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

GRUPO EZENTIS, S.A.

Financial Statements
and Directors' Report
for the year ended 31 December 2016

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Grupo Ezentis, S.A.

Report on the financial statements

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

Responsibility of directors with regards to the financial statements

Directors are responsible for the preparation and fair presentation of these financial statements, so that they provide a fair view of the equity, financial position and profit/(loss) of Grupo Ezentis, S.A. in accordance with instructions and standards for the preparation and presentation of financial information applicable to the group in Spain (as detailed on Note 2 to the accompanying financial statements) and the internal control relevant to the preparation and fair presentation of financial statements that are free from any material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as assessing the overall presentation of financial statements.

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Grupo Ezentis, S.A. at 31 December 2016, and the profit/(loss) and cash flows for the year then ended, in accordance with applicable instructions and standards for the preparation and presentation of financial information and accounting principles and criteria established therein.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers Auditores, S.L.

María Pla de la Rosa

3 April 2017

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

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

ASSETS	**Note**	**31.12.2016**	**31.12.2015**
NON-CURRENT ASSETS		**75 812**	**78 089**
Intangible assets	6	**81**	**185**
Property, plant and equipment	7	**84**	**145**
Long-term investments in Group companies and associates	8	**38 141**	**38 141**
Equity instruments	8	38 141	38 141
Loans to group companies	8 and 9	-	-
Long-term financial investments	8	**36 296**	**39 618**
Loans to companies	8	28 236	28 236
Other financial assets	8	8 060	11 382
Deferred tax assets	16	**1 210**	**-**
CURRENT ASSETS		**16 459**	**11 199**
Trade and other receivables		**28**	**1 294**
Current tax assets	16	28	1 294
Short-term investments in Group companies and associates	5	**15 555**	**5 363**
Loans to group companies and associates	5 and 9	15 555	5 363
Short-term financial investments		**289**	**886**
Other financial assets	5.1	289	886
Cash and cash equivalents	5 and 10	**587**	**3 656**
TOTAL ASSETS		**92 271**	**89 288**

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

ESTEFANÍA CALVO IGLESIAS
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GRUPO EZENTIS, S.A.

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

NET EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
NET EQUITY	11	**50 055**	**45 290**
Equity		**50 055**	**45 290**
Capital		70 697	70 697
Issuance rights		31 578	31 578
Reserves		(1 546)	(1 109)
Treasury shares		(237)	-
Loss from previous years		(55 876)	(49 602)
Profit/(Loss) for the year	3	5 439	(6 274)
NON-CURRENT LIABILITIES		**33 045**	**31 107**
Non-current provisions	12	**28 770**	**28 770**
Non-current debts	5	**-**	**450**
Bank borrowings	13	-	-
Other financial liabilities	14	-	450
Long-term debts with Group companies and associates	5 and 9	**4 275**	**1 887**
CURRENT LIABILITIES		**9 170**	**12 891**
Current provisions		**-**	**4**
Current debts	5	**1 722**	**2 143**
Bank borrowings	13	-	-
Other financial liabilities	14	1 722	2 143
Short-term debts with Group companies and associates	5 and 9	**6 084**	**6 946**
Trade and other payables	5, 15	**1 364**	**3 798**
Suppliers		1 300	1 574
Staff (outstanding remuneration payable)		-	1 689
Current tax liabilities	16	64	442
Customer advances		-	93
TOTAL NET EQUITY AND LIABILITIES		**92 271**	**89 288**

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 & 2015
(In thousands of Euros)

CONTINUING OPERATIONS	**Note**	**31.12.2016**	**31.12.2015**
Net Revenue	19a	**17 751**	**6 543**
Sales		17 658	6 543
Changes in inventories		93	-
In-house work on assets			
Other operating income		**22**	**35**
Non-core and other current operating revenues		22	35
Staff costs	19b	**(2 551)**	**(4 226)**
Salaries and wages		(2 420)	(4 036)
Social security costs		(131)	(190)
Other operating expenses		**(6 878)**	**(7 746)**
External services	19d	(6 861)	(7 728)
Taxes	19d	(17)	(18)
Loss, impairment and changes in provisions for commercial transactions.		-	-
Amortisation and depreciation of intangible assets	6 and 7	**(138)**	**(360)**
Impairment and gains or losses on disposals of intangible assets	7	**(29)**	**(446)**
Other profit/(loss)		**(342)**	**(1 273)**
PROFIT/(LOSS) FROM OPERATIONS		**7 835**	**(7 473)**
Changes in fair value of financial instruments	19e	(3 220)	2 970
Financial income		646	222
Finance expense		(104)	(2 100)
Translation differences		29	(150)
FINANCIAL PROFIT/(LOSS)		**(2 649)**	**942**
PROFIT/(LOSS) BEFORE TAX		**5 187**	**(6 531)**
Income tax	16	253	257
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**5 439**	**(6 274)**
PROFIT/(LOSS) FOR THE YEAR	3	**5 439**	**(6 274)**
Basic profit/(loss) per share of Grupo Ezentis,S.A.		0.0231	(0.0267)
Diluted profit/(loss) per share of Grupo Ezentis,S.A.		0.0231	(0.0267)

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 & 2015

A) Statement of recognised revenue and expense the for the years ended 31 December 2016 & 2015
(In thousands of Euros)

	31.12.2016	31.12.2015
Profit /(Loss) of income statement (Note 3)	5 439	(6 274)
Revenue and expenditure directly attributable to net equity	-	-
Transfer to income statement	-	-
TOTAL RECOGNISED REVENUE AND EXPENSE	5 439	(6 274)

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 & 2015

B) Total statement of changes in net equity for the year ended 31 December 2016
(In thousands of Euros)

	Capital Subscribed (Note 11)	Issuance premium Issuance (Note 11)	Reserves	Profit /(Loss) previous years	Shares and stocks in treasury shares (Note 11)	Profit/ (Loss) for the year (Note 3)	Euros Total Equity Net
Opening balance 2016	70 697	31 578	(1 109)	(49 602)	-	(6 274)	45 290
Total recognised revenue and expense	-	-	-	-	-	5 439	5 439
Capital increase (11)	-	-	-	-	-	-	-
Treasury shares (Note 11.c)	-	-	-	-	(237)	-	(237)
Conversion into financial liabilities of net equity (11.d)	-	-	(437)		-	-	(437)
Distribution of profit/(loss) for the year	-	-	-	(6 274)	-	6 274	-
Total	-	-	(437)	(6 274)	(237)	6 274	(674)
Balance 2016-year-end	70 697	31 578	(1 546)	(55 876)	(237)	5 439	50 055

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 & 2015

B) Total statement of changes in net equity for the year ended 31 December 2015
(In thousands of Euros)

							Euros
	Capital Subscribed (Note 11)	Issuance premium Issuance (Note 11)	Reserves	Profit /(Loss) previous years	Shares and stocks in treasury shares (Note 11)	Profit/ (Loss) for the year (Note 3)	Total Equity Net
Opening balance 2015	**70 531**	**31 296**	**664**	**(20 969)**	**(2 762)**	**(28 633)**	**50 127**
Total recognised revenue and expense	-	-	-	-	-	(6 274)	**(6 274)**
Capital increase (11)	166	282	-	-	-	-	**448**
Treasury shares (Note 11.c)	-	-	141	-	2 762	-	**2 903**
Changes in net equity due to business combination (Note 8.a)	-	-	(1 914)		-	-	**(1 914)**
Distribution of profit/(loss) for the year	-	-	-	(28 633)	-	28 633	-
Total	**166**	**282**	**(1 773)**	**(28 633)**	**2 762**	**28 633**	**1 437**
Balance 2015-year-end	**70 697**	**31 578**	**(1 109)**	**(49 602)**	**-**	**(6 274)**	**45 290**

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2016 & 2015
(In thousands of Euros)

	Note	31.12.2016	31.12.2015
Cash flows from operating activities			
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(4 576)**	**(7 028)**
1. Profit/(Loss) before tax		**5 187**	**(6 531)**
2. Adjustment of profit or loss:		**3 121**	**209**
a) Amortisation of property, plant and equipment (+)	6 and 7	138	360
b) Change in provisions (+/-)	12		
c) Financial income (-)		(340)	(222)
d) Finance expense (+)		104	2 100
e) Changes in fair value of financial instruments	20	3 220	(2 970)
g) Corrections due to impairment loss	20	-	446
h) Translation differences		(30)	150
i) Profit/(Loss) on derecognition of property, plant and equipment		29	-
j) Other revenue and expenditure		-	344
3. Changes in working capital		**(12 780)**	**1 173**
a) Inventories		-	-
b) Trade and other receivables (+/-)		(10 485)	452
c) Other current assets (+/-).	8	178	-
d) Trade and other payables (+/-)	15	(2 473)	717
c) Other current assets and liabilities (+/-).		-	4
4. Other cash flows from operating activities:		**(104)**	**(1 878)**
a) Payment of interest (-)		(104)	(2 100)
b) Collection of interest (+)			222
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		**(803)**	**7 355**
6. Investment payments (-)		**(1 711)**	**(11 345)**
a) Group companies, associates and business units	8	(1 709)	-
a) Intangible assets	6	-	-
b) Property, plant and equipment	7	(2)	(10)
d) Other financial assets	8	-	(11 335)
7. Collection from disinvestments (+)		**908**	**18 700**
a) Group companies, associates and business units			18 448
d) Other financial assets		908	252
C) CASH FLOWS FROM FINANCING ACTIVITIES		**2 310**	**(1 421)**
9. Collection and (payments) from equity instruments	**11**	**(237)**	**2 904**
a) Issuance of equity instruments (+)		-	-
b) Disposal/acquisition of equity instruments (+/-)		(237)	2 904
10. Collection and payments for financial liabilities		**2 547**	**(4 325)**
a) Issuance			
Bank borrowings	14	-	-
Debts with group companies and associates	9	5 470	17 557
Other financial liabilities	14		-
b) Repayment and amortisation of		-	-
Bank borrowings	9	-	(11 145)
Debts with group companies and associates		(1 796)	(2 390)
Other financial liabilities		(1 127)	(8 348)
D) IMPACT OF CHANGES IN EXCHANGE RATES		-	-
E) NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS		**(3 069)**	**(1 094)**
Cash and cash equivalents at the opening of the year	**10**	**3 656**	**4 750**
Cash and cash equivalents at the end of the year	**10**	**587**	**3 656**

Notes to the financial statements and Appendix I & II form an integral part of these financial statements

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GRUPO EZENTIS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2016 & 2015
(In thousands of Euros)

1. Company overview

Incorporation of the Company, business purpose and structure

Grupo Ezentis, S.A. (hereinafter the Company) was incorporated in 1959.

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

The corporate purpose of the company is as follows:

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.

Grupo Ezentis, S.A. is the Parent Company of Grupo Ezentis; its activity corresponds to corporate services and portfolio activities.

Appendix I details the subsidiaries and associates of Grupo Ezentis, S.A. at 31 December 2016.

At the date of formulation of these financial statements, the entirety of shares of Grupo Ezentis, S.A, are admitted to trading on the Spanish Official Stock Exchanges of Madrid and Bilbao.

2. Basis of presentation

b) Fair view

Financial statements for year 2016 have been prepared based on the accounting records of the Company and are presented in accordance with current regulations and standards established under the General Accounting Plan, in order to provide a fair view of the assets, the financial situation as of 31 December 2016, of the profit/(loss) of the Company, as well as the cash flows included under the cash flow statement. These financial statements have been prepared by the members of the Board of Directors, at their meeting held on 30 March 2017.

These financial statements, which were prepared by Directors of the company, will be subject to approval at the AGM.

Accounting criteria used in the preparation of these financial statements are those contemplated in the current General Accounting Plan, approved by Royal Decree 1514/2007, as of 16 November 2007 and the amendments incorporated to it Royal Decree 1159/2010.

GRUPO EZENTIS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2016 & 2015
(In thousands of Euros)

Amounts are expressed in thousands of Euros, unless indicated otherwise.

b) Impact of consolidation

The Company, as head of the Group, prepares consolidated financial statements. Consolidated financial statements for year 2016 have been prepared according to terms under Final Provision Eleven of Act 62/2003 on 30 December applying the International Financial Information Standards passed by the Regulations of the European Commission (IFRS). Main consolidated figures of Grupo Ezentis, S.A. for the years ended 21 December 2017 and 2015, according to IFRS-EU, are as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Total Assets	251 497	203 905
Attributable net equity (not including minority interest)	17 255	12 962
Net Revenue	307 410	295 451
Profit/(loss) for the year (not including minority interest)	903	(10 888)

Main differences between consolidated net equity and net equity of the Company correspond to translation differences amounting to EUR 10 million and the difference in accounting criteria in the valuation of assets between individual financial statements of the companies and the consolidated financial statements standing at EUR 22 million.

c) Critical issues on valuation and estimate of the degree of uncertainty

The preparation of financial statements requires the use by the Directors of the Company of certain estimates and judgements regarding the future which are continually evaluated and based on historical experience and other factors, including expectations of future events they believe reasonable under the circumstances.

The resulting accounting estimates, by definition, will rarely equal the corresponding actual results. Estimates and judgements that have a significant risk of giving rise to a material adjustment in the carrying amount of assets and liabilities within the following financial year are detailed herein.

1. **Impairment of investments in the equity of Group companies and associates:**

The verification of the impairment of value of investment in Group companies and associates takes place according to the accounting policy detailed on Note 4.c and 4.d. An impairment loss is recognised for the surplus of book value of the asset over its recoverable amount, understood as the fair value of the asset minus selling costs or the value in use, the higher of the two. These calculations require the use of estimates.

2. **Accounts receivable and financial assets**

The Company makes estimates in relation to the collectability of the adequate balances by customers in those cases where there are disputes to be settled or litigation in progress caused by disagreement between the parties.

3. **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.

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(In thousands of Euros)

d) Associated items

In order to facilitate the understanding of the balance sheet and the income statement, the statement of changes in equity and the statement of cash flows, these statements are presented in a grouped manner, with the required analyses in the accompanying notes.

e) Going concern

At 31 December 2016, Grupo Ezentis, S.A. has recorded a profit amounting to EUR 5,439 thousand (a EUR 6,274 thousand loss in 2015). For this reason, the net equity of Grupo Ezentis, S.A. is greater than 2/3 of the Share Capital according to Art. 327 of the Capital Companies Act.

During 2016, working capital was increased in EUR 8,981 thousand, mainly due to the profit increase recorded during the year. The Company has a positive working capital as of 31 December 2016 amounting to EUR 7,289 thousand (-EUR 1,692 thousand at 31 December 2015).

In 2015 and as indicated in Note 5, a subsidiary of Grupo Ezentis, S.A. (Corporación Ezentis Internacional, S.á.r.l, Luxembourg) signed a financing agreement called "Senior Facility Agreement" with Higbridge Principal Strategies, LLC, of which Grupo Ezentis, S.A. is guarantor.

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

In accordance with the Group's forecasts, operating subsidiaries are deemed to be able to take advantage of the good performance of the business to improve their capital structure by obtaining financing at local level, generating positive cash flows to meet their financial obligations. and allow the distribution of funds necessary to meet commitments.

Based on existing expectations and considering the actions carried out, the Company's Directors consider the application of the accounting principle of going concern be adequate in the formulation of these financial statements.

f) Non-compulsory accounting principles

The Company does not apply accounting principles other than those required by the applicable regulations in force.

3. Distribution of profit/(loss)

The distribution of profit/(loss) for year 2016 proposed by Directors of the Company, and that approved on 2015, is as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Legal reserve	544	-
Loss from previous years	4 895	(6 274)
Profit/(Loss) for the year	**5 439**	**(6 274)**

Distribution of dividends has not taken place during the last 5 years.

4. Accounting principles

The main valuation standards used by the Company in the preparation of the financial statements for year 2016, in accordance with those established by the General Accounting Plan, have been as follows:

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a) Intangible assets

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 their 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 include the expense of the personnel that develops computer programmes and an adequate percentage of general expenses.

b) Property, plant and equipment

Items of property, plant and equipment are measured at acquisition price, minus accumulated amortisation.

Conservation and maintenance expenses are recognised under the income statement of the year which they are incurred in.

The Company amortises its property, plant and equipment on a straight-line basis, distributing the cost of the assets between the years of estimated useful life, according to the following detail:

	Estimated useful life in years
Other fixtures, tools and furniture	4 to 10
Transport items	5 to 8
Information processing systems	4 to 5
Other items of property, plant and equipment	5

Write-offs and disposals are accounted for by eliminating the cost of the item and the corresponding accumulated depreciation.

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.

The charge to income statement for year 2016 under amortisation of property, plant and equipment amounted to EUR 34 thousand (EUR 140 thousand in 2015) and EUR 29 thousand for the write-off of items of property, plant and equipment (EUR 446 thousand in 2015).

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.

c) Impairment loss of non-financial assets

The Company does not have intangible property with indefinite useful life recorded under its balance sheet.

At the end of each year, the Company reviews the carrying amounts of items of property, plant and equipment and intangible assets so as to determine whether there is proof of impairment of value of the said assets. If there is any indication, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). Where an identifiable asset does not generate cash flows independently, the Company estimates the recoverable amount of the cash-generating unit which the asset belongs to.

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d) Financial assets

The Company determines the classification of its investments, for valuation purposes, at the time of initial recognition and reviews the classification at the year of each end. The classification depends on the purpose which the financial assets were acquired for, being measured according to the following criteria:

1) **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. Loans and receivables are included under "Loans to companies" and "Trade receivables and other receivables" in the balance sheet.

   These financial assets are initially measured at fair value, including transaction costs that are directly attributable to them, and subsequently at amortised cost. Notwithstanding the foregoing, loans for commercial transactions with maturity not exceeding one year are measured, both at the time of initial recognition and subsequently, at their nominal value, provided that the effect of not updating the flows is not significant.

   At least at the end of the year, the necessary valuation corrections are made for impairment of value if there is objective evidence that all the amounts owed will not be collected.

   The amount of the impairment loss is the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Valuation corrections, as well as revels, are recognised under the income statement.

2) **Investments in group companies and associates:** Included in this category are investments in capital in group companies, jointly controlled entities and associates, and are valued at cost minus, where applicable, the accumulated amount of corrections for impairment of value. However, when there is an investment prior to its qualification as a group, multi-group or associate company, the carrying amount of the investment is considered as investment cost prior to said qualification. Previous valuation adjustments under net equity are recognised herein until their derecognition.

   If there is objective evidence that the book value is not recoverable, the appropriate valuation corrections are made for the difference between the book value and the recoverable amount, understood as the greater amount between the fair value minus selling costs and the current value of cash flows derived from the investment. Unless there is better evidence of the recoverable amount, in estimating the impairment of these investments, net equity of the investee company is taken into account, corrected for tacit capital gains existing on the valuation date. Value correction and, if applicable, reversals are recognised in the income statement on an accrual basis as incurred into.

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

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

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4) **Deposits and bonds:** bonds and deposits delivered as collateral for the fulfilment of obligations are measured by the amounts actually disbursed.

e) 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.

f) Share capital

Share capital is represented by ordinary shares.

The costs of issuing new shares or options are presented directly against equity, as lower reserves.

In the event of acquiring treasury shares, the consideration paid, including any attributable incremental cost, is deducted from equity until its cancellation, new issuing or disposal. When these shares are subsequently sold or reissued, any amount received, net of any incremental costs directly attributable to the transaction, are included in equity.

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

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

During year 2016, profit per share amounted to EUR 0.02.

g) Financial liabilities

Financial liabilities are classified, for valuation purposes, into the following categories:

1) **Debts and payables:** Liabilities arising from the purchase of goods and services for business operations of the company. Additionally, it includes debits for non-commercial transactions that, not being equity instruments or derivatives, have no commercial origin. These debts are initially recognised at fair value adjusted for directly attributable transaction costs, subsequently recorded at amortised cost according to the effective interest rate method.

   These financial liabilities are valued, both initially and in subsequent valuations, at fair value, by imputing the changes that occur in said value in the income statement for the year. Transaction costs directly attributable to the issue are recognised under the income statement for the year which they arise in.

   A financial liability is written off when the corresponding obligation has been extinguished.

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

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h) Compound financial instruments

At 31 December 2016, there are not compound financial instruments.

i) Current and deferred tax

The expense (income) for income tax is the amount that, for this item, accrues in the year and includes both the expense (income) for current tax and deferred tax.

Both the expense (income) for current and deferred tax is recorded in the income statement. However, the tax effect related to items directly recorded in equity is recognised in equity.

Assets and liabilities for current tax will be measured for the amounts that are expected to be paid or recovered by tax authorities, in accordance with the regulations in force or approved and pending publication on the closing date of the year.

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. However, if deferred taxes arise from the initial recognition of an asset or a liability in a transactions other than a business combination, that at the time of the transaction does not affect either the accounting profit/(loss) or the taxable basis of the tax, they are not recognised. The deferred tax is determined using tax rates and standards 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.

According to accounting and valuation standards established in the applicable accounting regulations, the conditions for recognising deferred tax assets are based on the fact they are recognised to the extent that it is probable that future tax profits will be available to allow the application of these assets, for a period of ten years.

At 31 December 2016, the Company has, at an individual level, accumulated negative tax bases and accumulated temporary differences not recognised for accounting purposes standing at EUR 308,205 thousand and EUR 96,355 thousand, respectively (Note 16).

j) Provisions and contingent liabilities

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

1. **Provisions:** credit balances that cover obligations present at balance sheet date arising as a result of past events, it is probable that an outflow of resources will be necessary to settle the obligation and the amount can be reliably estimated. Provisions are valued at the present value of the disbursements that are expected to be necessary to settle the obligation using a pre-tax rate that reflects current market assessments, the value of money and the specific risks of the obligation. Adjustments in provisions due to update are recognised as a financial expense as they are accrued. Provisions with maturity less than or equal to one year, with a non-significant financial effect, are not discounted.

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 company. Said contingent liabilities are not subject to accounting records, and details of them are included in the notes to the financial statements.

k) Classification of current and non-current balances

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

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l) Other revenue and expenditure

Revenue is measured at fair value of the consideration received and represents the amounts receivable for the goods and services provided in the normal course of business, minus returns, rebates, discounts and value added tax.

The Company recognises revenue when the amount of the same can be valued with reliability, it is probable that the future economic benefits will flow to the Company and the specific conditions for each of the activities are fulfilled as detailed below. Revenue is not deemed to be assessed reliably until all the contingencies related to the sale have been resolved. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

1) Interest income

Interest income is recognised using the effective interest rate method.

Interest income on loans that have suffered impairment loss is recognised using the effective interest rate method.

2) Interest income

Dividend income is recognised as revenue in the income statement when shareholders' rights to receive payment have been established. Notwithstanding the foregoing, if the distributed dividends come from profit generated prior to the acquisition date, they are not recognised as income and reduce the carrying amount of the investment.

m) Foreign currency transactions

1) Functional and presentation currency

The financial statements of the Company are issued in Euros, functional and presentation currency of the Company.

2) 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.

n) 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.

1) 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.

In this event, the 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.

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2) 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.

In year 2016, expenses corresponding to operational leases amounted to EUR 202 thousand (EUR 443 thousand in 2015).

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

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Up to 1 year	52	192
From 1 to 5 years	-	52
More than 5 years	-	-
	52	**244**

o) Cash flow statements

The following terms are used in the 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 than investing or financing.

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.

p) Transactions with related parties

In general, transactions between group companies are initially accounted for at their fair value. If the case, whenever the agreed price differs from fair value, the difference is recorded according to the economic reality of the transaction. The subsequent evaluation is carried out in accordance with the provisions of the corresponding regulations.

Notwithstanding the foregoing, in merger, spin-off or non-monetary contribution of a business, the Company follows the following criteria:

- In transactions between companies of the group which the company of the same or a subgroup and its subsidiary, directly or indirectly, takes part, the constituent elements of the acquired business are valued by the amount corresponding to them, once the operation has been carried out, under the consolidated financial statements of the group or subgroup.

- For transactions between other group companies, assets of the business are valued at the carrying amount recorded in the individual financial statements prior to the transaction.

The difference would be recorded under reserves.

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The Company considers as related parties direct and indirect shareholders that exercise control, subsidiaries, associates and jointly controlled entities, and their managers and key executives are also related parties to the same.

m) Termination benefits

In accordance with current legislation, the Company is obliged to pay compensation to those employees who, under certain circumstances, have their employment contracts terminated.

The Company recognises these benefits when it has demonstrably committed to cease the employment of current workers in accordance with a detailed formal plan with no possibility of withdrawal or to provide compensation for termination as a result of an offer made to encourage voluntary resignation.

r) Financial participation scheme in profits and bonuses

The Group recognises a provision when it is contractually obligated or when the practice in the past has created an implicit obligation.

s) Share-based payments

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

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

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

On 30 November 2016, all the beneficiaries of the plan who are part of the Group's workforce have renounced it.

t) Derivative financial instruments and hedge accounting

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

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

Grupo Ezentis designates its financial instruments as exchange rate derivatives, so changes in fair value of these instruments are recorded against the Income statement under the item "Impairment and profit/(loss) on the disposal of financial instruments".

The 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.

Data used to calculate the fair value of derivative financial instruments are based on observable market data available, either on the basis of quoted market prices or through the application of valuation techniques (Level

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2). Valuation techniques used to calculate the fair value of derivative financial instruments include discounting future cash flows associated therewith, using assumptions based on market conditions at the date of valuation or the use of prices established for similar instruments, among others. These estimations are based on market information and adequate valuation techniques. The use of different market hypotheses and / or estimation techniques can have a significant effect on calculated fair values.

5. Management of financial risk

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

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

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

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

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

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

5. 1 Financial instruments

Main financial instruments hold by the Group at 31 December 2016 and 2015 are as follows (amounts in thousands of Euros):

	31.12.2016	31.12.2015
Financial asset instruments		
Loans to group companies and associates (Note 9)	15 555	5 363
Other short-term financial assets	289	886
Cash and cash equivalents (Note 10)	587	3 656
	16 431	**9 905**
Financial liability instruments		
Other financial liabilities (Note 14)	-	450
Long-term debts with Group companies and associates (Note 9)	4 275	1 887
Other financial liabilities (Note 14)	1 722	2 143
Trade and other payables (Note 15)	1 300	1 574
Short-term debts with Group companies and associates (Note 9)	6 084	6 946
	13 381	**13 000**

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Financial Management, head of the management of financial risks, regularly reviews the leverage ratio, as well as the capital structure of the Company and its subsidiaries.

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).

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).

The following table includes assets and liabilities of the Company measures at fair value at 31 December 2016 and 31 December 2015:

	Thousands of Euros	
	31/12/2016	**31.12.15**
Derivatives from exchange rates	240	4,528
Total	**240**	**4,528**
Non-current	**193**	**3,642**
Current	**47**	**886**

Financial instruments Level 2 include at 31 December 2016 exchange rate derivatives. The fair value of financial assets non-listed in an active market is determined according to valuation techniques. Valuation techniques maximise the use of observable market data that are available and based as little as possible on specific estimates of the entities. Also, significant data required for calculating fair value of financial assets are observable and, therefore, qualify as Level 2.

Following the signing of the financing agreement between The Group and Highbridge Principal Strategies, LLC on 23 July 2015, Grupo Ezentis S.A. acquired a series of exchange rate derivative contracts. The consolidated Group reflects these derivatives as hedges of net investment abroad. Grupo Ezentis. S.A. has classified them as speculative derivatives. Breakdown at 31 December 2016 is as follows:

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EURBRL options

EUR Call / BRL Put

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

EURCLP options

EUR Call / CLP Put

Option #	Date of expiry	Notional EUR	Amount in CLP	Price for the year	Premium option EUR
6	26-01-2017	620,000	513,223,600	827.78	37,000
7	26-04-2017	620,000	513,223,600	827.78	44,000
8	26-07-2017	620,000	513,223,600	827.78	52,000
Summary year 2		1,860,000			133,000
9	26-10-2017	510,000	446,999,700	876.47	37,000
10	26-01-2018	510,000	446,999,700	876.47	43,000
11	26-04-2018	510,000	446,999,700	876.47	48,000
12	26-07-2018	510,000	446,999,700	876.47	55,000
Summary year 3		2,040,000			183,000
TOTAL EURCLP Options		3,900,000			316 000

EURPEN options

EUR Call / PEN Put

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

Total Notional		**13,663 475**			**1 866 527**

At 31 December 2016, loss recognised under the income statement of Grupo Ezentis, S.A. stands at EUR 3,230 thousand.

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Financial instruments from level 3 as of 31 December 2016 and 2015 include the contingent consideration of the business combinations for the acquisition of Ezentis Engenharia and Grupo Networks Test. Further, at 31 December 2016 it includes the contingent consideration for the acquisition of the minority stake of Consorcio Chile, as shown in the following table:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Consorcio Chile	1,263	917
Grupo Networks Test	-	1,226
Seicom	459	
Total	**1,722**	**2,143**

Interest rate risk

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

Only a part of the financial liabilities is subject to fair value risk by interest rate. Financial debts and other payables are referenced to a market interest rate.

Debt structure at 31 December 2016 and 31 December 2016 exposed to interest rate risk is as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Fixed interest rate	1 722	2 143
Variable interest rate	-	-
Total	**1 722**	**2 143**

The variable interest rate that applies to loans with credit institutions is subject mainly to fluctuations in the Euribor. At 31 December 2016 the Group does not have hedges contracted in relation to the interest rate.

The sensitivity of the result to the variation of interest rates on liabilities with credit institutions without coverage through contracted derivatives is as follows:

In thousands of Euros	**Increase/Decrease of the interest rate (indexed to Euribor)**	**Impact on profit/(loss) before tax**
2016	+/-1%	+/- 0
2015	+/-1%	+/- 0

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(In thousands of Euros)

Risks decreases when reducing debt with credit entities and other financial liabilities. Further, Euribor is also decreasing, at historical lows.

Exchange rate risk

The company does not carry out transactions in foreign currency. It has not contracted any insurance on exchange rate risk.

Credit risk

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

At 31 December 2016 and 2015, the Company does not have a significant concentration of credit risk because main receivables correspond to transactions between Group companies.

Liquidity risk

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

At 31 December 2016, the Group presents a positive working capital amounting to EUR 7,289 thousand (negative working capital amounting to EUR 1,692 thousand at the end of 2015).

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

At 31 December 2016, the availability of liquidity within the Consolidated Group stood at EUR 6,697 thousand (EUR 10,923 thousand at 31 December 2015) and EIR 587 thousand within the Company (EUR 3,656 thousand at 31 December 2915) (See note 10).

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

Year of maturity:	**2017**	**2018**	**2019**	**2020**	**2021 and following**	**Total**
Other financial liabilities	1 722	-	-	-	-	**1 722**
Suppliers and other payables	1 300	-	-	-	-	**1 300**
Other short-term payables	64	-	-	-	-	**64**
	3 086	-	-	-	-	**3 086**

Details of due dates of financial liabilities in 2017 are as follows:

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Year of maturity:	Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	Total 2016
Other financial liabilities	459	-	1 263	**1 722**
Suppliers and other payables	950	350	-	**1 300**
Outstanding remuneration payable	-	-	-	**-**
Current tax liabilities	64	-	-	**64**
	1 473	**350**	**1 263**	**3 086**

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

a) Treasury EUR 587 thousand (Treasury Consolidated Group: EUR 6,697 thousand).
b) Other current assets: EUR 15,872 thousand.

5.2 Capital risk

The Group's and Company's objectives with capital management are to safeguard the capacity to manage projects and achieve the greatest profitability for shareholders. The Company's strategy focusses on the geographical diversification, the development and increase of activity both in Spain and abroad.

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

Leverage ratios and revenue to employed capital ratio at 31 December 20167 and 2015 are as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Short-term debts with credit entities	-	-
Other short-term financial liabilities	1 722	2 593
Cash and cash equivalents and current financial assets	(876)	(4 542)
Net debt	(846)	(1 949)
Net equity	50 055	45 290
Total employed capital in the business	49 209	43 341
Leverage ratio	0.02	-0.04

The Group, through the subsidiary Corporación Ezentis Internacional, S.a.r.l., subscribed, on 23 July 2015, a financing agreement with Highbridge Principal Strategies, LLC (Note 13), which acted on behalf and in representation of certain funds and / or accounts managed and / or advised by said entity, for a total amount of EUR 126 million with a 5-year maturity.

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The beneficiary company of the financing, Corporación Ezentis Internacional S.à.r.l., is located in Luxemburg.

The Senior Facility Agreement and the availability of the funds under the terms thereon, are subject to certain financial and non-financial obligations and the submission of certain guarantees (See Appendix II). Up to date, the Group has fulfilled all restriction established under the financing agreements and does not expect to incur into future non-compliance.

6. Intangible assets

The breakdown for years 2016 and 2015 is as follows:

Year 2016

	Thousands of Euros			
	Development of projects	**Computer software**	**Industrial property**	**Total**
Cost:				
Opening balances	163	1 336	231	1 730
Additions	-	-	-	-
Closing balances	163	1 336	231	1 730
Accumulated amortisation:				
Opening balances	(163)	(1 196)	(186)	(1 545)
Allocations	-	(90)	(14)	(104)
Closing balances	(163)	(1 286)	(200)	(1 649)
Net intangible assets:				
Opening balances	**-**	**140**	**45**	**185**
Closing balances	**-**	**50**	**31**	**81**

Year 2015

	Thousands of Euros			
	Development of projects	**Computer software**	**Industrial property**	**Total**
Cost:				
Opening balances	163	1 336	225	1 724
Additions	-	-	6	6
Closing balances	163	1 336	231	1 730
Accumulated amortisation:				
Opening balances	(145)	(1 027)	(153)	(1 325)
Allocations	(18)	(169)	(33)	(220)
Closing balances	(163)	(1 196)	(186)	(1 545)
Net intangible assets:				
Opening balances	**18**	**309**	**72**	**399**
Closing balances	**-**	**140**	**45**	**185**

(In thousands of Euros)

No additions to intangible assets have been recognised in 2016.

At 31 December 2016, fully depreciated items of property, plant and equipment amounted to EUR 1,343 thousand (EUR 693 thousand at 31 December 2015).

During years 2016 and 2015, no borrowing costs have been recorded under this item.

At 31 December 2016 and 2015 the Company does not have intangible assets abroad.

7. Property, plant and equipment

The breakdown for years 2016 and 2015 is as follows:

Year 2016				**Thousands of Euros**
	Plant and machinery	**Furniture**	**Information devices and other items of property, plant and equipment**	**Total**
Cost:				
Opening balances	-	305	78	383
Additions	-	2	1	3
Withdrawals	-	(49)	-	(49)
Closing balances	-	258	79	337
Accumulated amortisation:				
Opening balances	-	(166)	(72)	(238)
Allocations	-	(32)	(2)	(34)
Withdrawals	-	19	-	19
Closing balances	-	(179)	(74)	(253)
Net items of property, plant and equipment:				
Opening balances	**-**	**139**	**6**	**145**
Closing balances	**-**	**79**	**5**	**84**

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(In thousands of Euros)

Year 2015	**Thousands of Euros**			
	Plant and machinery	**Furniture**	**Information devices and other items of property, plant and equipment**	**Total**
Cost:				
Opening balances	1,026	303	77	1 406
Additions	-	2	1	3
Withdrawals	(1,026)	-	-	(1,026)
Closing balances	-	305	78	383
Accumulated amortisation:				
Opening balances	(478)	(136)	(65)	(679)
Allocations	(102)	(31)	(7)	(140)
Withdrawals	580	-	-	580
Closing balances	-	(167)	(72)	(238)
Net items of property, plant and equipment:				
Opening balances	**548**	**167**	**12**	**727**
Closing balances	**-**	**139**	**6**	**145**

As of 31 December 2016, there is property, plant and equipment in use and fully amortised for an amount of EUR 82 thousand (EUR 65 thousand as of 31 December 2016).

Group companies take out insurance policies to cover the possible risks which its investment property is exposed to. The Directors of the Company consider insurance coverage arranged to be sufficient.

During year 2016 write-offs of furniture, with impact on profit/(loss) for the year, amounted to EUR 29 thousand. Said amount was recorded under "Impairment and profit/(loss) from disposal of items of property, plant and equipment".

During 2016 no valuation corrections have been recorded or recognised due to impairment of items of property, plant and equipment.

At 31 December 2016 and 2015 the Company does not have intangible assets abroad.

8. Long-term financial investments and investments in Group companies and associates

Changes in 2016 and 2016 in the balance sheet were as follows:

Information related to stakes in group companies and associates and provisions at 31 December 2016 and 2015 is included under Appendix I.

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CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2016 & 2015
(In thousands of Euros)

Year 2016

	Balance at the start	Input	Withdrawals	Transfers	Balance at the end
					Thousands of Euros
Stakes in group companies and associates					
Stakes in group companies and associates	75 124	-	(36 983)	-	38 141
Impairment of stakes in group companies and associates	(36 983)	-	36 983	-	-
	38 141	-	-	-	**38 141**
Loans to group companies and associates					
Loans to group companies (Note 9 and 19e)	9 144	-	-	-	9 144
Impairment (Note 9 and 19e)	(9 144)	-	-	-	(9 144)
	-	-	-	-	-
Long-term financial investments					
Other long-term credits	28 236	-	-	-	28 236
Long-term deposits and bonds	11 382	201	(3 523)	-	8 060
	39 618	**201**	**(3 523)**	-	**36 296**

Year 2015

	Balance at the start	Input	Withdrawals	Transfers	Balance at the end
					Thousands of Euros
Stakes in group companies and associates					
Stakes in group companies and associates	203 093	56 589	(184 558)	-	75 124
Impairment of stakes in group companies and associates	(137 783)	-	100 800	-	(36 983)
	65 310	**56 589**	**(83 758)**	-	**38 141**
Loans to group companies and associates					
Loans to group companies (Note 9)	103 135	712	(94 703)	-	9 144
Impairment (Note 9)	(103 135)	(712)	94 703	-	(9 144)
	-	-	-	-	-
Long-term financial investments					
Other long-term credits	28 236	-	-	-	28 236
Long-term deposits and bonds	369	11 238	(225)	-	11 382
	28 605	**11 238**	**(225)**	-	**39 618**

a) Stakes in Group companies

Year 2016:

No changes have been recorded during year 2016.

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Year 2015:

In July 2015, stakes of Grupo Ezentis, S.A. in Navento Technologies, S.L., Ezentis Chile, S.L., Radiotrónica Argentina, S.A., Avanzit Tecnología Limitada (Chile) and Corporación Ezentis Chile S.L. valued at EUR 6,820 thousand were sold for EUR 8,701 thousand. These sales generated a EUR 1,881 thousand profit. These sales transactions were made to different companies of Grupo Ezentis as part of the reorganisation of the Group's shareholding, on the occasion of the signing of the financing agreement with Highbridge Principal Strategies, LLC.

In August 2015, a non-monetary contribution was made to Corporación Ezentis Holdco, S.à.r.l. of the ownership interests of Grupo Ezentis in Ezentis Tecnología, SLU, Naverggi, SAU, Avanzit Infraestructuras y Servicios, SAU, Avanzit Instalaciones e Ingeniería, SLU, Calatel Andalucía, SLU, Moraleja Solar I, SLU, Ezentis Internacional, SLU and Ezentis Gestión de Redes, SLU, measured at EUR 56,574 thousand, which were contributed to the consolidated group of Grupo Ezentis. As shares in Grupo Ezentis, S.A. were valued at EUR 58,488 thousand, the difference for the amount of EUR 1,914 thousand was recorded under reserves.

In August 2015, a capital reduction was carried out at Corporación Ezentis Holdco, S.à.r.l. for EUR 18,448 thousand with return of contributions to its Sole Shareholder Group Ezentis, S.A. The valuation of the stake in Corporación Ezentis Holdco, S.à.r.l. amounted to EUR 38,141 thousand.

Pledged shares:

Main guarantees are as follows:

Pledge of the shares / stocks of companies of the Group that subscribed or signed the Contract. (see Appendix II to the notes to the accompanying financial statements).

- 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 (with the exception of Calatel Panamaá, S.A.).
- Pledge of the main contracts with customers subscribed by certain indirectly owned companies.
- Pledge on credit rights for the sale of energy from photovoltaic solar farms owned by certain indirectly owned companies.
- Mortgage pledge on the property owned by Avanzit Instalaciones e Ingeniería, S.L.

Other disclosure:

None of the companies of the Group with the Company has stakes in is admitted on a stock market.

Appendix I lists assets, liabilities, equity and profit/(loss) for the year for Subsidiaries and Associates.

b) Stakes in associates

On 5 May 2016, the sale agreement of the stake in Vértice Trescientos Sesenta Grados, S.L. for an accounting value of EUR 10 thousand, fully provisioned, was formalised.

At 31 December 2015, the stake of Grupo Ezentis in Vértice 360° represented 25.2% and amounted to 85,198.73 shares, valued at EUR 0.

During 2015, Grupo Ezentis did not record any movement of this associated stake, being suspended from quotation since 15 April 2014. Vértice 360° was declared bankrupt by order issued by the Commercial Court No. 5 of Madrid on 4 June 2014 under order No. 310/2014.

Contingencies related to investments in associates

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

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

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

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

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

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

c) Loans to group companies and associates

Year 2016

During year 2016, the Company has not recorded any changes under this item.

Year 2015

During 2015, the Company registered an impairment of the loans granted to its subsidiary Avánzit Telecom S.L.U for EUR 712 thousand (Note 19).

d) Long-term financial investments

Other long-term credits

"Other non-current credits" corresponds to the balance in favour of the company established as a deposit with the assignee, resulting from the execution of a loan assignment agreement. without recourse with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation), for an amount of US $ 25 million, entered into on 27 December 2001. This deposit generated an interest indexed to Libor. On the occasion of the suspension of payments of Grupo Ezentis, SA, BNP Paribas notified the resolution of the deposit agreement, compensating irregularly the entire amount mentioned above, which as of 31 December 2016, valued at historical exchange rate and after the registration of interest, amounts to EUR 28,236 thousand (EUR 28,236 thousand in 2015). The Company will assert its rights in the judicial proceeding before the

Courts of Lima and, before those necessary, so that, according to the law, it is decided on the validity of the alleged resolution and on the damages caused. The outcome of this procedure is not expected to have a negative impact on the financial statements (Note 18).

Other long-term financial assets

At 31 December 2016, the Company has bonds, hedges and deposits amounting to EUR 8,060 thousand (EUR 11,382 thousand as of 31 December 2015).

Withdrawals for the year correspond mainly to the collection by maturity of EUR 1,078 thousand and valuation adjustments of certain derivatives of the exchange rate amounting to a loss of EUR 3,210 thousand, whose fair value at 31 December 2016 stands at EUR 240 thousand, EUR 193 thousand recorded as non-current and EUR 47 thousand recorded as current (Note 5).

At 31 December 2017 and 2015 there are no balances held in current accounts in financial institutions, which are restricted by guaranteeing bonds or guarantees granted to third parties with maturity over 12 months.

9. Balances and transactions with companies of the group

Balances with companies of the group

Main balances at 31 December 2016 and 2015 with group companies are as follows:

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Year 2016

	Thousands of Euros			
	Non-current loans to group companies (Note 8)	**Current loans to group companies**	**Non-current debts with group companies**	**Current debts with group companies**
Ezentis Tecnología, S.L.U.	-	212	-	(1,555)
Avánzit Comunicaciones Públicas, S.L.U.	-	-	-	(53)
Navento Technologies, S.L.U.	-	26	-	-
Moraleja Solar I, S.L.U.	-	-	-	(181)
Parque Fotovoltaico Moraleja I, S.L.U.	-	-	-	(319)
Radiotronica Zona Centro, S.A.U.	-	-	-	(85)
Radiotronica Cataluña, S.A.U.	-	-	-	(47)
Radiotronica Galicia, S.L.U.	-	-	-	(21)
Calatel Andalucía, S.L.U.	-	-	-	(484)
Avánzit Ena SGT, S.A.	-	-	-	(193)
Radiotrónica Argentina, S.A.	-	3,319	(1,834)	(65)
Ezentis Telco, S.L.U	-	-	-	(33)
Ezentis Chile S.A.	-	2,557	-	-
Calatel Spain, S.L.U.	-	305	-	-
Network Test S.L.U.	-	660	-	(93)
Corporación Ezentis Chile, S.L.	-	-	(2,430)	-
C.R.C.P. Portugal	-	8	-	-
Calatel Ltd.	-	5	-	-
Calatel Panama	-	155	-	-
Calatel Perú	-	2,918	-	-
GPON Services	-	13	-	-
Ezentis Energía Brasil	-	1,235	-	-
Ezentis Seicom Brasil	-	3,546	-	-
Vértice and subsidiaries	-	1	-	(57)
Tecnet	-	203	-	-
Ezentis Energía Chile	-	86	-	-
Corporación Ezentis Internacional, S.à.r.l.	-	113	(11)	(2,898)
Ezentis Colombia	-	193	-	-
Companies with no activity	9,243	2,194	-	-
Provisions	(9,243)	(2,194)	-	-
Total	**-**	**15,555**	**(4,275)**	**(6,084)**

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Year 2015

	Thousands of Euros			
	Non-current loans to group companies (Note 8)	**Current loans to group companies**	**Non-current debts with group companies**	**Current debts with group companies**
Ezentis Tecnología, S.L.U.	-	464	-	(541)
Avánzit Comunicaciones Públicas, S.L.U.	-	-	-	(53)
Navento Technologies, S.L.U.	-	26	-	-
Moraleja Solar I, S.L.U.	-	-	-	(288)
Parque Fotovoltaico Moraleja I, S.L.U.	-	-	-	(339)
Radiotronica Zona Centro, S.A.U.	-	-	-	(85)
Radiotronica Cataluña, S.A.U.	-	-	-	(47)
Radiotronica Galicia, S.L.U.	-	-	-	(21)
Calatel Andalucía, S.L.U.	-	-	-	(204)
Avánzit Ena SGT, S.A.	-	-	-	(193)
Radiotrónica Argentina, S.A.	-	2,573	(518)	(65)
Ezentis Telco, S.L.U	-	-	-	(33)
Ezentis Chile S.A.	-	51	-	-
Calatel Spain, S.L.U.	-	305	-	-
Network Test S.L.U.	-	644	-	(64)
Corporación Ezentis Chile, S.L.	-	-	(1,369)	-
C.R.C.P. Portugal	-	8	-	-
Calatel Ltd.	-	128	-	-
Calatel Panama	-	27	-	-
Calatel Perú	-	18	-	-
GPON Services	-	60	-	-
Ezentis Energía Brasil	-	384	-	-
Ezentis Seicom Brasil	-	635	-	-
Vértice and subsidiaries	-	1	-	(57)
Corporación Ezentis Holdco, S.à.r.l.	-	-	-	(3,732)
Corporación Ezentis Internacional, S.à.r.l.	-	-	-	(1,224)
Ezentis Colombia	-	39	-	-
Companies with no activity	9,243	2,194	-	-
Provisions	(9,243)	(2,194)	-	-
Total	**-**	**5,363**	**(1,887)**	**(6,946)**

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(In thousands of Euros)

In 2016, debtor group companies increased due to higher turnover of Grupo Ezentis, S.A. to its subsidiaries in Latin America.

With regards to "Group debtors", the Company's Directors registered an impairment amounting to EUR 712 thousand in 2015 due to potential risks associated with the short-term balances held with group companies (Note 19e).

During 2015, the Company signed Credit and Loan lines with several Group Companies, being the main one the debt contracted with Corporación Ezentis Holdco, S.à.r.l.

Transactions with companies of the group

The Company provides services and management support to Group companies. The purpose of these contracts is to provide the Company's subsidiaries with administration, management and advisory services, technical support of the computer system, human resources management and payroll management and accounting consultancy.

Further, Group Companies re-invoice supplies (services provided by a third party that will be passed on to another company different from the one invoiced by this third party), operating leases for certain services and also interest on short-term credits line and loans.

Revenue and expense corresponding to invoicing made by the Company to Group companies or to the Company by Group companies in relation to services rendered (including other services and financial services) are the following:

Revenue

	Thousands of Euros	
Group companies and associates:	**2016**	**2015**
Ezentis Tecnología, S.L.U.	214	202
Tecnet, S.A.	202	-
Ezentis Internacional, S.L.U.	-	192
Radiotrónica Argentina	3,517	2,573
Calatel Perú	3,601	752
Networks Test, S.L.U.	403	320
Network Colombia	295	39
Consorcio Chile	4,428	1,272
Ezentis Energia (Chile)	635	-
Ezentis Energía (Brazil)	851	274
Ezentis Seicom (Brazil)	2,912	812
Central America	600	355
Other		3
	17 658	**6 794**

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(In thousands of Euros)

Expenses

Group companies and associates:	**Thousands of Euros**	
	2016	**2015**
Calatel Andalucía, S.L.U.	231	177
Ezentis Tecnología, S.L.U.	766	639
Corporación Ezentis Internacional, S.à.r.l.	1,725	824
Corporación Ezentis Chile S.L.	1,061	804
Radiotrónica Argentina, S.A.	1,327	518
Networks Test, S.L.U.	24	46
Other	-	-
	5,134	3,008

10. Cash and cash equivalents

Breakdown at 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	31.12.16	**31.12.15**
Treasury	587	3 656
Other cash equivalents	-	-
	587	**3 656**

As of 31 December 2016, an available amount of EUR 587 thousand, included under "Cash and cash equivalents", is deposited in current accounts on which there is a pledge in favour of the "Senior Facility Agreement" financing agreement. signed on 23 July 2015.

As of 31 December 2015, an available amount of EUR 3,656 thousand, included under "Cash and cash equivalents", is deposited in current accounts on which there is a pledge in favour of the "Senior Facility Agreement" financing agreement. signed on 23 July 2015.

11. Net equity

a) Share capital and issuance rights

The breakdown of this item under "Net Equity" for years 2016 and 2015 is as follows:

	Thousands of Euros		
	2016		
	Number of shares	**Par value**	**Issuance rights**
Opening balance at 31/12/2015	**235 655 488**	**70 697**	**31 578**
Closing balance at 31/12/2016	**235 655 488**	**70 697**	**31 578**

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(In thousands of Euros)

		Thousands of Euros	
			2015
	Number of shares	**Par value**	**Issuance rights**
Opening balance at 31/12/2014	**235 104 963**	**70 531**	**31 296**
Capital increase (1)	550 525	166	282
Closing balance at 31/12/2015	**235 655 488**	**70 697**	**31 578**

Year 2016

During 2016, no changes have been recorded under the share capital or the total number of shares.

Year 2015

Capital increased was recorded as of 15 July 2015. At this capital increase, 550,525 new shares of EUR 0.3 par value and EUR 0.512 of issue premium were subscribed so as to offset credits held by the former shareholders of the Brazilian company Ezentis Engenharia, S.A. for the purchase agreement signed on 28 November 2013 for the acquisition of said Company.

At 31 December 2016 and 2015, social capital amounts to EUR 70,696,646.40, arranged into 235,655,488 shares of EUR 0.30 par value each.

At the date of formulation of these financial statements, the 235,655,488 shares were admitted to trading on the Spanish Official Stock Exchanges of Madrid and Bilbao.

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

	Al 31 de diciembre	
	2016	**2015**
Beneficio / Pérdida atribuible a los accionistas (Miles de euros)	5.439	(6.274)
Número medio ponderado de acciones en circulación (Acciones)	234.989.534	235.380.226
Beneficio (Pérdida) básica por acción del resultado de Grupo Ezentis, S.A. (Euros)	**0,0231**	**(0,0267)**

	Al 31 de diciembre	
	2016	**2015**
Ganancia (Pérdida) atribuible a los accionistas (Miles de euros)	5.439	(6.274)
Número medio ponderado de acciones en circulación (Acciones)	234.989.534	235.380.226
Conversión teórica de deuda convertible	-	-
Opciones sobre acciones	-	-
Número medio ponderado de acciones diluida	**234.989.534**	**235.380.226**
Beneficio (Pérdida) diluida por acción del resultado de Grupo Ezentis, S.A. (Euros)	**0,0231**	**(0,0267)**

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Restrictions 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 (CEO at 31 December 2916), 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 Receiver. The aforementioned contract has a duration of 3 years and will terminate automatically in the event of termination or resignation of Mr. Guillermo Fernández Vidal. Subsequently they have adhered to the aforementioned social covenant, by signing the corresponding letters of adhesion, Mr. José Homobono Ocaña, Mr. Luis García Merchán, Mr. Oscar Palencia Perdones, Mr. Antonio Villarejo Díaz, Mr. José Luis Márquez Dotor, Mr. Clemente Luis Márquez Cruz and Mr. Fermín González García.

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

Shareholder	Shares
Mr. Guillermo Fernandez-Vidal	321,675
Teleprocesing Service, S.A.	3,242,898
Constanter, S.L.	1,112,412
Mr. Carlos Mariñas Lage	848,483
Mr. Fernando González Sánchez	433,537
Mr. Ademir Castilho Piqueira	319,305
Mr. Jorge de Casso Pérez	318,755
Mr. José María Maldonado Carrasco	270,645
Mr. Roberto Takashi Araki	231,220
Mr. Víctor Alfredo Drasal	207,794
Mr. Roberto Cuens	116,776
Mr. José Homobono Ocaña	70,097
Mr. Gabriel Frías García	83,333
Mr. Oscar Palencia Perdones	1,240
Mr. Antonio Villarejo Díaz	1,225
Mr. Luis García Merchán	1,200
Mr. Jose Luis Márquez Dotor	1,000
Mr. Fermín González García	733

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(In thousands of Euros)

Mr. Clemente Luis Márquez Cruz	0

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;

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

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

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

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

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

Significant stakes

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

December 2016:

In accordance with this definition, one of the significant shareholders of the Parent Company is Eralan Inversiones, S.L., holding 5.218% of direct and indirect voting rights (12,296,664 shares). In the second place,

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

December 2015:

In accordance with this definition, the most significant shareholders of the Company are Eralan Inversiones, SL, holding 5.218% of the direct and indirect voting rights (12,296,664 shares), Previsi6n Mutua de Aparejadores y Arquitectos Técnicos, holding 4,898% of direct and indirect voting rights (11,542,181 shares) and Mr. Manuel García Durán Bayo, holding 4,281% of direct and indirect votes (10,089,007 shares). The outstanding percentage is held by sundry shareholders.

b) Reserves

Issuance rights

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

Legal reserve

According to the provisions under the Consolidated Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. There is no legal reserve recorded at 31 December 2016 and 2015.

c) Treasury shares

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

	Shares	Thousands of Euros
Balance at 31.12.2014	**3 806 866**	**2 762**
Additions	203 034	166
Withdrawals	4 009 900	(2 928)
Balance at 31.12.2015	-	-
Additions	1,450,428	594
Withdrawals	(864,268)	(357)
Balance at 31.12.2016	**586,160**	**237**

d) Share-based payments

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

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

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

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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.

12. Non-current provisions

Changes under this in 2016 and 2016 in the balance sheet were as follows:

Non-current		Thousands of Euros
	31.12.2016	31.12.2015
Opening balance	28 770	28 827
Allocations	-	(18)
Transfers	-	-
Payments	-	(39)
Closing balance	28 770	28 770

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

	2016		2015	
	Thousands of Euros		Thousands of Euros	
	Non-current	Current	Non-current	Current
Disputes	28 770	-	28 770	-
Staff costs	-	-	-	4
Closing balance	**28 770**	**-**	**28 770**	**4**

At 31 December 2017 and 2015, there are provisions included under "Non-current provisions" to cover risks associated with several litigation procedures, mainly litigation process against BNP (Note 18).

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

13. Bank borrowings

There are not bank borrowings at 31 December 2016 and 2015.

As of 31 December 2015, the two existing bank loans as of 12/31/2014 have been cancelled.

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14. Other financial liabilities

The value by which non-current debt is recorded is its fair value and the detail of current debt in the accompanying balance sheet as of 31 December 2016 and 2015 is as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Non-current		
Other debts	-	450
	-	**450**
Current		
Other debts	1 722	2 143
	1 722	**2 143**

Other debts

It includes the amount that the Group has pending payment to minority shareholders for acquisitions made in 2015 and 2016

- For the acquisition of 4.4 % of Ezentis Chile, S.A. at 31 December 2016, the Group had a debt amounting to EUR 1,263 thousand.
- For the acquisition of Ezentis Engenharia in 2013, the Group has a debt of EUR 459 thousand as of 31 December 2016.
- For the acquisition of 45% of Ezentis Chile S.A. in 2013, it had a debt of EUR 917 thousand in current liabilities as of 31 December 2015.
- For the acquisition of the Network Test Group, the Group has a debt of EUR 1,226 thousand in current liabilities as of 31 December 2015.

On 28 September 2015 took place the cancellation and early repayment of the loan that the Group received from Telefónica de España, S.A. Cancellation costs assumed by the early amortisation amounted to EUR 26 thousand recorded under Finance Expense within the income statement for the year ended 31 December 2015.

15. Trade and other payables

	Thousands of Euros	
	2016	**2015**
Suppliers	1 300	1 574
Outstanding remuneration payable	-	1 689
Current tax liabilities (Note 16)	64	442
Customer advances	0	93
	1 364	**3 798**

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(In thousands of Euros)

«In compliance with the ICAC Resolution as of 29 January 2016, the following information is provided at 31 December 2016»:

	2016	2015
	Days	Days
Average payment term to suppliers	76	154
Ratio of paid transactions	123	184
Ratio of outstanding payments	61	30
	Thousands of Euros	Thousands of Euros
Total payments made	3,615	5,302
Total outstanding payments	1,157	1,289

16. Taxation

a) Tax payables and receivables

At 31 December 2016 and 2015, the detail of tax payables and receivables is as follows:

	Thousands of Euros	
	2016	2015
VAT receivables	28	750
Deferred tax assets	1,210	544
Tax receivables	**1 238**	**1 294**
Personal tax payable	47	430
Social Security payables	17	12
Tax payables	**64**	**442**

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

The Company taxes under a tax consolidation regime with other investee companies, acting as head of the consolidated tax group. During year 2016 and 2015, companies within the scope of tax consolidation are as follows: the Parent Company (Grupo Ezentis, S.A.), 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., Avánzit Telco, S.L.U., Calatel Spain, S.L.U. (former Calatel Santa Lucía), Ezentis Telco, 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 Andalucía, S.L.U. ,Ezentis Gestión de Redes, S.L.U. and Networks Test, S.L.U.

Income tax is calculated on the basis of the accounting profit or loss determined by application of generally accepted accounting principles, which does not necessarily coincide with the taxable profit or tax loss.

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(In thousands of Euros)

The reconciliation of the accounting profit/(loss) and the taxable base for income tax purposes is as follows:

Year 2016

		Thousands of Euros	
	Increase	**Decrease**	**Amount**
Accounting profit/(Loss) before tax			**5 187**
Permanent differences	2	-	2
Temporary differences			
Adjustments in box or tax depreciation		(27)	(27)
Tax depreciation of goodwill		(15 187)	(15 187)
Allocation to provisions		(20 225)	(20 225)
Other	1 509	(1 699)	(190)
Taxable income (tax profit/(loss))	**1 511**	**(37 138)**	**(30 440)**

Year 2015

		Thousands of Euros	
	Increase	**Decrease**	**Amount**
Accounting profit/(Loss) before tax			**(6 531)**
Permanent differences	1 122	-	1 122
Temporary differences			
Adjustments in box or tax depreciation	445	(27)	418
Tax depreciation of goodwill		(3 037)	(3 037)
Allocation to provisions	712	(2 849)	(2 137)
Other	2 164	-	2 164
Taxable income (tax profit/(loss))	**4 443**	**(5 913)**	**(8 001)**

In 2016, positive temporary differences correspond to the fact that, due to different accounting and tax imputation criteria, certain expenses recorded are not considered as a tax-deductible expense in the current year. Negative temporary differences correspond mainly to the sale, by Grupo Ezentis, SA, of its stake in the company Vértice Trescientos Sesenta Grados, SA, to the amortisation of goodwill (whose impairment was adjusted in the corporate income tax of previous years), to general contingencies, to the reversal of financial expenses and to the reversal of the accounting depreciation that was not fiscally deductible in the years 2013 and 2014.

c) Deferred tax assets

According to current tax regulations, 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.

With effect as from years beginning on 1 January 2015, due to the entry into force in Spain of Law 27/2014, as of 27 November, on Corporation Tax, compensation for previous tax loss carry forwards is allowed unlimited in

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time. The amount of taxable income corresponding to Spanish companies amounted to EUR 506,416 thousand as of 31 December 2016 (EUR 461,503 thousand as of 31 December 2015).

In 2016, EUR 30,440 thousand (EUR 8,001 thousand as of 31 December 2015) of taxable income were generated by the Company on an individual basis, which will be accredited by the Company before the Public Treasury with the declaration of corporate tax for year 2016.

At 31 December 2016, temporary differences not recognised under the financial statements, that will be incorporated under future tax bases, amounted to EUR 96,355 thousand (EUR 105,262 thousand at 31 December 2015).

d) Years open for review

At 31 December 2016, the last four fiscal years are open to inspection for all taxes applicable to the Company.

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

17. Guarantee commitments to third parties

At 31 December 2016 as collateral of the financing agreement with Highbridge Principal Strategies, LLC. the Company has granted the following guarantees:

- Pledge of the shares of the Company.
- Pledge on the bank accounts of the company.

Guarantees provided by the Company to various public bodies and customers at 31 December 2016 amounted to EUR 715 thousand (EUR 2,107 thousand as of 31 December 2015). Most of these correspond to guarantees provided to ensure the successful completion of works, assigned to subsidiaries in the contributions of the branches of activity.

At 31 December 2015 as collateral of the financing agreement with Highbridge Principal Strategies, LLC. the Company has granted the following guarantees:

- Pledge of the shares of the Company.
- Pledge on the bank accounts of the company.

18. 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 2016 the Group does not 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 2015 and 2016, the Parent Company has registered an account receivable with the former Chairman of the Parent Company Mr. Juan Bautista Pérez Aparicio amounting to EUR 80 thousand and the subsidiary, Ezentis Tecnología S.L.U. an account receivable amounting to EUR 1,421 thousand, both amounts being fully provisioned and which have been claimed in previous years before the anti-corruption prosecutor's office. After several judgements favourable to the Group, the execution is processed as an Executory before Section 1 of the Provincial Court of Madrid.

Dispute with BNP

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

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

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

The aforementioned ruling will not be final and will be subject to appeal to the Commercial Court of the Superior Court of Justice of Lima and this in turn may be appealed to the Supreme Court. Given the legal status of this asset, the Group maintains an adequate provision, recorded under "Long-term provisions" in the accompanying consolidated balance sheet as of 31 December 2016 (Note 12). The Parent Company will assert its rights in the judicial proceeding before the Courts of Lima and, before those necessary, so that, according to the law, it is decided on the validity of the alleged resolution and on the damages caused.

Procedure with the Tax Agency

Note 8 to the financial statements includes detailed information on the main procedures in progress.

19. Revenue and expenditure

a) Net Revenue

Of the total net turnover standing at EUR 17,751 thousand, EUR 11,712 thousand (EUR 6,543 thousand as of 31 December 2015), correspond to billings to subsidiaries for services provided by the Company.

Net turnover and other operating income corresponding to the ordinary activities of the Company are distributed geographically as follows:

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(In thousands of Euros)

	Thousands of Euros	
Market	**31.12.2016**	**31.12.2015**
- Domestic	616	499
- Latin America	17 135	6 044
	17 751	**6 543**

The Company has analysed in detail the suitability of the prices applied to subsidiaries, which are duly justified and supported.

b) Staff costs

	Thousands of Euros	
	At 31 December	
	2016	**2015**
Salaries and wages	2 420	4 036
Social security costs	131	190
	2 551	**4 226**

The Company does not have outstanding remuneration payable 31 December 2016 (EUR 1,689 thousand in 2015).

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

	Average number of employees	
	31.12.2016	**31.12.2015**
Graduates	13	13
Administrative staff	3	3
Operators	-	-
	16	**16**

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

Year 2016	**Men**	**Female**	**Total**
Top Management	4	-	4
Graduates	5	4	9
Administrative staff	-	3	3
	9	**7**	**16**

Grupo Ezentis, S.A, has hired a disabled person during 2016 (in administrative staff).

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(In thousands of Euros)

Year 2015	**Men**	**Female**	**Total**
Top Management	3	-	3
Graduates	5	2	7
Administrative staff	-	3	3
	8	**5**	**13**

Grupo Ezentis, S.A, did not have under payroll any disabled person during 2015.

c) Audit fees and other services

Fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for auditing services and other verification services amounted to EUR 153 thousand (2015: EUR 153 thousand).

At 31 December 2016, other fees have been accrued by companies of the PwC brand amounting to EUR 20 thousand (EUR 37 thousand in 2015).

d) Other operating expenses

Breakdown of "Other operating expense" for years 2016 and 2015 is as follows:

	Thousands of Euros	
	31/12/2016	**31.12.15**
Rents and royalties	202	443
Repair and maintenance services	47	42
Independent professional services	2 066	5 561
Advertising	12	139
Insurance premiums	32	72
Utilities	60	101
Other Services	4 443	1 370
Taxes	17	18
	6 879	**7 746**

The increase in expenses for independent professional services in 2015 is explained by the advisory costs incurred into due to the financing contract obtained by the Group with Highbridge Principal Strategies, LLP supported by the Group's parent company.

e) Profit/(Loss) from disposal and changes in fair value of financial instruments

Breakdown of these items under the income statement for years 2016 and 2015 is as follows:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Impairment and gains or losses on disposals of financial instruments	10	2 173
Changes in fair value of financial instruments	(3 230)	797
	(3 220)	**2 970**

"Impairment and gains or losses on disposal of financial instruments" includes the following amounts:

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(In thousands of Euros)

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Long-term gains or loss on the sale of group companies and associates	**10**	**1,970**
For equity instruments in associates (Note 8)	10	1,970
Short-term impairment on investments in Group companies and associates	**-**	**(712)**
For company loans (Note 8)	-	(712)
Short-term reversal of impairment on investments in Group companies and associates	**-**	**914**
For company loans (Note 8)	-	914
Total	**10**	**2 173**

"Impairment and gains or losses on disposal of financial instruments" includes the following amounts:

	Thousands of Euros	
	31.12.2016	**31.12.2015**
Changes in the valuation of contracted hedges	**(3 230)**	**797**
Total	**(3 230)**	**797**

20. Board of Directors and Top Management

d) Remuneration to Directors

During years 2015 and 2014 remuneration of the members of the Board of Directors of the Company is as follows:

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

Remuneration accrued by each member:

	Thousands of Euros Monetary remuneration	
Director	**31.12.2016**	**31.12.2015**
Mr. Manuel García-Duran de Bayo	-	2 601
Mr. Fernando González Sánchez	150	302
Mr. Guillermo Fernández Vidal	125	125
Mr. Carlos Mariñas Lage	150	-
TOTAL	**425**	**3 028**

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(In thousands of Euros)

		Allowance
Director	**31.12.2016**	**31.12.2015**
Mr. Enrique Sánchez de León	46	48
Mr. Luis Solana Madariaga	83	67
Mr. José Wahnon Levy	27	69
Mr. Francisco Javier Cremades Garcia	31	37
Mr. Guillermo Fernández Vidal	29	33
Ms. Isla Ramos Fernandez	2	26
Ms. Ana María Sánchez Tejada	20	28
Ms. Laura González Molero	14	-
Ms. Emma Fernández Alonso	16	-
Mr. Pedro María Azcárate Palacios	46	-
Eralan Inversiones, S.L.	37	40
TOTAL	**351**	**348**

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

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

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

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

d) Remuneration to executives

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

Year	**Number of people**	**Total monetary remuneration**
2016	4	668
2015	5	727

All Senior Managers currently on the Group's payroll have life insurance with an insured capital of three times the salary remuneration. There are no other remuneration or commitments other than those mentioned above.

Contracts of certain senior managers contain clauses of notice and non-competition post-contractual.

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(In thousands of Euros)

21. Transactions with related parties

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

- Significant shareholders of Grupo Ezentis SA, understood as those that directly or indirectly hold interest equal to or greater than 3%, as well as shareholders who, without being significant, have exercised the power to suggest the appointment of a member of the Board of Directors. (Note 11a).

- 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. Likewise, transactions with related parties have been closed at market conditions.

a) Sale or purchase of assets to related parties

During years 2016 and 2015, no acquisitions of assets to related parties have been recorded under this item.

b) Sale of goods and provision of services

During years 2016 and 2015, no acquisitions of goods or services to related parties have been recorded under this item.

c) Purchase of goods, services and finance expense

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

During 2015, no acquisitions of goods or services to related parties have been recorded under this item.

d) Other transactions

No transactions have been recorded during years 2016 and 2015.

e) outstanding balances at the end of the year arising from the sale and purchase of goods and services

At 31 December 2016 and 2015, there are no outstanding balances arising from purchases of related parties.

22. Information on the environment

In view of the business activity carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

23. Events occurred after the reporting period

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

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

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CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2016 & 2015
(In thousands of Euros)

APPENDIX I

Appendix 1 Subsidiaries integrated into Grupo Ezentis

			Voting rights %		Company details						
			Controlled by the Parent		Thousands of Euros						
Company	Address	Activity	Direct	Indirect	Cost	Provision	Net Net accounting	Assets	Liabilities	Equity	Profit/ (Loss) Year
Corporación Ezentis Holdco, S.à.r.L.	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.	100%	-	38,141	-	38,141	40,100	137	39,963	(37)

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APPENDIX I
Guarantors of the financing agreement

Company	Address	Activity	Voting rights % Controlled by the Parent Direct	Voting rights % Controlled by the Parent Indirect
Grupo Ezentis, S.A.	c/ Acustica, nº 24 41015 Sevilla	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.	-	-
Corporación Ezentis Holdco, S.à.r.L.	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.	100%	-
Corporación Ezentis Internacional, S.à.r.L:	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.	-	100%
Ezentis Tecnología. S.L.U. (A)	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%
Navento Technologies, S.L.U.	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%
Calatel Andalucia, S.L.U.	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.U.	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.U.	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%
Ezentis Brasil Instalaciones, S.L.U.	c/ Santa Leonor, 65 Edificio B. Madrid	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	100%

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Ezentis Brasil Telecomunicaciones, S.L.U.	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 Chile, S.L.U.	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%
Calatel Spain, S.L.U.	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%
Network Test,S.L.U.(A)	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%
Naverggi, S.A.U.	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%
Cala Telecom Services, Ltd.	Jamaica	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Calatel Panama, S.A.	Panama	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical facilities. Execution of civil works. Technical advice.	-	100%
Raselo, S.A.	(1 310) 1° Buenos Aires (Argentina)	Construction, refurbishment and repair of gas networks	-	99%

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Ezentis Argentina (former Radiotrónica Argentina, S.A. (A)	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 work. Consultancy, planning, construction, operation and maintenance of facilities and plants of deposits, treatment, use and final disposal of any solid, semi-solid, domiciliary, industrial, special, hazardous and any other kind of waste; of water and waste water treatment, air purification and exhaust gases, as well as the commercialization and distribution of all types of technologies for the protection of the environment.	-	95%
Ezentis Colombia, S.A.S.	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%
Corporación Ezentis Chile, S.A.	Santiago de Chile	To arrange, incorporate and take part in all types of businesses, companies, whether of people or capital, national or foreign, currently existing or future, being able to such effects to constitute any type of company, acquire shares, shares or social rights. Provide advice on financial, economic or administrative material only to related persons or companies. In general, perform any other activity directly or indirectly related to the previous ones agreed by the partners. The company may develop its business directly or through another company or other companies which it forms a part of for that purpose.	-	100%
Ezentis Energia SpA	Miraflores 222 piso 28 ciudad de 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%
Perú, S.A.C. * (A)	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%
Ezentis Energía, S.A. (formerServicios urbanos, LTDA. (SUL)) (A)	Avenida Embaixador Abelardo Bueno, nº 1, Bloco 1, ala "C", Barra de Tijuca, Rio de Janeiro - Brazil	Cleaning and maintenance of buildings, Construction of engineering projects, Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	96%

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Ezentis Servicios Engenharia e Instalaçao de Comunicaçoes, LTDA. (SEICOM) (A)	Rua São João 282, 7" Andar - Centro, 18147-000 Araçariguama, Estado de São Paulo, recorded with the Junta Comercial do Estado de São Paulo under number 352.2205699-I	Communications engineering, 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 Chile, S.A. (former Consorcio Radiotronica Dominia Tecnoredes Comservices, S.A.)	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.	-	95%

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Directors' Report

Grupo Ezentis S.A.

January – December 2016

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1.- MAIN FIGURES

Grupo Ezentis, S.A. is the Parent of Grupo Ezentis, S.A. and subsidiaries located in Spain and Latin America.

Main figures for year 2016 are as follows:

Thousands of Euros	2016	2015	VAR	Var. %
Revenue	17,773	6,578	11,195	170%
EBITDA	8,344	-5,394	13,738	-255%
PROFIT/(LOSS) FROM OPERATIONS	7,835	7,473	733	10%
Finance	572	-2,028	2,570	-127%
Extraord. Var. Value Instr. Fin.	-3,220	2,970	-6,532	-220%
Profit/(Loss) before tax	5,187	-6,531	11,718	-179%
Net Profit/ (Loss)	5,439	-6,274	11,713	-187%

Revenue of Grupo Ezentis, S.A. stands at EUR 17,773 thousand, EBITDA (Earnings before tax, depreciation, amortisation and other) at the end of the year amounts to EUR 8,344 thousand and the operating profit stands at EUR 7,835 thousand.

Financial profit of Grupo Ezentis, S.A. for 2016 amounted to EUR 572 thousand and extraordinary loss and changes in the value of financial instruments stood at EUR -3,220 thousand.

Profit before tax for the year ended 31 December 2016 amounted to EUR 5.4 million, versus EUR -6,3 million in 2015, mainly due to the improvement of commercial activity and greater operational efficiency.

Main figures under the balance sheet of Grupo Ezentis, S.A. at 31/12/2016 are the following:

Thousands of Euros ASSETS	31/12/2016	31/12/2015
Non-current assets	**75,812**	**78,089**
Property, plant and equipment	84	145
Intangible assets	81	185
Other related investments	38,141	38,141
Financial investments	36,296	39,618
Deferred tax assets	1,209	0
Current assets	**16,459**	**11,199**
Trade and other receivables	28	1,294
Investments in Group companies	15,555	5,363
Cash and cash equivalents	876	4,542
TOTAL	**92,271**	**89,288**

LIABILITIES	31/12/2016	31/12/2015
Net equity	**50,055**	**45,290**
Non-current liabilities	**33,045**	**31,107**
Other financial liabilities	4,275	1,887
Provisions	28,770	29,220
Current liabilities	**9,170**	**12,891**
Other financial liabilities	1,722	2,144
Debts with Group companies	6,084	6,946
Trade payables	1,364	3,801
TOTAL	**92,271**	**89,288**

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Grupo Ezentis, S.A. has 100% direct ownership interest on Corporación Ezentis Holdco, S.A.R.L. and 100% indirect onwership interest in Corporación Ezentis Internacional, S.A.R.L.

These two companies are the holders of the guarantees and debt agreed under the financing agreement with Highbridge Principal Strategies, LLC. signed in July 2015.

2.- DETAIL BY COUNTRY

Grupo Ezentis S.A. is the parent company of a group of companies distributed, from a geographical point of view, in the following countries:

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

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

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

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

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

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

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

EBITDA by each subsidiary of Grupo Ezentis is as follows:

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

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

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

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

2.1 BRAZIL

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

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

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

2.2 CHILE

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

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

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

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a whole, this subsidiary achieved EUR 32.1 million in revenue and EUR 3.5 million in EBITDA.

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

2.3 ARGENTINA

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

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

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

2.4 PERU

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

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

The backlog of Peru stands at EUR 130.4 million, with Telefónica as main customer within the Telecommunication sector and Edelnor within the energy sector. The subsidiary is implementing new operations with Americatel Perú and Fenosa.

2.5 SPAIN

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

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

2.6 CARIBBEAN

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

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

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

2.7 COLOMBIA

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

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

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

EXCHANGE RATES

Exchange rates used for conversion were as follows:

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

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3.- DETAIL BY SEGMENT

Grupo Ezentis S.A. is the parent company of a group of companies arranged, from an operational point of view, into the following segments:

- Telecommunications
- Electricity
- Other

Revenue breakdown of Grupo Ezentis by segment is as follows:

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

*It includes: Water, Fuel, Gas & other

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

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

4.- RISK EXPOSURE

Grupo Ezentis S.A. is the parent company of a group of companies that develops its activities in different sectors, countries and socio-economic and legal environments which involve exposure to different risks inherent to the business it operates in.

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

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

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

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

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

i) Strategic Risks

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

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

ii) Compliance / Reporting Risks:

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

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

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iii) Financial risks:

- Foreign currency risk: This risk is basically related to the operations of Group companies located outside Spain, and especially in Latin America. Currencies other than the Euro which the Group operates the most as of 31 December 2016 are: Brazilian Real, Argentine Pesos, Chilean Pesos, Peruvian Soles and Colombian Pesos.
  To mitigate this risk, the Group tries to match, whenever possible, the costs and revenues indexed to the same currency, as well as the amounts and maturity dates of assets and liabilities arising from operations in currencies other than the Euro. Likewise, during 2015 it has contracted derivative financial instruments that allow to mitigate the materialisation of this risk.

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

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

- Liquidity risk: This risk is motivated by the time lags between resources generated by the activity and the needs of required funds. The Group determines treasury and financing needs using various budgeting tools, as well as measures for the management of working capital. At 31 December 2016, the Group has a positive working capital amounting to EUR 7,289 thousand (EUR -1,692 thousand at the end of 2015).

  At 31 December, cash and cash equivalents stand at EUR 6,697 thousand in the Group and EUR 587 thousand in the Company.

iv) Operational risks:

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

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

5.- EVENTS OCURRED AFTER THE REPORTGIN PERIOD

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

6.- ACQUISITION OF TREASURY SHARES

At 31 December 2016 Grupo Ezentis has a total of 586,160 treasury shares. Transactions carried out during 2016 are as follows:

Purchases: 1,450s428 shares

Sales: 864,268 shares

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

7.- ACTIVITIES RELATED TO RESEARCH AND DEVELOPMENT

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

8.- USE OF FINANCIAL INSTRUMENTS BY THE GROUP

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

9.- CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. issued the Annual Corporate Governance Report for the year ended 31 December 2015 on 31 March 2016.

10.- CAPITAL STRUCTURE

In accordance with the provisions under Article 5 of the Bylaws, the share capital of Grupo Ezentis, S.A. at 31 December 2016 is composed of 235,655,488 shares with a par value of EUR 0.30 each, all of the same class and series, fully subscribed and paid up. Shares are represented by book entries.

11.- RESTRICTION ON TRANSFERABILITY OF SHARES

Within the framework of the aforementioned capital increase, Teleprocesing Services, S.A. assumed commitments that condition the transfer of shares.

12.- SIGNIFICANT STOCKS IN CAPITAL, EITHER DIRECT OR INDIRECT

Significant stakes in the capital, either direct or indirect, excluded members of the Board as of 31 December 2016 are:

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Accionista	Acciones directas	% Participación directa	Acciones indirectas	% Participación indirecta	% Total
Eralan Inversiones, S.L.	12.296.664	5,218	0	0	5,218
Riquelme Vives, Enrique	0	0	11.447.774	4,858	4,858

Members of the Board of Directors entitled to voting Rights are as follows:

Nombre o denominación del Consejero	Acciones directas	Acciones indirectas	Total acciones	(%) del capital
D. Luis Solana Madariaga	250	0	250	0
D. Guillermo José Fernández Vidal	321.675	7.260.653	7.582.328	3,218
D. Enrique Sánchez de León García	24.545	0	24.545	0,01
D. Javier Cremades García	25	0	25	0
TOTALES	**346.495**	**7.260.653**	**7.607.148**	**3,228**

13.- RESTRICTION ON VOTING RIGHTS

Restrictions on the exercise of voting rights are those common to any limited company, with no specific restrictions on this regards under the bylaws.

Article 527 of the Consolidated Text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, as of 2 July, provides that in listed companies the statutory clauses that, directly or indirectly, set a general maximum number of votes that can be issued by a single shareholder, the companies belonging to the same group or those acting in concert with the previous ones, will be rendered ineffective when, after a public tender offer, the offeror reaches a percentage equal to or greater than 70% of the capital entitled to voting rights, unless said bidder is not subject to equivalent neutralisation measures or has not adopted them. Bylaws of Grupo Ezentis, S.A., do not contain any clause limiting the maximum number of votes that can be cast by the same shareholder or companies belonging to the same group.

14.- SOCIAL COVENANTS

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

The syndication agreement is valid until 30 May 2019 and includes, at this time, a total of 7,582,328 shares of Ezentis representing 3.218 % of its share capital.

15.- REGULATION APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE VOARD OF DIRECTORS AND AMENDMENT OF THE BY-LAWS

They are set out by the Bylaws and the Regulations of the Board of Directors. Consequently, the appointment of members of the Board of Directors corresponds to the Annual General Meeting, in accordance with the provisions of the Capital Companies Act and the bylaws. In the event of vacancies, the Board may designate by co-option, from among the shareholders, those who will occupy said vacancies until the following Annual General Meeting is held.

Those proposed for the position of director must meet the requirements established under applicable regulations in force and the bylaws, as well as show recognised good repute, solvency, competence, experience, qualifications and availability for the performance of the position.

Company directors cannot be those who are involved in the cause of disability, prohibition or incompatibility in accordance with the applicable regulations in force, the Bylaws and the Regulations of the Board of Directors. The proposals for the appointment or re-election of directors submitted by the Board to the General Meeting, as well as their provisional appointment by co-option, shall be preceded by the corresponding report of the Appointments and Remuneration Committee.

The statutory period of duration of the position of director is four years, and may be re-elected indefinitely, one or more times, for periods of equal duration. Upon expiration of the term, the appointment will expire whenever the next General Meeting is held or whenever the legal term for the celebration of the AGM has elapsed.

Directors appointed by co-optation must be ratified in their position at the first General Meeting held after their appointment.

Directors shall resign from their position upon expiration of the period which they were appointment for, whenever agreed so by the General Meeting or when incurring

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into legal reason for such resignation. Likewise, the Board of Directors may propose the General Meeting the dismissal of a director.

The AGM has the exclusive competence on the amendments of bylaws. It requires the concurrence of the following requirements according to the provisions under the Capital Companies Act and the bylaws:

- That directors or, where appropriate, shareholders responsible for the proposal, shall submit a written report with the justification thereof.
- That terms to be amended shall be clearly marked.
- That the call notice clearly indicates the right of all shareholders to examine the full text of the proposed amendment and the report on the same and request the delivery of said documents.
- That the agreement shall be adopted by the Board in accordance with the provisions under Article 201.2 of the Capital Companies Act.
- In any case, the agreement will be recorded in a public deed that will be registered in the corresponding Trade Registry and published in the Official Gazette of the Trade Registry

16.- POWERS OF MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATED TO ISSUE AND REPURCHASE

The Annual General Meeting held on 29 June 2016 agreed to authorise the Board of Directors to acquire derivative treasury shares, either directly or through Group companies, in accordance with current regulations.

In accordance with provisions under Article 30 of the Articles of Association and Article 24 of the Regulations of the Board of Directors, the Chairman of the Board of Directors shall in all cases hold the maximum representation of the Company and exercise the leadership of the Board of Directors, in addition to the all the powers and faculties he is entitled to by Law and the Bylaws.

Mr. Guillermo Fernández Vidal, was appointed on 29 June 2016 as Chief Executive Officer with broad powers of representation and management.

17.- SIGNIFICANT AGREEMENTS WITH INVOLVE CHANGE OF CONTROL OF THE COMPANY DUE TO A PUBLIC ACQUISITION OFFER

There are no significant agreements of this nature.

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18.- AGREEMENTS WITH DIRECTORS, EXECUTIVES AND EMPLOYEES WITH INDEMNITY

Agreements with directors and executives of Grupo Ezentis, S.A. do not currently include indemnity except as indicated below for the CEO, Mr. Guillermo Fernández Vidal, and the General Director, Mr. Fernando González Sánchez. Contracts of certain senior executives include clauses of notice and post-contractual competition that in no case exceed the annuity.

Mr. Guillermo Fernández Vidal is entitled to a compensation equivalent to three gross monthly payments of the current remuneration, including fixed and variable remuneration, in certain cases of termination of the contract, among other, unilateral termination without invocation of cause by Ezentis, unfair dismissal, the failure of Ezentis to comply with its contractual obligations or a change of control of Ezentis. In the event Mr. Guillermo Fernández Vidal decides to terminate his contract unilaterally, he must give at least three-months-notice, unless he compensates for the lack of prior notice, in whole or in part, with a compensation equivalent to the current fixed remuneration, proportional to the part of the notice that was not complied with.

The Director General is entitled to a compensation equivalent to two annuities, including fixed and variable remuneration, in certain cases of termination of the contract, among other, the unilateral termination without invocation of cause by Ezentis, the unfair dismissal, the revocation of essential faculties for the exercise of his position, the failure of Ezentis to comply with contractual obligations or a change of control of Ezentis.

Likewise, a gross amount of eight monthly payments of the fixed and variable annual remuneration is recognised as compensation for not competing with the Group in the twelve months following the termination of the contract.

In the event the Director General decides to terminate his contract unilaterally, he must give at least three-months-Notice, unless he compensates for the lack of prior notice, in whole or in part, with a compensation proportional to the part of the notice that was not complied with.

Contracts of the employees linked to Grupo Ezentis, S.A. under a common labour relationship do not contain indemnity clauses, therefore, in the event of the termination of the employment relationship, the general labour regulations will apply.

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19.- STAFF INFORMATION

The average workforce during 2016 arranged by professional categories is as follows:

	2016	
	Hombres	**Mujeres**
Alta dirección	5	
Técnicos titulados	4	3
Personal administrativo		4
	9	**7**

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CERTIFICATION	CERTIFICACIÓN
I, Estefanía Calvo Iglesias, English Sworn Translator, certified by the Spanish Ministry of Foreign Affairs, ***do hereby certify*** *that the preceding is a true and faithful English translation, on the essentials, of a document issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.*	*Yo, Estefanía Calvo Iglesias, Traductora e Intérprete Jurada de inglés por el Ministerio de Asuntos Exteriores del Gobierno de España,* ***certifico que*** *la que precede es traducción fiel y completa al inglés de un documento redactado en español. En caso de discrepancia, el documento original redactado en español prevalece.*
In Madrid, on the sixteenth of June, two thousand and eighteen.	Madrid, a dieciséis de junio de dos mil dieciocho.

Estefanía Calvo Iglesias