)	(1,226)
Financial income	**1,590**	**2,966**
Other interests and similar income	1,590	2,966

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(Thousands of Euros)

g) Transactions in a currency other than the Euro

During year 2017, approximately 91.8% (90.7% in 2016) of operating income and 89.6% (88.0% in 2016) 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 is detailed on Note 3.1.herein.

h) Audit fees and other services

Fees accrued by the Group's main auditor, during years 2017 and 2016, amount to EUR 750 thousand and EUR 568 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 (2016: EUR 339 thousand).

	2017	2016
Audit fees	631	542
Services related to auditing	12	-
Tax services	9	-
Other Services	98	26
	750	568

Audit services: these are mainly the work performed to carry out the audit of financial statements and services related to comfort letters.

Services related to the audit: these works refer to agreed procedures on financial ratios, as well as the issuance of special reports on capital increase for offsetting credits required by the auditor of the Parent Company due to obligations of commercial regulations.

Tax services: services allowed by the applicable independence regulations, basically tax consultations and transfer pricing studies.

Other services: services allowed by the applicable independence regulations, basically due diligence services.

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 and Mexico.

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

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

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(Thousands of Euros)

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		Mexico	Holdings and Other		Elimination of intercompany		Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2017	2016	2017	2016	2017	2016
Income:																					
Turnover	34,616	30,302	64,456	52,910	99,148	63,858	42,363	30,231	130,153	119,089	4,455	5,993	10,206	8,269	6,013	13,057	18,945	(17,071)	(22,187)	**387,396**	**307,410**
Financial income	58	142	942	1,164	368	286	73	40	1,680	690	89	67	3	1	11	1,901	1,983	(3,535)	(1,407)	**1,590**	**2,966**
Profit /(Loss):																					
Profit (Loss) from operations	3,110	1,520	4,830	6,052	4,292	2,582	(7)	(905)	4,629	1,976	(58)	1,047	(100)	(280)	(7)	3,042	9,890	(2,879)	(556)	**16,852**	**21,326**
Financial profit/(loss)	(308)	(416)	(4,629)	(3,473)	(1,367)	(852)	(1,070)	(1,178)	(7,030)	(4,050)	69	77	(565)	(124)	(66)	(11,347)	(10,182)	(330)	-	**(26,643)**	**(20,198)**
Profit/(Loss) from associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	**1**	**1**
Profit/(Loss) before tax	2,327	629	201	2,580	1,239	1,730	(1,076)	(2,083)	(2,973)	(3,483)	11	1,124	(1,178)	(909)	(73)	(8,305)	2,097	37	(556)	**(9,790)**	**1,129**
Tax	(145)	(19)	(275)	(825)	(864)	(690)	249	525	1,059	886	(47)	(355)	247	158	(80)	2,866	(40)	-	-	**3,010**	**(360)**
Other disclosure																					
Additions to property, plant and equipment	32	31	690	725	2,417	5,373	553	998	530	1,978	-	-	66	804	-	360	-	-	-	**4,648**	**9,909**
Amortisation of property, plant and equipment	(76)	(71)	(360)	(330)	(3,048)	(2,212)	(1,125)	(1,284)	(1,546)	(2,438)	-	-	(289)	(97)	-	(225)	(117)	-	-	**(6,669)**	**(6,549)**
Assets																					
Total Assets	38,817	28,783	38,086	32,658	80,730	64,927	48,350	44,141	76,910	70,883	-	5,248	7,608	8,037	5,202	191,740	144,929	(207,928)	(148,109)	**279,515**	**251,497**
Liabilities																					
Total Liabilities	26,742	23,047	34,390	27,606	62,041	45,725	18,636	16,728	55,878	54,328	-	1,806	3,914	5,460	2,824	251,397	207,116	(207,928)	(148,109)	**247,894**	**233,707**

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According to greographic distribution, information is as follows:

Thousands of Euros	Net turnover		Total assets		Additions to non-current assets	
	2017	2016	2017	2016	2017	2016
Spain	34,616	30,302	38,817	28,783	1,573	1,293
Argentina	64,456	52,910	38,086	32,658	903	1,016
Chile	99,148	63,858	80,730	64,927	3,250	5,593
Peru	42,363	30,231	48,350	44,141	961	1,386
Brazil	130,153	119,089	76,910	70,883	741	2,840
Caribbean	4,455	5,993	-	5,248	-	-
Colombia	10,206	8,269	7,608	8,037	186	1,017
Mexico	6,013	-	5,202	-	-	-
Holdings and Other	13,057	18,945	191,740	144,929	369	178
Adjustments in consolidation	(17,071)	(22,187)	(207,928)	(148,109)	-	-
	387,396	**307,410**	**279,515**	**251,497**	**7,983**	**13,323**

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 interests 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 year 2017, no transactions of this nature with related parties have taken place.

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.

b) Other transactions

During years 2017 and 2016, no other transactions with related parties have taken place.

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c) Remuneration to Directors

Remuneration accrued during years 2017 and 2016 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**	**Stand-alone services**	**Total**
2017	430	518	-	948
2016	425	351	-	776

Remunerations accrued by each member during years 2017 and 2016, are the following:

Director	**Monetary remuneration 2017**	**Monetary remuneration 2016**
Mr. Fernando González Sánchez	-	150
Mr. Guillermo José Fernández Vidal	430	125
Mr. Carlos Mariñas Lage	-	150
TOTAL	**430**	**425**

Director	**Allowance 2017**	**Allowance 2016**
Mr. Enrique Sánchez de León	129	46
Mr. Luis Solana Madariaga	39	83
Mr. José Wahnon Levy	-	27
Mr. Francisco Javier Cremades Garcia	30	31
Mr. Guillermo Fernández Vidal	-	29
Mr. Pedro María Azcárate Palacios	109	46
Ms. Ana María Sánchez Tejada	44	20
Ms. Isla Ramos Chaves	-	2
Ms. Laura González Molero	58	14
Ms. Emma Fernández Alonso	65	16
Ms. Carmen Gómez-Barreda Tous-Monsalve	44	-
Eralan Inversiones, S.L.	-	37
TOTAL	**518**	**351**

At 31 December 2017 and 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.

At 31 December 2017 and 2016, there was no advance payment, no credit or pension plans granted to any member of the Board of Directors of the Parent Company. At 31 December 2017 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 with a premium amounting to EUR 6 thousand.
Further, at 31 December 2017, the Parent Company has contracted a civil liability insurance policy for the Directors with a premium amounting to EUR 33 thousand.

Monetary remuneration for both 2017 and 2016 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 2017 and 2016 for attending meetings of the Board of Directors and its Committees according to the position held in each case.

(Thousands of Euros)

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 executives 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 2017 and 2016 is summarised as follows:

Year	Number of people	Total monetary remuneration
2017	5	1,742
2016	6	1,008

All executives currently on the Group's payroll have life insurance with an insured capital of three times the salary remuneration. The amount capitalised in this way for 2017 has risen to EUR 9 thousand. There are no other remuneration or commitments other than those mentioned above.
Contracts of certain senior managers contain clauses on notice and non-competition..

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

At 31 December 2017 and 2016, there are no outstanding balances arising from financial agreements.

24. Environment

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

25. Events after the reporting period

As from 31 December 2017 and until the formulation of these Consolidated Financial Statements, the following significant events for Grupo Ezentis, S.A . have taken place:

On 28 February 2018 Grupo Ezentis, S.A. has reached an agreement with Ericsson Spain, S.A. for the acquisition of the company Excellence Field Factory, S.L.U, through its subsidiary Ezentis Tecnología, S.L.U, and which will include the following business lines:

i. Design, engineering, technical office, deployment, installation and maintenance of fixed network infrastructure and facilities for clients in Spain.

ii. Provision of maintenance services for mobile networks in the Iberian market.

In 2017, the acquired business generated a turnover of EUR 104 million and a joint EBITDA of EUR 7.2 million.

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The agreed price, subject to certain customary adjustments in transactions of this nature and other details of this operation, amounts to EUR 29.5 million, which will be paid, after compliance with a series of conditions, through the delivery in cash of EUR 7 million and EUR 22.5 million in newly issued shares, up to a maximum of 36,824,870, through an increase for offsetting credits, valued at the average closing price of the 90 days prior to signing the Contract (EUR 0.611 per share), equivalent to approximately 11% of the share capital after the corresponding increase.

Further, both companies have established a commercial agreement, for three years, for the joint provision of design, planning, deployment, installations and maintenance services for fixed network infrastructures and maintenance for mobile networks in the Iberian market.

Ericsson is entitled the right to appoint a member of the Board of Directors of Ezentis and its Executive Committee, while maintaining at least 16,804,100 shares and, as described below, may not transmit until 1 January 2019, 33,608,199 shares of the Company, or up to two years after the closing date of the transaction, 16,804,100 shares.

The acquisition will strengthen the strategic positioning of Ezentis in the fibre area, through its entry into the Iberian market, as well as increase the base of its customers. Likewise, it will allow to significantly increase its turnover, representing a significant inorganic growth.

The acquisition is subject to customary conditions for transactions of this type, among which is the approval by the Annual General Meeting of Ezentis of (i) the ccquisition, (ii) the capital increase trough which the payment of the part of the price will be in shares and (iii) the appointment of the new Ericsson member, whose effectiveness will be conditional upon the closing of the transaction.

Upon meeting all conditions, the closing of the transaction is expected to take place in the second quarter of 2018.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements for the year ending 31 December 2017
(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 bussiness 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	43,970	4,055	39,915	(48)

(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	Voting rights % Controlled by the Parent 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 bussiness 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.A.R.L.:

Company	Address	Activity	Voting rights % Controlled by the Parent Direct	Voting rights % Controlled by the Parent 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%

(A) Companies audited by PricewaterhouseCoopers

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(Thousands of Euros)

(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 emission, transmission and reception of any kind of information between people, whether the sign by 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 image, 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 emission, transmission and reception of any kind of information between people, whether the sign by mechanical, electrical, etc.	-	100%
GTS Thaumat XXI, S.A.U.	Polígono Industrial Itzaga, Parcela E1, Galdakao (Vizcaya)	Research and development, manufacturing of new products and complements, both active and passive, as well as the development and maintenance of advanced software programmes. The realisation of projects and provision of services especially related to fixed, mobile, aeronautical and satellite communications, both voice and data in their hardware and software sections that use any physical, luminous or wireless means for their interconnection.		100%
Grupo Comunicaciones y Sonido, S.L.	Polígono Industrial Itzaga, Parcela E1, Galdakao (Vizcaya)	Acquisition, urbanisation, development, operation, disposal, use, rental, construction, subdivision as well as, in general, the realisation of real estate transactions in all its scope on all types of properties, whether urbanised plots or not, complete buildings, flats, premises, chalets, apartments, garages, commercial or industrial buildings, or any other type of rural or urban property. The acquisition, operation, alienation, use and rental, as well as any other legal business of all types of industrial vehicles, electronic equipment, computer and measurement instruments and tests for telecommunications. Acquire, own, pledge and dispose of transferable securities of all kinds.		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%

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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%
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.).:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			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

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

Company	Address	Activity	Voting rights % Controlled by the Parent Direct	Voting rights % Controlled by the Parent Indirect
Ezentis Chile, S.L.U. **(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. U.**(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%
Subsidiaries of Ezentis Brasil Telecom, S.L.U.: **(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%
Ingeniería Celular Panamericana, S.A. de C.V.	Arbolitos s/n Nave 12 Andén 10, Colonia Texcacoa Tepotzotlan, Estado de Mexico (Mexico)	Provision of installation services, maintenance and support of telecommunication networks.		99.99

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Comunicaciones y Sonido Mexico, S.A. of C.V	Prolongación Lago Tana N° 43, Bodega 9 Col. Huichapan, Del Miguel Hidalgo CP 11290 Mexico D.F.	Provision of installation services, maintenance and support of telecommunication networks.		99.99

Subsidiaries of Ezentis Brasil Telecom, S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis – Serviços, Engenharia E Instalação De Comunicações S.A. **(A) (B)**	Rua São João 282, 7" Andar - Centro, 18147-000 Araçariguama, Estado de São Paulo,	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.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis Energia SpA **(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.	-	48%

Subsidiaries of Ezentis Brasil Instalaciones, S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
Ezentis Energía, S.A. (formerServicios urbanos, LTDA. (SUL)) **(A) (B)**	Avenida Embaixador Abelardo Bueno, n° 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.	-	98%

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Subsidiaries of Ezentis Serviços, Engenharia E Instalação De Comunicações S.A **(SEICOM) (A):**

Company	Address	Activity	Voting rights % Controlled by the Parent	
			Direct	Indirect
SEICOM Redes de Telecomunicaçes e Servicoes, 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

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(Thousands of Euros)

Subsidiaries of Calatel Andalucía, S.L.U.:

Company	Address	Activity	Voting rights % Controlled by the Parent Direct	Voting rights % Controlled by the Parent 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 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.		95%
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.	-	52%
Ezentis Energia SpA **(A)** **(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%
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%

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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%
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 Surinami, 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%
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%
Ezentis 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%

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Ingeniería Celular Andina, S.A.	Avenida Néstor Gambeta Nro. 576 of Callao	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 telecommunication facilities. Execution of civil works. Technical advice.		

(A) Companies audited by PricewaterhouseCoopers

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

Subsidiaries of Ezentis Argentina, S.A.

Company	Address	Activity	Voting rights % Controlled by the Parent Direct	Voting rights % Controlled by the Parent Indirect
Raselo, S.A. **(A) (B)**	Lavalle 310. 1st Buenos Aires (Argentina)	Construction, refurbishment and repair of gat networks		98.91%
Radiotronica Construcciones, S.A.	Lavalle 310. 1st 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. **(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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APPENDIX II

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 Alcorcón (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%
Radiotrónica Móviles Guatemala, S.A.	14 calle3-51 zona 10 Edif. Murano Center. Oficina 1003 Guatemala 01010	Execution and maintenance of systems, telecommunication and computer equipment and components and transmission.	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 telecommunications systems, equipment and components for broadcast, transmission and reception.	-	100%
Radiotrónica de El Salvador, S.A. of 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. Santiago (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. Santiago (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 Centers", 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 Alcorcón (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. Santiago (Chile)	The preparation of projects for the construction, installation and maintenance of systems, equipment and components of electricity, electrification, road and rail signaling, 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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APPENDIX III

JOINT VENTURES WITH COMPANIES OF 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. 2 Madrid	-	55%
Joint venture of Avanzit Infraestructuras and Servicios, S.A., Forcimsa, Alario.	C/ Federico Mompou, 5 ed. 2 Madrid	-	45%
Joint venture of Avanzit Infraestructuras and Servicios, S.A., Comsa, S.A.	C/ Federico Mompou, 5 ed. 2 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. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - Nucleo	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - MCP sistemas	C/ Fernando Caro, 7 28027 Madrid	-	33%
Joint venture of Avánzit Tecnologia, S.L.U. - Exceltic -Deimos Space- Nextel	C/ Federico Mompou, 5 ed. 2 Madrid	-	16%
Joint venture of Avánzit Tecnologia, S.L.U. – EMASCARO	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. – Amper	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - MAGTEL Sistemas	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L.	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L. 2	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Joint venture of TELEFÓNICA SOLUCIONES DE INFORMATICA and COMUNICACIONES DE ESPAÑA, S.A.U. - EZENTIS TECNOLOGÍA, S.L. UNIPERSONAL	Ronda de la Comunicación, s/n, edificio Norte 2, Distrito C - 28050 Madrid	-	48%
Joint venture of Navento Tecnologies, S.L.U. - Deimos	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%

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APPENDIX IV

SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING 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 scope of the consolidation, companies not included in the scope of consolidation and joint ventures included in the scope of consolidation in year 2017.

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 consolidations 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 the fair value of the assets transferred, the liabilities incurred into with the previous owners of the acquired company and the 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 interest as transactions with the owners of the Group's assets. In purchases of minority interest, the difference between the consideration paid and the corresponding proportion of the carrying amount of net assets 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.

Disposal of subsidiaires

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 under the income statement. The fair value is the initial carrying amount for the purposes 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 stake 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 2017 and 2016, 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 2017 were as follows:

- Acquisition of 100% of the shares and participations of the companies Comunicaciones and Sonido México, S.A. of C.V. (Mexico), Ingeniería Celular Panamericana, S.A. (Mexico), GTS Thaumat XXI, S.A. (Spain), Grupo Comunicaciones y Sonido, S.L. (Spain) and Ingeniería Celular Andina, S.A. (Peru). (See Note 5)
- Sale of the companies Cala Telecom Services Limited, Calatel Panamá, S.A. and GPON Services Trinidad Limited.

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

- Acquisition 100% of TECNET.

2) Financial 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 statement 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 hedges of qualified cash flows and hedges of qualified net investments.

Foreign exchange losses and gains related to foreign financing and cash and cash equivalents are recorded under the income statement within "financial income" or "financial expense". Other gains and losses on the exchange rate are recognised under 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 to Euros at the exchange rate prevailing on the balance sheet date.
- Income 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 the income 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 the 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 in 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) less any accumulated amortisation and any impairment loss.

Enlargement, update or improvement costs leading to an increase n 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

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The residual value and the useful life of the 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 leasing contract term according to which they should be amortised if useful life was shorter.

5) Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary or associate acquired at the date of acquisition. Goodwill related to acquisitions of employees is included in intangible assets. Goodwill relating 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 is valued at cost minus any 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 qs 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 minus selling expenses, the higher of the two. These calculations use projected cash flow based on financial budgets approved by the Direcrors. 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 customer: 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 is capitalised on the basis of the costs incurred into in its acquisition and subsequent preparation for use. These costs are amortised over the 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 lives (not exceeding 5 years).

- Research and development expenses

Research expenses are recognised as an expense when they are incurred into and, therefore, 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 intangible asset so that it can be available for use or sale;

b) The Management intends to complete intangible asset 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;

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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 necessary to complete and prepare the asset for the intended use. During years 2017 and 2016 the Company has not record 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 the 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 event of goodwill, 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 less 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 2017 and 2016, the Group did not hold investments held for sale.

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

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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 of 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 in which they were originated. 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 in 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 these 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.

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11) Impairment loss of non financial assets

Assets at amortised cost

The Group evaluates as of the date of each 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, minus any impairment loss of that financial asset previously recognised 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 their 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 the hedging transaction the relationship between the 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 cash of the hedged items.

The fair values of certain derivative financial instruments used for hedging purposes are disclosed in Note 3.1.

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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 the 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 stated 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 receivables and customer advances

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 in the results of the year in which the recovery occurs.

15) 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. (See Note 12.d). In the balance sheet, bank overdrafts are classified as debts with credit institutions under current liabilities.

16) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are recorded under equity as a deduction, net of tax, 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 2017 and 2016. 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 compensation 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 in which the equity instruments are delivered 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.

The official subsidies related to costs are deferred and recognised in the income statement during the period necessary to correlate them with the costs that it intends to compensate.

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

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.

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18) Accounts payables

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

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 liabilities

Financial debts are recognised initially at their fair value minus the costs of the transactions that have been incurred into. Subsequently, the 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 available. 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 made available, the commission will be capitalised as an advance payment for liquidity services and amortised in the period which the credit availability refers to.

Bank loans and credits, interest bearing, 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 non-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 subsidies under "Other non-current liabilities" and
are applied to the income statement in accordance with the recognition criteria under 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 derecognised 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 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).

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21) Provisions

When formulating the consolidated financial statements, the 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 the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. 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 maturity, considering as current those whose maturity, as of the balance sheet date, is within the following twelve months, and those maturing over twelve months are non-current.

23) Income tax

The tax expense for the period includes current and deferred taxes. Taxes are recognised in profit or loss, except to the extent that they relate to items recognised in the comprehensive income or directly in equity. In this case, the 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. Directors regularly assess the positions taken in the tax returns regarding situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establish provisions based on the amounts expected to be paid to the 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;

- 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

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- 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 arising from investments in subsidiaries and associates, except in those cases in 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 intend 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 the 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 shares granted under a Variable Remuneration Plan for directors and / or senior executives of the group is recognised as an expense for employees' remuneration with the corresponding record under equity. The total amount to be recognised as an expense is determined by 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).

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.

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26) Recognition of revenue and expense

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 the 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 in 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) 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.

Finance Leases

Financial leasing operations are considered, therefore, those in which the risks and advantages that fall on the property subject to the lease are transferred to the lessee who, usually, has the option of acquiring it at the end of the contract under the agreed conditions upon the formalisation of the lease transaction.

Finance income and charges arising under finance lease agreements are credited and charged, respectively, to the consolidated income statement so as to reflect a constant periodic rate of return over the term of the agreements.

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 were 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

Transactions carried out by the Group with related parties take place at market prices, understanding as related parties those defined by IAS 24.