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 2017

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 the financial statements

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

Report on the financial statements

Opinion

We have audited the financial statements of Grupo Ezentis, S.A. which comprise the balance sheet at 31 December 2017, the income statement, the statement of changes in net equity, the statement of cash flows, and the notes for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017 and of its financial performance and cash flows, for the year then ended, in accordance with International Financial Reporting Standards (as detailed on Note 2 to the accompanying financial statements) and the accounting principles and criteria established thereon.

Basis for opinion

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

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

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

Key Audit Matters

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

Key audit matters

How the matter was handled in the course of the audit

Assessment of impairment loss of investment n group companies

According to information provided under note 8, the Company has investments in group companies and associates.

On an annual basis, directors and executives of the Company carry out tests in order to verify whether there is evidence of impairment loss on stakes and credits in group companies and associates.

We have focused on this area due to the amount of the net carrying value of investments and credits in group companies and associates with regards to total assets of the Company and because the value assessment of said assets by the directors and executives of the Company involves significant estimations on future profit/(loss) of the investees.

With regards to this matter, the audit procedures conducted, among others, were as follows:

For the most significant CGUs:

- Assessment of directors' hypothesis on forecast of long-term growth rates, compared to economic and industry forecasts and discount rate, assessing the capital cost for the entity and comparable organisations, as well as taking into consideration specific factors of each country;
- Confirmation of the correctness of sensitivity carried out on key hypothesis;
- Verification of the coherence with future cash flow forecasts prepared by the directors and the budget passed on by executives.

Considering the sufficiency of breakdown in the financial statements with regards to the recoverable value of this investments in group companies.

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

Recognition and recoverability of deferred tax assets

According to note 16 to the accompanying financial statements, during year 2017, the Company is subject to Consolidated Tax Regime in terms of Income Tax with other companies within Grupo Ezentis, S.A. and subsidiaries, what involves the joint determination of tax profit/(loss) of the Group and any tax deductions and credits.

According to note 4i to the notes to the accompanying financial statements, the

With regards to this matter, and in particular on future tax gains forecast, audit procedures conducted included, among others:

- Assessing of the reasonableness of key assumptions and estimations used on growth rates and profit margins.
- Comparing estimated growth rates with agreed business plans of the Company and tax group, assessing the correctness of past estimates, and the

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Company has recognised deferred tax assets due to tax deductions as longs as it is likely the Company and tax Group may have future tax profit to be applicable to these assets.

The analysis of the availability of future tax gains and the capacity of the Company to generate sufficient profit/(loss), based on business plans and budgets, involves a high level of judgement.

We have focused on this area due to the high level of uncertainty with regards to the estimation of the recoverability.

reasonableness of expected margins with regards to business performance and our knowledge on the sector.

- Confirmation of the correctness of calculations of fair value of deferred tax assets and sensitivity carried out by directors.
- Considering the sufficiency of breakdown in the financial statements for this matter.

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

Other information: Directors' Report

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

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

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

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the financial statements, based on knowledge of the Company obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
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Directors' and Audit Committee's Responsibility for the Financial Statements

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

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

The audit committee is responsible for overseeing the preparation and presentation of the financial statements.

Auditors' Responsibilities for the Audit of Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

ESTEFANIA CALVO IGLESIAS
TRADUCTORA INTÉRPRETE JURADA DE INGLÉS
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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Directors.
- Conclude on the appropriateness of the Company's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We re responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

Additional Report to the Audit Committee

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA INTÉRPRETE JURADA DE INGLÉS
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Contract Period

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

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

Services provided

Services other than those related to audit services provided to the Company are detailed on note 19.c) of the notes to the accompanying financial statements.

PricewaterhouseCoopers Auditores, S.L.

Manuel Rioja Delgado (18832)

4 April 2018

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA/INTÉRPRETE JURADA DE INGLÉS
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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 NOTES TO THE FINANCIAL STATEMENTS

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

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

GRUPO EZENTIS, S.A.

BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2017 & 2016
(In thousands of Euros)

ASSETS	Note	31.12.2017	31.12.2016
NON-CURRENT ASSETS		**76 558**	**75 812**
Intangible assets	6	**48**	**81**
Property, plant and equipment	7	**86**	**84**
Long-term investments in Group companies and associates	8	**38 141**	**38 141**
Equity instruments	8	38 141	38 141
Long-term financial investments	8	**36 319**	**36 296**
Credits transactions	8	28 236	28 236
Other financial assets	8	8 083	8,060
Deferred tax assets	16	**1 964**	**1 210**
CURRENT ASSETS		**49 275**	**16 459**
Trade and other receivables		**-**	**28**
Current tax assets	16	-	28
Short- term investments in Group companies and associates	5	**47 613**	**15 555**
Loans to Group companies and associates	5 and 9	47 613	15 555
Short-term financial investments		**-**	**289**
Other financial assets	5.1	-	289
Cash and cash equivalents	5 and 10	**1 662**	**587**
TOTAL ASSETS		**125 833**	**92 271**

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
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Translation into English of financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EZENTIS, S.A.

BALANCE SHEET FOR THE YEARS ENDED AT 31 DECEMBER 2017 & 2016
(In thousands of Euros)

NET EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
NET EQUITY	11	**82 356**	**50 055**
Equity		**82 356**	**50 055**
Capital		88 473	70 697
Issuance rights		46 864	31 578
Reserves		(3 565)	(1 546)
Treasury shares		(11)	(237)
Loss from previous years		(50 981)	(55 876)
Profit/(Loss) for the year	3	1 576	5 439
NON-CURRENT LIABILITIES		**35 234**	**33 045**
Non-current provisions	12	**28 770**	**28 770**
Long-term debts with Group companies and associates	5 and 9	**6 464**	**4 275**
CURRENT LIABILITIES		**8 243**	**9 171**
Short-terms debts	5	**-**	**1 722**
Other financial liabilities	14	-	1 722
Short-term debts with Group companies and associates	5 and 9	**5 710**	**6 084**
Trade and other payables		**2 533**	**1 365**
Suppliers	5	1 777	1 301
Remuneration payable	15	130	-
Tax payables	16	626	64
TOTAL NET EQUITY AND LIABILITIES		**125 833**	**92 271**

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
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Translation into English of financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

GRUPO EZENTIS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2017 & 2016
(In thousands of Euros)

CONTINUING OPERATIONS	**Note**	**31.12.2017**	**31.12.2016**
Net Revenue	19a	**11 732**	**17 751**
Sales		11 732	17 658
Changes in inventories		-	93
In-house work on assets			
Other operating income		**45**	**22**
Non-core and other current operating revenues		45	22
Staff costs	19b	**(3 967)**	**(2 551)**
Salaries and wages		(3 774)	(2 420)
Social security costs		(193)	(131)
Other operating expenses		**(6 689)**	**(6 878)**
External services	19d	(6 633)	(6 861)
Taxes	19d	(56)	(17)
Amortisation and depreciation of intangible assets	6 and 7	**(65)**	**(138)**
Impairment and gains or losses on disposals of intangible assets	7	**-**	**(29)**
Other profit/(loss)		**(43)**	**(342)**
PROFIT/(LOSS) FROM OPERATIONS		**1 013**	**7 835**
Changes in fair value of financial instruments	19e	(240)	(3 220)
Financial income		227	646
Finance expense		(27)	(104)
Translation differences		(26)	29
FINANCIAL PROFIT/(LOSS)		**(66)**	**(2 649)**
PROFIT/(LOSS) BEFORE TAX		**947**	**5 186**
Income tax	16	629	253
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**1 576**	**5 439**
PROFIT/(LOSS) FOR THE YEAR	3	**1 576**	**5 439**
Basic profit/(loss) per share of Grupo Ezentis,S.A.		0.00636	0.0231
Diluted profit/(loss) per share of Grupo Ezentis,S.A.		0.00636	0.0231

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

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

GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED 31 December 2017 & 2016

A) Statement of recognised revenue and expense the for the years ended 31 December 2017 & 2016
(In thousands of Euros)

	31.12.2017	31.12.2016
Profit /(Loss) of income statement (Note 3)	1 576	5 439
Revenue and expenditure directly attributable to net equity	-	-
Transfer to income statement	-	-
TOTAL RECOGNISED REVENUE AND EXPENSE	1 576	5 439

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED 31 December 2017 & 2016

B) Total statement of changes in net equity for the year ended 31 December 2017
(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 year 2017	**70 697**	**31 578**	**(1 546)**	**(55 876)**	**(237)**	**5 439**	**50 055**
Total recognised revenue and expense	-	-	-	-	-	1 576	**1 576**
Capital increase (11)	17 776	15 286	(2 709)	-	-	-	**30 353**
Treasury shares (Note 11.c)	-	-	146	-	226	-	**372**
Distribution of profit/(loss) for the year	-	-	544	4 895	-	(5 439)	**-**
Total	**17 776**	**15 286**	**(2 019)**	**4 895**	**226**	**(5 439)**	**30 725**
Closing balance year 2017	**88 473**	**46 864**	**(3 565)**	**(50 981)**	**(11)**	**1 576**	**82 356**

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

ESTEFANIA CALVO IGLESIAS
TRADUCTORA - INTERPRETE JURADA DE INGLÉS
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GRUPO EZENTIS, S.A.

STATEMENT OF CHANGES IN NET EQUITY FOR THE YEARS ENDED 31 December 2017 & 2016

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 year 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)**
Closing balance year 2016	**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

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

GRUPO EZENTIS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 December 2017 & 2016
(In thousands of Euros)

	Note	31.12.2017	31.12.2016
Cash flows from operating activities			
A) CASH FLOWS FROM OPERATING ACTIVITIES		**2 248**	**(4 576)**
1. Profit/(Loss) before tax		**947**	**5 186**
2. Adjustment of profit or loss:		**131**	**3 122**
a) Amortisation of property, plant and equipment (+)	6 and 7	65	138
c) Financial income (-)		(227)	(340)
d) Finance expense (+)		27	104
e) Changes in fair value of financial instruments	20	240	3 220
h) Translation differences		26	(30)
i) Profit/(Loss) on write-off of property, plant and equipment		-	29
j) Other revenue and expenditure		-	1
3. Changes in working capital		**1 197**	**(12 780)**
b) Trade and other receivables (+/-)		28	(10 485)
c) Other current assets (+/-).	8	-	178
d) Trade and other payables (+/-)	15	1 169	(2 473)
4. Other cash flows from operating activities:		**(27)**	**(104)**
a) Payment of interest (-)		(27)	(104)
b) Collection of interest (+)			
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		**(31 709)**	**(803)**
6. Investment payments (-)		**(31 962)**	**(1 711)**
a) Group companies, associates and business units	8	(31 928)	(1 709)
c) Property, plant and equipment	7	(34)	(2)
7. Collection from disinvestments (+)		**253**	**908**
a) Group companies, associates and business units			
b) Other financial assets		253	908
C) CASH FLOWS FROM FINANCING ACTIVITIES		**30 536**	**2 310**
9. Collection and (payments) from equity instruments	**11**	**30 032**	**(237)**
a) Issuance of equity instruments (+)		29 660	-
b) Disposal/acquisition of equity instruments (+/-)		372	(237)
10. Collection and payments for financial liabilities		**504**	**2 547**
a) Issuance			
Loans to Group companies and associates	9	1 557	5 470
b) Repayment and amortisation of			-
Loans to Group companies and associates		(1 053)	(1 796)
Other financial liabilities		-	(1 127)
D) IMPACT OF CHANGES IN EXCHANGE RATES		-	-
E) NET INCREASE/DECREASE OF CASH OR CASH EQUIVALENTS		**1 075**	**(3 069)**
Cash and cash equivalents at the opening of the year	**10**	**587**	**3 656**
Cash and cash equivalents at the end of the year	**10**	**1 662**	**587**

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

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
Nº 6427

GRUPO EZENTIS, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(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 Company is from 15 November 2017 at 12, Avenida Hytasa, 2nd floor, door 20, Edificio Hytasa 41006 Seville, Spain. (formerly at 2, Acustica St, in Seville). The Company is recorded at the Trade Registry of Seville with said registered office since 13 December 2017.

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 (hereinafter the Group), its activity corresponds to corporate services and portfolio activities.

Appendix I details the subsidiaries of Grupo Ezentis, S.A. at 31 December 2017.

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 2017 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 2017, 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 21 March 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(In thousands of Euros)

These financial statements, which were prepared by Directors of the company, will be subject to approval at the AGM.
The accounting criteria used in the preparation of the financial statements are those contemplated in the current General Accounting Plan, approved by Royal Decree 1514/2007, on 16 November 2007 and the amendments incorporated therein by Royal Decree 1159/2010 and RD 602/2016, in order to show the fair view of the assets, the financial situation and the profit/ (loss) of the Company, as well as the veracity of the cash flows included in the cash flow statement.

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 2017 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 2016, according to IFRS-EU, are as follows:

	Thousands of Euros	
Consolidated figures	**31.12.2017**	**31.12.2016**
Total consolidated assets	279 515	251 497
Attributable net equity (not including minority interest)	31 031	17 255
Net turnover	387 396	307 410
Profit/(loss) attributable to the year (not including minority interest)	(6 701)	903

Main differences between consolidated net equity and net equity of the Company correspond to translation differences amounting to EUR 19.3 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 30 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.

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.

ESTEFANÍA CALVO IGLESIAS
TRADUCTORA - INTÉRPRETE JURADA DE INGLÉS
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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.

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 2017, the Company has recorded a profit of EUR 1,576 thousand (EUR 5,439 thousand of profit in 2016). For this reason and together with the capital increase in 2017, the net equity of the current Company is greater than 2/3 of the Social Capital in accordance with Art. 327 of the Capital Companies Act.

During 2017, working capital was increased up to EUR 33,743, mainly due to capital increases recorded during the year. The Company has a positive working capital as of 31 December 2017 amounting to EUR 41,032 thousand (EUR 7,289 thousand at 31 December 2016).

In July 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. Contracted backlog of the group consists of EUR 775.9 million (formed mainly by multi-annual contracts with duration between 3 and 5 years with the main operators in the sectors of activity where Ezentis operates in Europe and Latin America).

Based on existing expectations and considering the actions carried out, the Company's Directors consider the application of the accounting principle of going concern to 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 2017 proposed by Directors of the Company, and that approved on 2016, is as follows:

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(In thousands of Euros)

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Legal reserve	158	544
To offset losses from previous years	1 418	4 895
Profit/(Loss) for the year	**1 576**	**5 439**

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 2017, in accordance with those established by the General Accounting Plan, have been as follows:

a) Intangible assets

Computer software

Computer software purchased from third parties are capitalised on the basis of the costs incurred into in its acquisition and subsequent preparation for use. These costs are amortised over 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

The write-off and disposal 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.

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a) Intangible assets

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	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 disposal 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 2017 under amortisation of property, plant and equipment amounted to EUR 32 thousand (EUR 34 thousand in 2016) and there were no losses of fixed assets (EUR 29 thousand in 2016).

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

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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.

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 write-off.

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

Financial assets are written off in the balance sheet when all risks and benefits inherent to asset ownership are substantially transferred. In the specific case of accounts receivable, it is understood that this event occurs in general if insolvency and default risks have been transmitted.

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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, is 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 in which the equity instruments are delivered as consideration for the net assets acquired.

During year 2017, profit per share amounted to EUR 0.01.

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 in 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

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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.

h) Compound financial instruments

at 31 December 2017 and 2016, the Company does not hold 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 2017, the Company disposes, at an individual level, of accumulated negative tax bases and accumulated temporary differences in quotas not recognised for accounting purposes standing at EUR 324,620 thousand and EUR 92,112 thousand, respectively (Note 16). The Spanish tax group has accumulated negative tax bases for EUR 523,748 thousand.

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.

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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.

l) Recognition of 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 losses 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) Transaction 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.

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(In thousands of Euros)

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.

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 2017, expenses corresponding to operational leases amounted to EUR 211 thousand (EUR 202 thousand in 2016).

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

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Up to 1 year	211	52
From 1 to 5 years	-	-
More than 5 years	-	-
	211	**52**

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.

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 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 in a systematic way, with uniform criteria and classifying them within the risk tolerance levels set.

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, country or company that form or have been part of the Ezentis Group throughout the year.

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.
Monitoring and supervision of the Risk Management System is carried out through the Internal Audit department of the Group, supported by the heads or owners of Risks of the different business units / countries. They submit a periodic report on the different risks that threaten their respective business units, the existing control processes and the improvement actions to be implemented.

Grupo Ezentis is exposed to different risks derived from the business, as well as specific financial risks identified in the Risk Management Integral system.

Financial risk management is the responsibility of the Financial Department, which evaluates and covers financial risks in collaboration with the Group's operating units, providing policies for global risk management, as well as for specific areas.

Financial risks are risks associated with financial markets, the generation and management of the treasury. These include those related to liquidity and cash management, access to financial and capital markets, credit risk, and exchange rate and interest rate variations.

5.1) Financial Instruments

Main financial instruments hold by the Group at 31 December 2017 and 2016 are as follows (amounts in thousands of Euros):

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GRUPO EZENTIS, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(In thousands of Euros)

	31.12.2017	31.12.2016
Financial asset instruments		
Loans to Group companies and associates (Note 9)	47 613	15 555
Other short-term financial assets	-	289
Cash and cash equivalents (Note 10)	1 662	587
	49 275	**16 431**
Financial liability instruments		
Long-term debts with Group companies and associates (Note 9)	6 464	4 275
Other financial liabilities (Note 14)	-	1 722
Trade and other payables (Note 15)	1 777	1 301
Short-term debts with Group companies and associates (Note 9)	5 710	6 084
	13 951	**13 382**

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 2017 and 31 December 2016:

	Thousands of Euros	
	31/12/2017	31/12/2016
Derivatives from exchange rates	-	240
Total	-	**240**
Non-current	-	**193**
Current	-	**47**

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

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consolidated Group reflects these derivatives as hedges of net investment abroad. Grupo Ezentis, S.A. has classified them as speculative derivatives.

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

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

At 31 December 2016, loss recognised under the income statement of the Company stands at EUR 3,230 thousand.

There are no financial instruments recorded as of 31 December 2017. Financial instruments Level 3 at 31 December 2017 and 2015 include the contingent consideration of business combinations due to the acquisition of Ezentis Engenharia, S.A. and the contingent consideration for the minority interest in Ezentis Chile, S.A. as indicated in the following table:

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Ezentis Chile, S.A.	-	1 263
Ezentis Engenharia, S.A.	-	459
Total	-	**1,722**

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 are 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 2017 and 31 December 2016 exposed to interest rate risk is as follows:

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Fixed interest rate		1 722
Variable interest rate	-	-
Total	**-**	**1 722**

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The variable interest rate that applies to loans with credit institutions is subject mainly to fluctuations in the Euribor. At 31 December 2017 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
2017	+/-1%	+/- 0
2016	+/-1%	+/- 0

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.

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

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

At 31 December 2017 and 2016, 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 2017, Grupo Ezentis, S.A. has a working capital amounting to EUR 41.032 thousand (EUR 7.289 thousand at the end of 2016).

At 31 December 2017, the availability of liquidity reached EUR 1,662 thousand (EUR 587 thousand at 31 December 2016) (See note 10).

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

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(In thousands of Euros)

Year of maturity:	**2018**	**2019**	**2020**	**2021**	**2022 and following**	**Total**
Suppliers and other payables	1 777	-	-	-	-	**1 777**
Outstanding remuneration payable	130	-	-	-	-	**130**
	1 907	-	-	-	-	**1 907**

Details of due dates of financial liabilities for 2018 are as follows:

Year of maturity:	**Up to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Total 2017**
Suppliers and other payables	1 486	291	-	**1 777**
Outstanding remuneration payable	130	-	-	**130**
	1 616	**291**	-	**1 907**

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

a) Treasury EUR 1,662 thousand
b) Other current assets EUR 47,613 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 focuses on geographic diversification, 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 the 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 employed capital into revenue is monitored.

Leverage ratios and revenue to employed capital ratio at 31 December 2017 and 2016 are as follows:

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(In thousands of Euros)

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Short-term debts with credit entities	-	-
Other short-term and long-term financial liabilities	-	1 722
Cash and cash equivalents and current financial assets	(1,662)	(876)
Net debt	1,662	(846)
Net equity	82 356	50 055
Total employed capital in the business	84 018	49 209
Leverage ratio	-0.02	0.02

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.

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 2017 and 2016 is as follows:

Year 2017

	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)	(1 286)	(200)	(1 649)
Allocations	-	(20)	(13)	(33)
Closing balances	(163)	(1 306)	(213)	(1 682)
Net intangible assets				
Opening balances	-	50	31	81
Closing balances	-	30	18	48

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(In thousands of Euros)

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**

No additions to intangible assets have been recognised in years 2017 and 2016.

At 31 December 2017, fully depreciated items of property, plant and equipment amounted to EUR 1,577 thousand (EUR 1,343 thousand at 31 December 2016).

During years 2017 and 2016, no borrowing costs have been recorded under this item.

At 31 December 2017 and 2016 the Company does not have intangible assets abroad.

7. Property, plant and equipment

The breakdown for years 2017 and 2016 is as follows:

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Year 2017		**Thousands of Euros**	
	Furniture	**Information devices and other items of property, plant and equipment**	**Total**
Cost:			
Opening balances	258	79	337
Additions	31	3	34
Withdrawals	-	-	-
Closing balances	289	82	371
Accumulated amortisation:			
Opening balances	(179)	(74)	(253)
Allocations	(29)	(3)	(32)
Withdrawals	-	-	-
Closing balances	(208)	(77)	(285)
Net items of property, plant and equipment			
Opening balances	**79**	**5**	**84**
Closing balances	**81**	**5**	**86**

Year 2016		**Thousands of Euros**	
	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**

As of 31 December 2017, there is property, plant and equipment in use and fully amortised for an amount of EUR 83 thousand (EUR 82 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.

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(In thousands of Euros)

During year 2016 derecognitions 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 2017 no valuation corrections have been recorded or recognised due to impairment of items of property, plant and equipment.

At 31 December 2017 and 2016 the Company does not have intangible assets abroad.

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

Changes in 2017 and 2016 in the balance sheet were as follows:

Information related to associates of the group at 31 December 2017 and 2016 is included under Appendix I.

Year 2017

	Thousands of Euros				
	Balance at the start	**Input**	**Withdrawals**	**Transfers**	**Balance at the end**
Stakes in Group companies and associates					
Stakes in Group companies and associates	38 141	-	-	-	38 141
	38 141	**-**	**-**	**-**	**38 141**
Long-term credits to Group companies and associates					
Loans to Group companies of the Group (Note 9)	9 144	-	-	-	9 144
Impairment (Note 9)	(9 144)	-	-	-	(9 144)
	-	-	-	-	-
Long-term financial investments					
Other long-term credits	28 236	-	-	-	28 236
Long-term deposits and bonds	8 060	374	(351)	-	8 083
	36 296	**374**	**(351)**	**-**	**36 319**

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(In thousands of Euros)

As of 31 December 2017, there is property, plant and equipment in use and fully amortised for an amount of EUR 83 thousand (EUR 82 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 years 2016 derecognitions 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 2017 no valuation corrections have been recorded or recognised due to impairment of items of property, plant and equipment.

At 31 December 2017 and 2016 the Company does not have intangible assets abroad.

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

Changes in 2017 and 2016 in the balance sheet were as follows:

Information related to the associate of the group at 31 December 2017 and 2016 is included under Appendix I.

Year 2017

	Thousands of Euros				
	Balance at the start	**Input**	**Withdrawals**	**Transfers**	**Balance at the end**
Stakes in Group companies and associates					
Stakes in Group companies and associates	38 141	-	-	-	38 141
	38 141	**-**	**-**	**-**	**38 141**
Long-term credits to Group companies and associates					
Loans to Group companies of the Group (Note 9)	9 144	-	-	-	9 144
Impairment (Note 9)	(9 144)	-	-	-	(9 144)
	-	-	-	-	-
Long-term financial investments					
Other long-term credits	28 236	-	-	-	28 236
Long-term deposits and bonds	8 060	374	(351)	-	8 083
	36 296	**374**	**(351)**	**-**	**36 319**

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(EUR 28,236 thousand in 2016). 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 non-current financial assets

At 31 December 2017, the Company has bonds, hedges and deposits amounting to EUR 8,083 thousand (EUR 8,060 thousand as of 31 December 2016), which include EUR 7,565 thousand described as contingencies in relation to other long-term financial assets.

At 31 December 2017 and 2016 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.

Contingencies with regards to non-current financial assets

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

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

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

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

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

The payment made does not imply acceptance of the liability derivation; the Company will request the refund as undue payment, together with the corresponding interest for late payment, when the economic-administrative claim filed before the TEAC is submitted. Payment took place on 7 August 2015.

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

The Directors, in accordance with the legal advisors, consider that the Company's claims are unlikely to be dismissed, so that, in accordance with accounting regulations, no provision has been recorded under this item.

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9. Balances and transactions with companies of the group

Balances with companies of the group

Main balances at 31 December 2017 and 2016 with group companies are as follows:

<u>Year 2017</u>

	Thousands of Euros			
	Non-current credits to group companies (Note 8)	**Current credits to group companies**	**Non-current debts with group companies**	**Current debts with group companies**
Ezentis Tecnología, S.L.U.	-	352	-	(123)
Ezentis Brasil Telecom, S.L.U.	-	36	-	(459)
Navento Technologies, S.L.U.	-	137	-	-
Moraleja Solar I, S.L.U.	-	-	-	(423)
Moraleja Parque Fotovoltaico, S.L.U.	-	-	-	(181)
Ezentis Brasil Instalaciones, S.L.U.	-	68	-	(149)
Ezentis Internacional S.L.U.	-	44	-	-
Ezentis Chile, S.L.U.	-	158	-	-
Calatel Andalucía, S.L.U.	-	3	-	(58)
Avánzit Ena SGT, S.A.	-	-	-	(192)
Radiotrónica Argentina, S.A.	-	4,084	(3,494)	(65)
Ezentis Telco, S.L.U	-	-	-	(33)
Ezentis Chile S.A.	-	2,089	(2,970)	-
Calatel Spain, S.L.U.	-	450	-	-
Network Test S.L.U.	-	614	-	(180)
Comunicaciones y Sonido Mexico, S.A. of C.V	-	350	-	-
C.R.C.P. Portugal	-	8	-	-
Radiotronica Galicia S.A.U.	-	-	-	(21)
Calatel Perú	-	558	-	-
Ezentis Energía Brasil	-	1,443	-	-
Ezentis Seicom Brasil	-	4,256	-	-
Tecnet	-	704	-	-
Ezentis Energía Chile	-	200	-	-
Corporación Ezentis Holdco, S.à.r.l.	-	4,026	-	-
Corporación Ezentis Internacional, S.à.r.l.	-	27,685	-	(3,769)
Ezentis Colombia	-	348	-	-
Other	-	-	-	(57)
Companies with no activity	9,143	2,194	-	-
Provisions	(9,143)	(2,194)	-	-
Total	**-**	**47,613**	**(6,464)**	**(5,710)**

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(In thousands of Euros)

Year 2016

	Thousands of Euros			
	Non-current credits to group companies (Note 8)	Current credits 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)**

In 2017, the amounts of balances with debtor group companies have increased due to a capital increase that finances the growth of the Latin American subsidiaries.

In 2016, the amounts of balances with debtor group companies increased due to the higher turnover of Grupo Ezentis, S.A. to the Latin American subsidiaries.

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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, high-value-added services and the transfer of the license to use the Ezentis brand take place.

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 lines 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:	**2017**	**2016**
.	884	214
Tecnet, S.A.	1,200	202
Comunicaciones y Sonido Mexico, S.A. of C.V	350	-
Radiotrónica Argentina	4,071	3,517
Calatel Perú	778	3,601
Networks Test, S.L.U.	96	403
Network Colombia	155	295
Consorcio Chile	3,006	4,428
Ezentis Energia (Chile)	114	635
Ezentis Energía (Brasil)	199	851
Ezentis Seicom (Brasil)	710	2,912
Central America	149	600
Other		
	11 712	**17 658**

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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, high-value-added services and the transfer of the license to use the Ezentis brand take place.

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:	**2017**	**2016**
Tecnet, S.A.	884	214
Comunicaciones y Sonido Mexico, S.A. of C.V	1,200	202
Radiotrónica Argentina	350	-
Calatel Perú	4,071	3,517
Networks Test, S.L.U.	778	3,601
Network Colombia	96	403
Consorcio Chile	155	295
Ezentis Energia (Chile)	3,006	4,428
Ezentis Energía (Brasil)	114	635
Ezentis Seicom (Brasil)	199	851
Central America	710	2,912
Other	149	600
	11 712	**17 658**

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(In thousands of Euros)

			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

Year 2017

1.- The AGM held on 29 June 2017 agreed on two capital increases to offset credits, which were recorded on 20 July 2017 at the trade registry:

a) for a total amount, including the issue premium, of TWO MILLION TWO HUNDRED FORTY-EIGHT THOUSAND SIX HUNDRED FORTY-THREE EUROS WITH SIXTEEN CENTS (EUR 2,248,643.16) by issuing and putting into circulation 3,287,490 new shares, subscribed and paid up by Mr. Ademir Castilho Piqueira and Mr. Roberto Takashi Araki

b) for a total amount, including the issue premium, of ONE MILLION ONE HUNDRED AND FIFTY-TWO THOUSAND THREE HUNDRED AND NINETY-THREE EUROS WITH SIXTY CENTS 1,152,393.60 through the issue and putting into circulation of 3,001,025 new shares, subscribed and paid up by Servicios de Communicacones BRS Limitada, Eduardo Aroca Oliva and Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patricio Saavedra Rodríguez and Dominia Telecomunicaciones Limitada.

On 26 October 2017, the deed relating to the capital increase for a nominal amount of EUR 15,889,587.60, corresponding to 52,965,292 shares with a nominal value of EUR 0.30 and a premium of EUR 13,770,975.92 equivalent to EUR 0.26 per share was registered with the Trade Registry of Seville. Total increase amounted to EUR 29,660,563.52.

Year 2016

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

At 31 December 2017, social capital amounts to EUR 88,472,788.50, arranged into 294,909,295 shares of EUR 0.30 par value each.
At the date of formulation of these financial statements, the 294,909,295 shares are admitted to trading on the Spanish Official Stock Exchanges of Madrid and Bilbao.

The basic gain / (loss) per share is determined by dividing the net profit/ (loss) of the Company by the weighted average number of shares into circulation during that year, excluding the average number of treasury shares.

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	At 31 December	
	2017	2016
Profit (Loss) attributable to shareholders (thousands of Euros)	1,576	5,439
Weighted average number of shares (shares)	247,627,294	234,989,534
Basic profit/(loss) per share of profit/(loss) of Grupo Ezentis,S.A.	**0.00636**	**0.0231**

	At 31 December	
	2017	2016
Profit (Loss) attributable to shareholders (thousands of Euros)	1,576	5,439
Weighted average number of shares (shares)	247,627,294	234,989,534
Debt conversion	-	-
Stock options	-	-
Weighted average number of diluted shares	**247,627,294**	**234,989,534**
Basic profit/(loss) per share of profit/(loss) of Grupo Ezentis,S.A.	**0.00636**	**0.0231**

Restriction on the transferability of shares and social covenants

On 30 May 2016, a syndication agreement was signed by the shareholders Mr. Guillermo José Fernández Vidal, Mr. Carlos Mariñas Lage, Mr. Fernando González Sánchez, Mr. Jorge de Casso Pérez, Mr. José María Maldonado Carrasco, Mr. Roberto Cuens González , Mr. Gabriel Frías García, Mr. Ademir Castilho Piqueira, Mr. Roberto Takashi Araki, Mr. Víctor Alfredo Drasal, Teleprocesing Service, SA and Constanter, S.L., where the parties designate Mr. Guillermo Fernández Vidal as 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.

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

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

Shareholder	Shares
Mr. Guillermo Fernandez-Vidal	606,631
Teleprocesing Service, S.A.	3,242,898

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(In thousands of Euros)

Constanter, S.L.	818,462
Mr. Carlos Mariñas Lage	899,483
Mr. Fernando González Sánchez	433,537
Mr. Jorge de Casso Pérez	318,755
Mr. José María Maldonado Carrasco	270,645
Mr. Víctor Alfredo Drasal	207,794
Mr. Roberto Cuens	116,776
Mr. José Homobono Ocaña	70,097
Mr. Gabriel Frías García	83,333
Mr. Oscar Palencia Perdones	1,240
Mr. Antonio Villarejo Díaz	1,225
Mr. Luis García Merchán	1,200
Mr. Jose Luis Márquez Dotor	1,000
Mr. Fermín González García	733

Agreement with Teleprocesing Services, S.A.:

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

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

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

(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;

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

At 31 December 2017, there are no other restrictions on the acquisition or transfer of shares representing capital stock other than those resulting from the Internal Code of Conduct in the field of the securities markets and general securities market regulations.

Significant stakes

Significant shareholders of Grupo Ezentis SA, understood as those that directly or indirectly hold 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 2017:

In accordance with this definition, the most significant shareholders of the Company, in accordance with the information on the website of the National Securities Market Commission (CNMV), are Eralan Inversiones, SL, which holds 4.17% of the direct voting rights, Lierde, Sicav, SA which holds 3,326% of the direct voting rights. The outstanding percentage is held by sundry shareholders.

December 2016:

In accordance with this definition, one of the significant shareholders of the Parent Company is Eralan Inversiones, S.L., holding 5.218% of direct and indirect voting rights (12,296,664 shares). In the second place, Enrique Riquelme Vives holds 4.858% of the indirect voting rights through the company Inversiones Riquelme Vives, S.L. The outstanding percentage of shares is held by various shareholders.

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.. At 31 December 2017, legal reserve amounts to EUR 544 thousand. (At 31 December 2016 there is no legal reserve). At 31 December 2017 and 2016 legal reserve does not reach 20% social capital.

c) Treasury shares

The breakdown for years 2017 and 2016 is as follows:

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(In thousands of Euros)

	Shares	Thousands of Euros
Balance at 31.12.2015	-	-
Additions	1,450,428	594
Withdrawals	(864,268)	(357)
Balance at 31.12.2016	**586,160**	**237**
Additions	75,720	54
Withdrawals	(645,332)	(280)
Balance at 31.12.2017	**16,548**	**11**

12. Non-current provisions

Changes in 2017 and 2016 in the balance sheet were as follows:

Current	Thousands of Euros	
	31.12.2017	31.12.2016
Opening balance	28 770	28 770
Closing balance	28 770	28 770

Breakdown of said provisions at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Thousands of Euros		Thousands of Euros	
	Non-current	Current	Non-current	Current
Disputes	28 770	-	28 770	-
Closing balance	**28 770**	**-**	**28 770**	**-**

At 31 December 2017 and 2016, 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 2017 and 2016 certain litigation and claims were in process against the consolidated companies arising from the ordinary course of their operations. Both the legal advisors of the Group and the Directors understand that the completion of these legal procedures and claims will not have a significant impact in addition to those already accounted for in the financial statements.

13. Bank borrowings

At 31 December 2017 and 2016, the Company does not hold bank borrowings.

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(In thousands of Euros)

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 2017 and 2016 is as follows:

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Non-current		
Other debts	-	-
	-	-
Current		
Other debts	-	1 722
	-	**1 722**

Other debts

At 31 December 2016, this item included the outstanding payment to minority shareholders for acquisitions made in 2013 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, at 31 December 2016, the Group had a debt amounting to EUR 459 thousand.

15. Trade and other payables

	Thousands of Euros	
	2017	**2016**
Suppliers	1 777	1 301
Outstanding remuneration payable	130	-
Other tax payables (Note 16)	626	64
	2 533	**1 365**

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(In thousands of Euros)

Information on deferred payments to suppliers. Third supplementary provision. "Information duties" of Act 15/2010 on 5 July.

	2017	2016
	Days	Days
Average payment to suppliers.	95	76
Ratio of paid transactions	82	61
Ratio of outstanding payments	140	123
	Thousands of Euros	Thousands of Euros
Total payments made	5,290	3,615
Total outstanding payments	1,500	1,157

16. Taxation

a) Tax payables and receivables

At 31 December 2017 and 2016, the detail of tax payables and receivables is as follows:

	Thousands of Euros	
	2017	2016
VAT receivables	-	28
Deferred tax assets	1,964	1,210
Tax receivables	**1 964**	**1 238**
Personal tax payable	128	47
VAT payable	472	-
Social Security payables	26	17
Tax payables	**626**	**64**

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 since 2007. During year 2017 and 2016, 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.A.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.

(In thousands of Euros)

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.

Income Tax in the individual income statement of the Company reflects the offset of income tax of the other companies of the Spanish Tax Group and the expense for double international taxation.

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

Year 2017

	Thousands of Euros		
	Increase	**Decrease**	**Amount**
Accounting profit/(Loss) before tax			**947**
Permanent differences	12	(206)	(194)
Temporary differences			
Adjustments in box or tax depreciation		(27)	(27)
Tax depreciation of goodwill		(15 187)	(15 187)
Allocation to provisions	-	-	-
Other	-	(1 756)	(1 756)
Taxable income (tax profit/(loss))	**12**	**(17 176)**	**(16 217)**

Year 2016

	Thousands of Euros		
	Increase	**Decrease**	**Amount**
Accounting profit/(Loss) before tax			**5 186**
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)**	**(30 441)**

In 2017, the negative temporary differences correspond to differences in accounting and tax imputation criteria, to the amortisation of merger goodwill (whose impairment was adjusted under income tax as a positive temporary difference in previous years), to the reversal of financial expenses and the reversal of the accounting depreciation that was not tax deductible in years 2013 and 2014.

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 under the 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.

At 31 December 2017 there is EUR 1,964 thousand recognised under deferred tax assets corresponding to double international taxation (EUR 1,210 thousand in 2016).

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 time. The amount of taxable income corresponding to Spanish companies amounted to EUR 523,748 thousand as of 31 December 2017 (EUR 506,416 thousand as of 31 December 2016).
In 2017, EUR 16,217 thousand (EUR 30,440 thousand as of 31 December 2016) 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 2017. The total of the accumulated negative tax bases of the Company amounted to EUR 324,620 thousand (EUR 308,403 as of 31 December 2016).

At 31 December 2017, temporary differences not recognised under the financial statements, that will be incorporated under future tax bases, amounted to EUR 92,112 thousand (EUR 96,355 thousand at 31 December 2016).

d) Years open for review

At 31 December 2017, 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 2017 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 in Corporación Ezentis Holdco, S.a.r.l..
- Pledge on the bank accounts of the Company.
- Pledge on intragroup contracts.

Guarantees provided by the Company to various public bodies and customers at 31 December 2017 amounted to EUR 1,672 thousand (EUR 715 thousand as of 31 December 2016). 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 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 in Corporación Ezentis Holdco, S.a.r.l..
- Pledge on the bank accounts of the Company.
- Pledge on intragroup contracts.

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

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

At 31 December 2016 and 2017, the Parent Company has registered an account receivable with the former Chairman of the Parent Company Mr. Juan Bautista Pérez Aparicio amounting to EUR 80 thousand and the subsidiary, Ezentis Tecnología S.L.U. 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. (Note 8c and 12).

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.

(In thousands of Euros)

Given the legal status of this asset, the Group maintains an adequate provision, recorded under "Long-term provisions" in the accompanying consolidated balance sheet as of 31 December 2017 (Note 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 turnover

Of the total net turnover standing at EUR 11,732 thousand, EUR 11,712 thousand (EUR 17,751 thousand as of 31 December 2016), 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:

	Thousands of Euros	
	31.12.2017	**31.12.2016**
Market		
- Domestic	999	616
- Latin America	10 733	17 135
	11 732	**17 751**

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	
	2017	**2016**
Salaries and wages	3 774	2 420
Social security costs	193	131
	3 967	**2 551**

The Company has outstanding remuneration payables amounting to EUR 130 thousand at 31 December 2017. (The Company does not have outstanding remuneration payable 31 December 2016).

The average number of employees during years 2017 and 2016 arranged by professional category is as follows:

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	Average number of employees	
	31.12.2017	**31.12.2016**
Graduates	12	13
Administrative staff	7	3
Operators	-	-
	19	**16**

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

Year 2017	**Men**	**Female**	**Total**
Top Management	5	-	5
Graduates	5	2	7
Administrative staff	3	4	7
	13	**6**	**19**

The Company has had in payroll a person with disability equal or over 33% during 2017 (as administrative staff).

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

The Company has had in payroll a person with disability equal or over 33% during 2016 (as administrative staff).

c) Audit fees and other services

Fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for auditing services and other services related to the issuance of comfort letter amounted to EUR 248 thousand (2016: EUR 153 thousand).

At 31 December 2017 fees for other services allowed by the applicable independence regulations, basically due diligence services, amounting to EUR 11o thousand, have been accrued (2016: EUR 20 thousand),

d) Other operating expenses

The detail of "Other operating expense" for years 2017 and 2016, in thousands, is as follows:

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	Thousands of Euros	
	31/12/2017	31/12/2016
Rents and royalties	211	202
Repair and maintenance services	72	47
Independent professional services	2 430	2 066
Advertising	9	12
Insurance premiums	38	32
Utilities	58	60
Other Services	3 814	4 443
Taxes	56	17
	6 688	**6 879**

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

The detail of these items under the income statement for years 2017 and 2016, in thousands, is as follows:

	Thousands of Euros	
	31.12.2017	31.12.2016
Impairment and gains or losses on disposal of financial instruments	-	10
Changes in fair value of financial instruments	(240)	(3 230)
	(240)	**(3 220)**

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

	Thousands of Euros	
	31.12.2017	31.12.2016
Profit/(Loss) on sale of Group companies and associates	-	**10**
For equity instruments in associates (Note 8)	-	10
Total	-	**10**

"Changes in fair value of financial instruments" includes the following amounts:

	Thousands of Euros	
	31.12.2017	31.12.2016
Changes in the valuation of contracted hedges	(240)	(3 230)
Total	**(240)**	**(3 230)**

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(In thousands of Euros)

20. Board of Directors and Top Management

d) Remuneration to Directors

During years 2017 and 2016 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**
2017	430	518	-	948
2016	425	351	-	776

Remuneration accrued by each member:

	Thousands of Euros Monetary remuneration	
Director	**31.12.2017**	**31.12.2016**
Mr. Fernando González Sánchez	-	150
Mr. Guillermo Fernández Vidal	430	125
Mr. Carlos Mariñas Lage	-	150
TOTAL	**430**	**425**

	Allowance	
Director	**31.12.2017**	**31.12.2016**
Mr. Enrique Sánchez de León	129	46
Mr. Luis Solana Madariaga	39	83
Mr. José Wahnon Levy	-	27
Mr. Francisco Javier Cremades Garcia	30	31
Mr. Guillermo Fernández Vidal	-	29
Ms. Isla Ramos Fernandez	-	2
Ms. Ana María Sánchez Tejada	44	20
Ms. Laura González Molero	58	14
Ms. Emma Fernández Alonso	64	16
Mr. Pedro María Azcárate Palacios	110	46
Ms. Carmen Gómez-Barreda Tous-Monsalve	44	-
Eralan Inversiones, S.L.	-	37
TOTAL	**518**	**351**

At 31 December 2017 and 2016, the chief executive officer has been awarded compensation equivalent to three gross monthly payments of the current remuneration, including fixed and variable remuneration, applicable in the event of termination of the contract.

At 31 December 2017 and 2016, there was no advance payment, no credit or pension plans granted to any member of the Board of Directors of the Parent Company. Further, there is a life insurance coverage for a member of the Board of Directors with an insured capital of three times the amount of the salary remuneration. The Company does not have for directors any civil liability insurance.

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(In thousands of Euros)

Monetary remuneration for both 2017 and 2016 corresponds to the salaries and wages of members of the Board of Directors that perform executive functions within the Group. Allowances refer to allowances paid to directors in 2017 and 2016 for attending meetings of the Board of Directors and its Committees according to the position held in each case.

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 2017 and 2016 is summarised as follows:

Year	Number of people	Total monetary remuneration
2017	4	1,320
2016	4	668

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.

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 2017 and 2016, no assets have been purchased to related parties.

b) Sale of goods and provision of services

During years 2017 and 2016, no goods or services have been purchased between related parties.

c) Purchase of goods, services and finance expense

During years 2017 and 2016, no goods or services have been recorded between related parties.

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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.

d) Other transactions

No transactions have been recorded during years 2017 and 2016.

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

At 31 December 2017 and 2016, 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 2017 and until the formulation of these Consolidated Financial Statements, the following significant events for Grupo Ezentis, S.A . have taken place:

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

i. Design, engineering, technical office, deployment, installation and maintenance of fixed network infrastructure and facilities for clients in Spain.
ii. Provision of maintenance services for mobile networks in the Iberian market.

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

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

Further, both companies have established a commercial agreement, for three years, for the joint provision of design, planning, deployment, installation and maintenance services for fixed network infrastructures and maintenance for mobile networks in the Iberian market.
Ericsson is entitled the right to appoint a member of the Board of Directors of Ezentis and its Executive Committee, while maintaining at least 16,804,100 shares and, as described below, may not transmit until 1 January 2019, 33,608,199 shares of the Company, or up to two years after the closing date of the transaction, 16,804,100 shares.

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The acquisition will strengthen the strategic positioning of Ezentis in the fibre area, through its entry into the Iberian market, as well as increase the base of its customers. Likewise, it will allow to significantly increase its turnover, representing a significant inorganic growth.
The acquisition is subject to customary conditions for transactions of this type, among which is the approval by the Annual General Meeting of Ezentis of (i) the acquisition, (ii) the capital increase through which the payment of the part of the price will be in shares and (iii) the appointment of the new Ericsson member, whose effectiveness will be conditional upon the closing of the transaction.

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

GRUPO EZENTIS, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(In thousands of Euros)

APPENDIX I

SUBSIDIARIES WITHIN GRUPO EZENTIS

			Voting rights %		Company details						
			Controlled by the Parent		Thousands of Euros						
Company	**Address**	**Activity**	**Direct**	**Indirect**	**Cost**	**Provision**	**Net 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	43,970	4,055	39,915	(48)

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GRUPO EZENTIS, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(In thousands of Euros)

APPENDIX II
GUARANTORS OF THE FINANCING AGREEMENT

			Voting rights %	
			Controlled by the Parent	
Company	**Address**	**Activity**	**Direct**	**Indirect**
Grupo Ezentis, S.A.	Avda. HYTASA, nº 12 planta 2 puerta 20 Edificio HYTASA, 41006 Seville (Spain)	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.	Avda. HYTASA, nº 12 planta 2 puerta 20 Edificio HYTASA, 41006 Seville (Spain)	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%

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GRUPO EZENTIS, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
(In thousands of Euros)

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%
Ezentis Brasil Telecom, 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%
Networks 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%
Raselo, S.A.	Lavalle 310. 1° Buenos Aires (Argentina)	Construction, refurbishment and repair of gas networks	-	99%
Ezentis Argentina, S.A. (former Radiotrónica de Argentina, S.A. (A)	Habana 370. 1603 Villa Martelli.. Vicente Lopez-Buenos Aires (Argentina)	Project, construction, installation and maintenance of telecommunication systems. The provision of auxiliary services of said telecommunications. Project, construction, maintenance of lines and transformer stations of Low, Medium and High Voltage. Project, construction and maintenance of networks, facilities, machines and accessories for the treatment and distribution of fluids, water and gas, as well as sewage and sanitation works. Consultancy, planning, construction, operation and maintenance of facilities and plants of deposits, treatment, use and final disposal of any solid, semi-solid, domiciliary, industrial, special, hazardous and any other kind of waste; of water and waste water treatment, air purification and exhaust gases, as well as the commercialization and distribution of all types of technologies for the protection of the environment.	-	95%

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(In thousands of Euros)

Ezentis Colombia, S.A.S.	Carrera 50 nº 128. B32 Bogotá 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%
Tecnet S.A. **(A)**	Avenida Las Parcelas N°5490, ciudad de Santiago (Chile)	Provision of consulting services, design, implementation and after-sales maintenance of "turnkey" solutions for networks and telecommunication systems for operators and entities with large volumes of investment in telecommunications and technology.	-	100%
Ezentis Energia SpA (B)	Avenida Isidora Goyenechea 2800 piso 29 comuna de los condes. 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.	-	100%
Ezentis 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. (former Servicios 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.	-	98%
Ezentis Serviçios Engenharia e Instalaçao de Comunicaçoes, LTDA. (SUL)) (A)	Rua São João 282, 7" Andar - Centro, 18147-000 Araçariguama, Estado de São Paulo,	Maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	100%
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%

(A) Companies audited by PricewaterhouseCoopers

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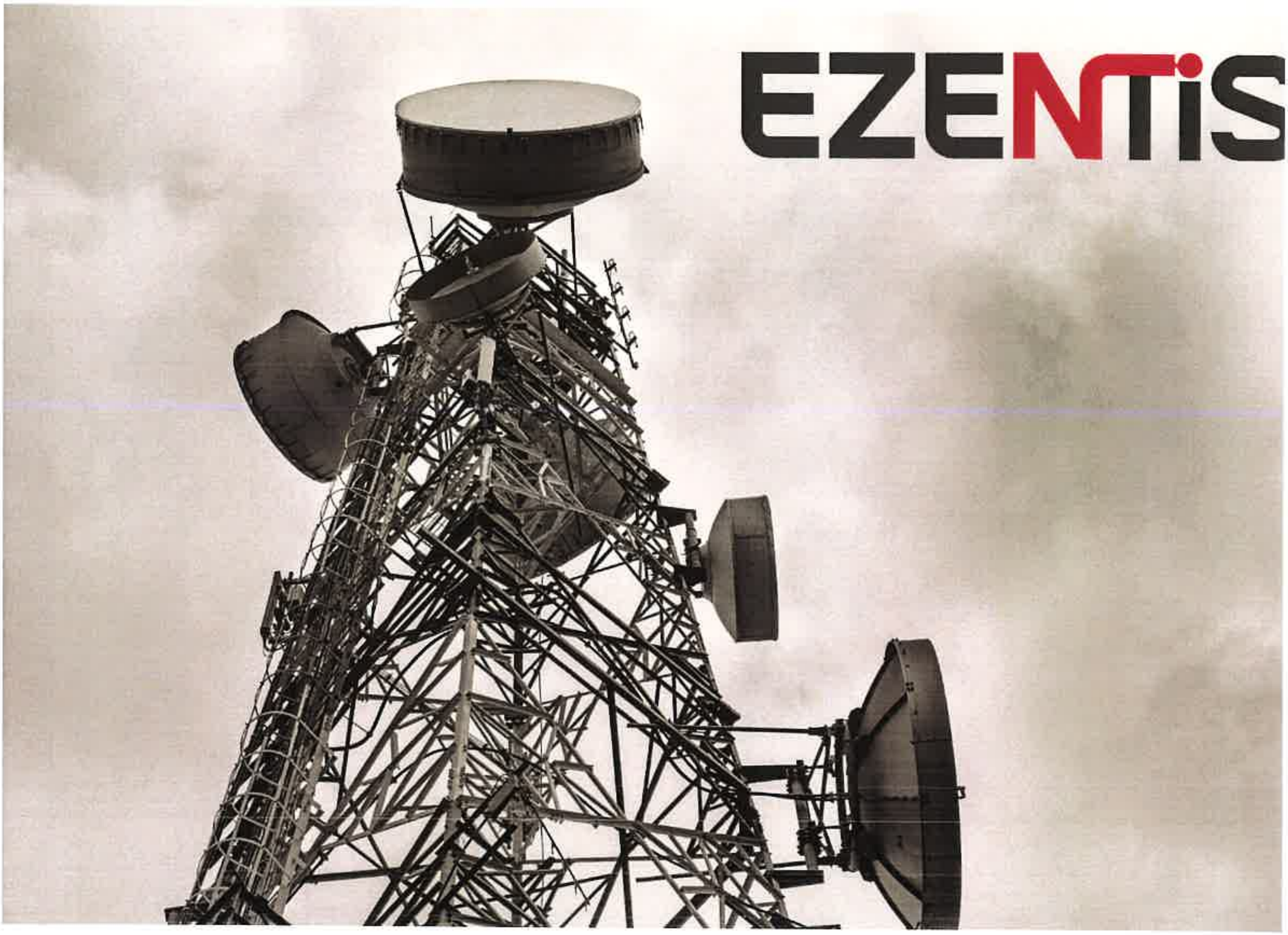
Translation into English of a Directors' Report originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.



Directors' Report

Grupo Ezentis S.A.

January – December 2017

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

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1.- MAIN FIGURES

Grupo Ezentis, S.A. is the Parent of Grupo Ezentis and subsidiaries located in Spain and Latin America. its activity is mainly related to corporate services and backlog activity.

Main figures for year 2017 are as follows:

Thousands of Euros	2017	2016	VAR	Var. %
Revenue	11,732	17,773	-6,041	-34%
PROFIT/(LOSS) FROM OPERATIONS	1,013	7,835	-6,822	-87%
Finance	174	572	-398	-70%
Extraord. Var. Value Instr. Fin.	-240	-3,220	2,980	-93%
Profit/(Loss) before Tax	947	5,187	-4,240	-82%
Net profit/(loss)	1,576	5,439	-3,863	-71%

Revenue of Grupo Ezentis, S.A. stands at EUR 11,732 thousand, corresponding to billings to subsidiaries for services provided by the Company. In 2017 profit for operations stood at EUR 1.013 thousand.

Financial profit/(loss) of Grupo Ezentis, S.A. for 2017 amounted to EUR 174 thousand and extraordinary profit/(loss) and changes in the value of financial instruments at the end of 2017 stood at EUR 240 thousand.

Profit/(loss) before tax for the year amounted to EUR 1.6 million, versus EUR 5,4 million in 2016.

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Main figures under the balance sheet of Grupo Ezentis, S.A. at 31/12/2017 are the following:

Thousands of Euros ASSETS	31/12/2017	31/12/2016
Non-current assets	**76,558**	**75,812**
Property, plant and equipment	86	84
Intangible assets	48	81
Other related investments	38,141	38,141
Financial investments	36,319	36,296
Deferred tax assets	1,964	1,209
Current assets	**49,275**	**16,459**
Trade and other receivables	-	28
Investments in Group companies	47,613	15,555
Cash and cash equivalents	1,662	876
TOTAL	**125,833**	**92,271**

LIABILITIES	31/12/2017	31/12/2016
Net equity	**82,356**	**50,055**
Non-current liabilities	**35,234**	**33,045**
Debts with Group companies	6,464	-
Other financial liabilities	-	4,275
Provisions	28,770	28,770
Current liabilities	**8,243**	**9,170**
Other financial liabilities	-	1,722
Debts with Group companies	5,710	6,084
Trade payables and other	2,533	1,364
TOTAL	**125,833**	**92,271**

Grupo Ezentis, S.A. has 100% direct ownership interest in Corporación Ezentis Holdco, S.à.r.l. and 100% indirect ownership interest in Corporación Ezentis Internacional, S.à.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.

Grupo Ezentis and its subsidiaries focus their business mainly on the operation and maintenance of telecommunications and electricity infrastructures in Spain and Latin America (Brazil, Chile, Argentina, Peru, Colombia and Mexico).

Further, the Group also develops other businesses such as: construction and engineering projects, development of IT solutions for network management, operation and maintenance of water and oil & gas pipelines.

Main consolidated figures of Grupo Ezentis, S.A. for the years ended 21 December 2017 and 2016, according to IFRS-EU, are as follows:

	Thousands of Euros	
Consolidated figures	31.12.2017	31.12.2016
Total consolidated assets	279 515	251 497
Net Revenue	387 396	307 410
Profit /(Loss) for the year	(6 701)	903

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2 – ACCOUNTING POLICIES

Under the new accounting standards, IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) issued by the International Accounting Standards Board (IASB) foreseen for application as of January 2018, Grupo Ezentis has adapted its accounting policies to reflect the correct adoption of such standards in its financial statements for the year ended 31 December 2017.

Regarding the application of IFRS 9 (Financial Instruments), Grupo Ezentis does not expect the new standard to affect the classification and valuation of these financial assets. The Group does not have equity instruments available for sale or equity investments valued at fair value that could be affected by the application of IFRS 9. Therefore, the group does not expect the new guidance to have a significant impact on the classification and valuation of its financial assets.

Likewise, no impact on the accounting of financial liabilities will be recorded by the group, since the new requirements only affect financial liabilities that are designated at fair value through profit or loss and the group has no liabilities of this type.

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

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

The group confirms that current hedging relationships qualify as hedges that continue under the adoption of IFRS 9 and therefore do not expect a significant impact in the accounting of hedging relationships.

The new impairment model requires the recognition of provisions for impairment of value based on the expected credit losses instead of just the credit losses incurred into, which was the case according to IAS 39. It applies for financial assets classified at amortised cost, debt instruments valued at fair value with changes in other comprehensive income, contract assets under IFRS 15 Revenue from contracts with customers, accounts receivable for leases, loan commitments and certain financial guarantee contracts. The group deems that all provisions recorded for impairment of value will not be affected by the new model.

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

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

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

3 – RISK EXPOSURE

Grupo Ezentis carries out its activities in different sectors, countries and socio-economic and legal environments that involve exposure to different levels of risks inherent to the markets where it operates.

Grupo Ezentis has an Integral Risk Management System which identifies, assesses, prioritises and manages the Group's relevant risks in a systematic way, with uniform criteria and classifying them within the risk tolerance levels set.

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, country or company that form or have been part of the Ezentis Group throughout the year.

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.

The Audit and Compliance Committee, as the delegated body of the Board of Directors, has the power to supervise the internal control systems and regularly guarantee the risk management system, so that main risks are identified, managed and disclosed, as well as regularly review the risk control and management policy, and propose its amendment and updating to the Board of Directors.

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The development of the supervision and monitoring of the risk management system is carried out through the Internal Audit Department of the Group, supported by the heads of the different business units / countries. They regularly submit reports on the different risks that threaten their respective business unit, the existing control procedures and any improvement actions to be implemented.

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.

Risk categories considered in the Comprehensive Risk Management System of Grupo Ezentis, in accordance with the International COSO Methodology, as well as the main risks which the Group is exposed to as of 31 December 2017, are the following:

i) Strategic Risks

- Risk of loss of key customers. Concentration of customers: The company operates in two sectors with a high concentration of customers, such as Telecommunications and Electricity. The Group continues with the diversification of the business by geographic zones, sectors of activity and customers, intensified with a specific commercial plan by country where Grupo Ezentis operates in 2017. Likewise, the Group has a firm commitment to quality of service as a basic element of customer retention.

- Risk of not obtaining the expected returns in acquisitions and investments made: The Group has been expanding through the main markets in Latin America and Spain, seeking to consolidate as a reference supplier for its clients. During year 2017, various companies were acquired in Spain, Mexico and Peru, within the telecommunications and electric infrastructure sectors.

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.

- Risk of loss of Corporate Image: The Group continuously carries out actions to improve its relationships with the different interest groups, customers, suppliers, employees ..., through the development of its Corporate Social Responsibility Master Plan 2017-2019.

In order to mitigate this risk, the Group has also launched in 2017 a plan of excellence in operations, such as seeking improvements in its operating processes and relations with its customers and suppliers.

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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. There is an internal legal, human resources and tax department that oversees compliance with current regulations in each country where the Group operates, as well as with external advisors, for any required specific issues.

iii) Financial risks:

- Foreign currency 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, it has derivative financial instruments in force in the main currencies which it operates in, which allow to mitigate the materialisation of this risk.

- Risk of changes in interest rate and inflation rate: The Group maintains an active policy in the management of interest rate risk, with constant monitoring of the market. Financial debts and other creditors, as well as contracts with customers, are referenced to a market interest rate and inflation rates.

- Risk of difficulty accessing funding sources to undertake new organic or inorganic growth projects, as well as to finance operational activity: The Group determines treasury and financing needs using various budgeting tools, as well as measures for the management of working capital.

At 31 December 2017, the Group has a working capital amounting to EUR 20,372 thousand (EUR 3.2 million at the end of 2016) and cash and other cash equivalents amounting to EUR 7,906 thousand. In addition, there is a long-term current account associated with the company's financing structure amounting to EUR 6,000 thousand.

iv) Operational risks:

- Inadequate management of the income cycle. It is one of the key processes identified in the ICFMS control systems, and specific procedures and controls have been implemented for the efficient management of the certified work cycle / billing

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/ collection. Likewise, local periodic controls for exhaustive monitoring of the work in progress, as well as billing and collection of the clients, have been intensified.

- Operational security risk of the systems. In order to mitigate risks during the implementation and development of a new business system launched during 2017, the Group has specific controls to ensure the security of its computer systems to support the operation, as well as reviews of general information security controls.

4. – EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

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

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

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

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

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

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

5 – ACQUISITION OF TREASURY TREASURES

At 31 December 2017 Grupo Ezentis has a total of 16,548 shares. Transactions carried out during 2017 are as follows:

Purchases:	75,720 shares
Sales:	645,332 shares

6 – 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 the companies Ezentis Tecnología, S.L.U. and Navento Technologies, S.L.U. and in the companies of Grupo Comunicaciones y Sonido, S.L. and GTS Thaumat XXI, S.A., acquired in the year 2017.

7. –USE OF FINANCIAL INSTRUMENTS

In order to mitigate the exchange rate risk for the quarterly interest payments of the financial debt in Euros, the Group arranged hedges for covering risks representing the majority of the cash flows that are expected to be repatriated from the subsidiaries. The notional amounts of the options were calculated to cover the total

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interest payments (not principal) of the debt with Highbridge Principal Strategies, LLC during the following 3 years of the transaction. In January 2018, new currency hedges were contracted until July 2019.

In force as from 1 January 2016, the Group designated the current options as hedges of net investment in foreign transactions. The gain or loss of the hedging instrument (due to its intrinsic component) that is determined as an effective hedge of the net investment is recognised under equity and is included with the translation differences arising from the exchange rate applied to the businesses abroad. Translation differences are recognised under the profit/(loss) for the year. The differences in the value of the temporary component of the hedging instrument are recorded directly under profit/(loss) for the year.

8.–CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. issued the Annual Corporate Governance Report for the year ended 31 December 2016 on 30 March 2017.

9. – CAPITAL STRUCTURE

In accordance with the provisions under Article 5 of the Bylaws, the share capital of Grupo Ezentis, S.A. at 31 December 2017 is composed of 294,909,295 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.

On 20 July 2017, capital increase agreements approved at the Annual General Meeting of Grupo Ezentis, held on 29 June 2017, were registered in the Trade Registry of Seville, on the capital increase for the offset of credits amounting to EUR 2,248,643.16 by issuing and putting into circulation 3,287,490 new shares of EUR 0.30 par value each and a EUR 0.38 issue premium, subscribed and paid up by Mr. Ademir Castilho Piqueira and Mr. Roberto Takashi Araki and an agreement to increase capital by offsetting loans for an amount of EUR 1,152,393.60 through the issuing and putting into circulation of 3,001,025 new shares with a par value of EUR 0.30 and a EUR0.08 issue premium, subscribed and paid up by Servicios de Comunicaciones BRS Limitada, Eduardo Aroca Oliva and Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patrico Saavedra Rodríguez and Dominia Telecomunicaciones Limitada.

On 26 October 2017, the deed relating to the capital increase for a nominal amount of EUR 15,889,587.60, corresponding to 52,965,292 shares with a nominal value of EUR 0.30 and a premium of EUR 13,770,975.92 equivalent to EUR 0.26 per

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share was registered with the Trade Registry of Seville. The total amount of the increase amounted to EUR 29,660,563.52, which were mainly used to reduce its financial debt, and consequently improve the leverage ratios and obtain savings in finance expenses.

10.–RESTRICTION ON THE TRANSFERABILITY OF SHARES

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

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

The most important direct investments in capital, excluding directors, disclosed at 31 December 2017, are as follows:

Shareholder	Direct shares	Direct participation %	Indirect shares	Indirect participation %	% Total
Eralan Inversiones, S.L.	12,296,664	4.170	0	0	4.170
Lierde, SICAV S.A.	9,808,911	3.326	0	0	3.326
Santander Small Caps España, FI	8,041,018	2.727	0	0	2.727

Percentages updated with number of voting rights of the Company as of 31 December 2017.

Members of the Board of Directors of the parent company entitled to voting rights are the following:

Name of board member	Direct shares	Indirect shares	Total shares	(%) capital
Mr. Guillermo José Fernández Vidal	606,631	6,467,178	7,073,809	2.399
Mr. Enrique Sánchez de León García	36,462	0	36,462	0.012
Mr. Pedro María Azcárate Palacios	0	0	0	0.000
Ms. Ana María Sánchez Tejada	0	0	0	0.000
Ms. Emma Fernández Alonso	0	0	0	0.000
Ms. Laura González-Molero	0	0	0	0.000
Ms. Carmen Gomez de Barreda	0	0	0	0.000
TOTAL	**643,093**	**6,467,178**	**7,110,271**	**2.411**

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12. – RESTRICTIONS 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.

13. – SOCIAL COVENANTS

On 30 May 2016, a shareholder syndication agreement was signed by Mr. Guillermo José Fernández Vidal as the 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.

The syndication agreement is valid until 30 May 2019 and includes, at this time, a total of 7,073,809 shares of Ezentis representing 2.399% of its share capital. All the information related to the Syndicated Agreement is published in the National Securities Market Commission.

14 - APPLICABLE REGULATIONS

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.

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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 into legal reason for such resignation. Likewise, the Board of Directors may propose to 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

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

The Annual General Meeting held on 29 June 2017 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.

16. –AGREEMENTS WHICH INVOLVE SIGNIFICANT CHANGE OF POWER DUE TO PUBLIC ACQUISITION OFFER

There are no significant agreements of this nature.

17 - AGREEMENTS WITH DIRECTORS, EXECUTIVES AND EMPLOYEES PROVIDING INDEMNITY

Agreements with directors and executives of Grupo Ezentis, S.A. do not include indemnity except as indicated below for the CEO, Mr. Guillermo Fernández Vidal, and the General Director. 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

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of Ezentis. In the event Mr. Guillermo Fernández Vidal decides to terminate his contract unilaterally, he must give at least three-month-notice, unless he compensates for the lack of prior notice, in whole or in part, with a compensation equivalent to the current fixed remuneration, proportional to the part of the notice that was not complied with.

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

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

In the event the Director General decides to terminate his contract unilaterally, he must give at least three-month-notice, unless he compensates for the lack of prior notice, in whole or in part.

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.

18. – STAFF INFORMATION

The average workforce during 2017 distributed by professional categories is as

	2017	
	Hombres	Mujeres
Alta dirección	5	
Técnicos Titulados	5	2
Personal administrativo	3	4
	13	6

follows:

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19 NON-FINANCIAL DISCLOSURE UNDER RDL 18/2017

Following the transposition into the Spanish law of Directive 2014/95 / EU of the European Parliament and of the Board, regarding mandatory non-financial reporting, under the provisions of Royal Decree-law 18/2017 as of 24 November, there are new legal requirements for reporting of public interest entities over 500 employees. This obligation means that the companies involved, shall include certain non-financial disclosure within the management report or in a separate report.

Grupo Ezentis, S.A. is the Parent of Grupo Ezentis and subsidiaries located in Spain and Latin America. its activity is mainly related to corporate services and backlog activity.

Non-financial information herein refers to Grupo Ezentis and subsidiaries, who focus their business mainly on the operation and maintenance of telecommunications and electricity infrastructures in Spain and Latin America (Brazil, Chile, Argentina, Peru, Colombia and Mexico).

In anticipation of the entry into force of new requirements related to non-financial reporting, Grupo Ezentis, S.A began in 2017 to develop the aspects of Corporate Social Responsibility that had already been managed in the company from the different departments. In the first place, an analysis of relevant issues for the organisation was carried out, involving all the interest groups (external and internal consultations) and with the direct involvement of Senior Management. The outcome of this study served as a starting point for the preparation of the first Corporate Social Responsibility Report and the first CSR Master Plan (2017-2020), and, in short, to lay the foundations for a business project consistent with the sensitivity of the environment where it operates and the different interest groups with which it interacts.

The RD-law 18/2017 defines the minimum contents in four blocks (social and labour issues, environmental issues, respect for human rights and fight against corruption); however, it does not establish specific indicators nor refers to the monitoring of any standard of specific report. In exercise of the freedom of choice of a reporting framework, Grupo Ezentis has decided to prepare non-financial disclosure in accordance with the guidelines established under the Global Reporting Initiative (GRI) Guide in its SRS version. According to sectoral reports, this is the most widespread reporting framework in this matter.

Information contained in this Appendix will be included and further developed in the Corporate Social Responsibility Report 2017.

BUSINESS MODEL

The Ezentis Group's business core is mainly focused on the operation and maintenance (O & M) of telecommunication and electricity infrastructure in Spain and Latin America, representing approximately 94% of the company's revenues. In addition, the company also develops construction and engineering projects (C & E). Other businesses, such as the development of IT solutions for network management, the operation and maintenance of water or oil & gas pipelines, make up the rest of the Ezentis Group project backlog.

Within its O & M activities of telecommunications and electricity infrastructures, the offer consists of the following services:

Telecommunications: services for both fixed and mobile telecommunication systems, covering the entire service life cycle from the operation and maintenance of the internal plant to the support of users:

- Fixed external network
- Mobile towers
- Fixed and mobile internal plant
- Customer services
- Network Operations for Companies
- Operations Support Systems (OSS)

Electricity: services for transport, distribution and commercialisation networks:

- Distribution and supply networks
- Substations and transformation platforms
- Commercial services
- Smart grids

The business model and the activities carried out by Grupo Ezentis determine its relationships with a wide range of interest groups. According to the materiality analysis of 2017, it is considered that the most relevant for the company are:

- Shareholders and investors Grupo Ezentis is listed on the stock market, making shareholders and investors its capital providers.

- Customers and users: The company offers its services to big telecommunications and electricity companies, what involves that revenues are concentrated in relatively few customers (compared to other large consumer businesses).

- Employees: Grupo Ezentis activity is intrinsically intensive in human capital and this is demonstrated by the more than 10,000 professionals integrating the group. Within the management of people, the aspects

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related to the attraction and training of professionals, and the prevention of occupational risks (work at height and activities with electrical risk) stand out.

- Suppliers and subcontractors Given the features of the most of the services developed by the company, where physical mobility of professionals is a constant, providers of car rental services are a key collective for Grupo Ezentis Likewise, outsourcing of personnel to the extent that part of the activities of Grupo Ezentis is developed by third parties is essential.

RISK MANAGEMENT

As described under the risk exposure section of this management report, Gruppo Ezentis relies on an Integral Risk Management System through which it 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, country or company that form or have been part of the company throughout 2017.

The company regularly carries out the classification and prioritisation of risks affecting the company's sustainability. From the analysis carried out, risks are classified into four possible categories:

Riesgos estratégicos	Riesgos que impactan en los objetivos establecidos al más alto nivel y relacionados con el establecimiento de la misión y visión de la Compañía. Estos riesgos, en caso de materializarse, comprometen la consecución de los objetivos estratégicos.
Riesgos de cumplimiento	Riesgos que afectan al cumplimiento por parte de la Compañía de todas aquellas leyes y regulaciones internas o externas que le son de aplicación (plazos de presentación y pago de impuestos, cumplimiento de la ley de protección de datos personales, etc.).
Riesgos financieros	Riesgos asociados a los mercados financieros, la generación y la gestión de la tesorería. Entre ellos se incluyen los relacionados con la liquidez, gestión del circulante, acceso a los mercados financieros, tipo de cambio y tipo de interés, entre otros.
Riesgos operacionales	Riesgos relacionados directamente con la eficacia y eficiencia de las operaciones, incluyendo los que impactan en objetivos relacionados con el desempeño y la rentabilidad (fallos en los sistemas, anomalías en los procesos, etc.).

Main risks which the Group has been exposed to during 2017 in each of the previous categories, as well as the different mitigating measures, have been described under the risk exposure chapter of this report.

PERFORMANCE IN 2017: POLICIES, INDICATORS AND OUTCOME

Grupo Ezentis is a multinational company that, as indicated in the Business Model, is related to a wide variety of Interest Groups. The difficulty in managing these

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groups of people is that each of them has different expectations and needs and, therefore, they should be considered separately.

Corporate Social Responsibility (CSR) governs relationships with Stakeholders and aims to be a transversal and cultural item within the organisation at the internal level, as well as a tool of communication and transparency towards the outside.

An important aspect is that the commitment acquired by Grupo Ezentis for the adequate management of Corporate Social Responsibility is driven by Senior Management and the Board of Directors, not only in compliance with applicable regulatory frameworks, but also with a more strategic vision and response to the expectations of all the Stakeholders. In this regard, in 2017, the Corporate Social Responsibility functions were defined at the organisational level under the Communications and CSR Directorate.

At hierarchical level, the Communication and CSR Directorate reports to the company's CEO. Further, as defined in the Bylaws of Grupo Ezentis, SA, the Appointments and Remuneration Committee, in coordination with the Audit and Compliance Committee, which approves the Corporate Social Responsibility policy, monitors the strategy and Corporate Social Responsibility practices and assess their degree of compliance.

The geographical diversification has promoted that each region defines its own concept of Corporate Social Responsibility, applied to the different activities and actions at local level. Therefore, one of the objectives proposed in 2017 consisted in preparing a Corporate Social Responsibility Policy (CSR) common to the entire Group.
The CSR policy was approved by the Board of Directors of the company, in line with the recommendations of good governance of the National Securities Market Commission (CNMV) of Spain.

Like other areas of company management, CSR requires the establishment of specific policies and actions aimed at achieving objectives distributed in different temporal scenarios. In this regard, Grupo Ezentis has prepared its first Corporate Social Responsibility Master Plan in 2017, which covers the different areas and specific actions in terms of CSR, over a three-year period (2017-2020).

The matters referred to below are aspects that, in one way or another, are contemplated in the Master Plan through concrete actions that promote an increasingly responsible and sustainable management, at the same time as consistent with the principles and company values.

A) RESPECT FOR HUMAN RIGHTS

Ezentis is a company present in several geographies whose values and codes of conduct are understood and applied universally. Therefore, in October 2014, the

Board of Directors of Grupo Ezentis approved the first Code of Ethics and Conduct (hereinafter, the Code) in order to ensure a professional, ethical and responsible behaviour of all employees and other parties subject to the same (suppliers, customers, shareholders, investors ...), in the development of the company's activities and in the fulfilment of functions.

Under the Code, Ezentis and the people to whom it applies are committed to comply with and enforce current regulations and to promote ethical behaviour consistent with the corporate values and human rights contained in the Universal Declaration of Human Rights of the United Nations.

Within the framework of the growing development of Corporate Social Responsibility and compliance with good corporate governance standards in the company, in July 2017 the Code was renewed1 with the purpose of creating a business culture based on the integrity of its behaviour and coherence with the corporate image that is intended to project to the social and business environment.

Section 6 of the Code includes the detail of a series of specific rules of conduct that cover aspects of ethical behaviour such as respect for legality, human rights and public liberties, and support for equal opportunities and non-discrimination.

Since the development of the Code, the organisation has encouraged the communication and dissemination of these values to all its members through regular talks and meetings with the different heads of the areas, and by sending the document to all its employees. In line with the above, Ezentis has carried out training sessions on the Code of Ethics and Conduct since September 2017 through an online platform in all the countries where it operates. It is also expected that in 2018 a more exhaustive campaign will be carried out, integrating also the employees of the new companies that are part of the Group.

Regarding possible deviations from the Rules of Conduct, in 2017 the company has not received or registered in the usual channels provided for this purpose, any notification or complaint, either internal or external, for non-compliance or for conduct contrary to the Code in matter of Human Rights.

B) ANTI-CORRUPTION AND BRIBERY ISSUES

In order to avoid behaviour contrary to the values and standards of ethical behaviour in the company, the Code of Ethics and Conduct, mentioned in the previous section, includes express mention to the following aspects:

1. Duty of loyalty and conflict of interests
2. Measures against bribery and corruption
3. Gifts and attentions
4. Money laundering and irregularities in payments

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[1] https://www.ezentis.com/pdf/Codigo-de-Etica-y-de-Conducta-Aprobado-en-CdA.pdf

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5. Financial Records

In a complementary manner, the organisation has a Crime Prevention Model2, in accordance with the amendment of the Spanish Penal Code, which is reviewed annually and which describes the measures for the prevention and control of those operations and / or susceptible actions. of being considered as a crime of the legal entity. The company has Crime Prevention protocols and criminal risk matrices and controls at Corporate level (Grupo Ezentis, S.A) and separately, the rest of the Group companies. For this reason, a Compliance Officer has been designated in the organisation, who is responsible for the supervision and management of issues related to regulatory compliance and reports to the Audit and Compliance Committee of Grupo Ezentis.

As a result of the progress made in the area of Crime Prevention in 2017, the company is working on the preparation of online training sessions for employees in aspects related to these matters. Although this aspect applies to the activities carried out in the Spanish territory, it will also be applicable for all the other geographic areas where the group operates, adapted to their local regulatory requirements in this regard.
In addition to the internal dissemination of the Code of Ethics and Conduct, the company places at the disposal of all employees a Whistleblowing Channel through which they can notify any possible breaches, anonymously if desired, whose treatment is absolutely confidential and delimited to the members of the Ethics Committee.

The Ethics Committee is the body designated to follow up and resolve the complaints received by email ((canaldedenuncias@ezentis.com) oy by postal mail (Apto Correos 14867 – 28080 Madrid). It meets regularly and is composed of four members.

In order to guarantee the security of personal information and maintain the independence of the processes, Ezentis has internal procedures that establish the functions and guidelines to be followed upon reception of a complaint for behaviour contrary to the Code of Ethics, until the resolution of the same. (Procedure of the Ethical Channel and the Ethics Committee Regulation).

In 2017 a total of 8 complaints were received, classified, according to their content, into three typologies (work environment, equal opportunities and a requirement for greater transparency in the processes), generating, accordingly, the files and the appropriate actions in each case for its investigation and future mitigation.

The Ethics Committee has the obligation to inform the Audit and Compliance Committee and, in addition, must resolve and implement the action plan that is determined in each specific case.

[2] https://www.ezentis.com/pdf/Protocolo-de-Prevencion-de-Delitos-de-Grupo-Ezentis-SA.pdf

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C) SOCIAL AND LABOUR ISSUES

As a service company, Ezentis' business model is strongly based on its human capital.

Ezentis has policies in each of its companies serving as a framework for the management of people. Including, not limited to:

— Management policy for personnel and employees and management of human capital: The Personnel Administration policy is focused on generating value for clients, engaging and giving greater visibility to our employees, generating the best practices under the scope of the Corporate Social Responsibility and generating sustainable profits through a socially responsible work culture.

— Recruitment policy: In order to establish the criteria, guidelines and maintain transparency in all its internal and external selection processes, it is committed to seven key aspects of people management, among which are, for example, the use of techniques and means of legally accepted recruitment, monitoring of the Selection and Contracting Procedure established and respect for equal opportunities without distinction of race, colour, nationality, ethnic origin, religion, gender, age or sexual orientation.

— Equality Policy and Code of Protection Against Harassment: The company declares its commitment to the establishment and development of policies that integrate equal treatment and opportunities between women and men as a strategic principle of the Corporate Policy and Human Resources.

— Quality of Life and Wellbeing Policy: This policy constitutes the declaration of principles and guidelines to give shape to the fulfilment of the strategy and objectives of the company, in harmony with the Quality of Life of its Collaborators

In each and every one of the areas where the activity of the company is carried out, from the selection to the promotion, going through the salary policy, training, employment conditions, occupational health, organisation of working hours and family conciliation, the principle of equal opportunities between women and men is assumed, paying special attention to indirect discrimination, understood as "the situation in which an apparently neutral disposition, criterion or practice puts a person in a sex at a particular disadvantage compared to people of the other sex ".

Proof of the commitment to diversity and equal opportunities is that more than 50% of the Board of Directors is made up of women, placing the company in one of the few listed companies that complies with the Good Government recommendations of the CNMV.

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Diversity indicators:

Diversity indicators:	2017
Woman on the payroll (%)	11%
Woman on the Board of Directors (%)	57%
People with disabilities* (%)	2%
People younger than 30 (%)	26%
People aged 30-44 (%)	47%
People aged 45-50 (%)	15%
People older than 50 (%)	6%

*Data limited to Spain.

Ezentis is a company that is constantly growing and for this, it needs to rely on the best professionals. For this reason, the organisation strives in the processes of recruitment of the profiles that best fit the needs of the business and also seeks to promote permanent employment in the best possible conditions. Each worker is considered an end in itself, a contribution of added value to the client and the organisation as a whole, and, therefore, the loss of talent is an aspect present in the agenda of all team leaders.

In line with the CSR Master Plan approved in 2017, the company is working on the elaboration of an Action Plan related to Stakeholders, which allows, in the case of employees, to know the reasons that lead our workers to voluntarily leave the company:

- In-person information meetings / call conference with a sample of employees, led by the Department of Resources and Communication and CSR, so as to know their concerns and expectations and inform about the initiatives that the company is starting up
- Evolution of the current labour climate survey towards a homogeneous and unique procedure at Group level.
- Analysis of results in a segmented way according to activity and professional category, and implementation of measures that promote the retention of talent.

Indicators of working conditions:

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Labour indicators	2017
Average payroll (#)	10,848
Indefinite contracts (%)	80%
Voluntary turnover (%)	15%
Employees under a collective agreement (%)	65%

Occupational Health and Safety is an area which Ezentis is firmly committed to. In fact, within the values that serve as a guide in the activity of the company, it is included verbatim: "There is nothing more important than the safety of our employees, clients, subcontractors and the communities where we develop our work, transmitting this principle of action to the entire organisation."

In its more than 50 years of business experience, the company has demonstrated that Safety is the highest priority in the development of its activities, complying with applicable regulations in each geographic area where the group is present. The company provides workers with the best personal safety equipment necessary to carry out their duties, training sessions are held on risks which they are exposed to, and a detailed analysis of each event is carried out to avoid its recurrence.

It is important to consider that the Group's activity covers different segments, both in field operations (telecommunications or electricity), and in technology development activities (IT in offices). For this reason, the Group adapts safety parameters and the specific risks associated with each job.

However, in terms of safety, there is an irrefutable truth: it is never enough. Continuing with the permanent commitment of the Group to safety, the Top Management of the company has undertaken an action plan based on several pillars:

- Establishment of a Strategic Health, Safety and Quality Plan 2018-2020, led by the Operations Management, with the recent designation of a Corporate Director of HSEQ and Managers by country in this area, and with a specific action plan in each geographic area, but with a common mission, to reduce the number of accidents and position Ezentis as a reference network service provider creating value in a sustainable and safe way.
- Permanent inclusion of HSEQ aspects in the daily agenda of each Management Committee.
- Functional restructuring of HSEQ roles and responsibilities.
- Performing an exhaustive diagnostic exercise (Dupont Dynamic Assessment) called "Safety Culture", with a consultancy of recognized worldwide prestige. This consisted in the revision of accident indicators, field practices and documentation analysis. Perception surveys of workers and in-depth interviews with executives were

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also carried out, obtaining a good result in participation: 69.2% of the universe considered.

Systematization of the management and control of information.

With regard to Security Management Systems, Ezentis is certified in the OSHAS 18001 standard in all the activities carried out in Colombia, in Peru and in Tecnet (Chile), and plans to extend these certifications to the rest of the organisations of the company.

As part of the 2018-2020 Safety Plan, the company plans to improve the management and control system so that it can report accident information in a more rigorous manner and in accordance with the demands placed on it by its customers.

With regard to IT systems, Ezentis has an application that allows, for example, the control and monitoring of training sessions and talks received by workers, and the status of the Individual Protection Teams (EPI's), among other issues. The objective is to know at all times the state of the minimum safety conditions that must be fulfilled in each job.

Ezentis talent management is aimed at ensuring that all its professionals have the necessary training to carry out their work and provide them with resources to be able to develop it in the most effective and efficient way possible.

Training indicators:

Training indicators	2017
Total training (# hours)	84,484
Training ratio (hours / trained employee)	10h/trained employee
Courses given (#)	1,198

In addition to offering a balanced compensation and in accordance with the obligations required in each job, the company provides other benefits to employees related to the promotion of work-life balance and health preservation. Sometimes these benefits extend to first-degree relatives.

As an example, a non-exhaustive list of the main employee benefits offered by some Group companies is included:

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Benefits	Beneficiaries
Medical insurance and life insurance	Employees and relatives
Increase in maternity / paternity leave and gradual reincorporation plan	Employees
Bonuses and grants for education of sons and daughters of employees	Relatives
Education grant	Employees and relatives
Lunch vouchers	Employees
Health programmes: medical reviews, vaccines	Employees
Agreements with gyms, entertainment venues, pharmacies and specialised medical companies	Employees
Agreements with banking entities for the acquisition of soft loans	Employees
Health advice	Employees and relatives
Supplementary monetary aid for emergencies and health problems	Employees

D) ENVIRONMENTAL ISSUES

Ezentis, as a company whose business model is based on the construction, operation and maintenance of infrastructures, must pay special attention on all occasions in which it interacts with the natural environment.

The operational centres of Ezentis, in general, can be classified into:

- Field work centres: Conformed by a small administrative office, a materials / waste warehouse and a vehicle parking area.

- Administrative offices: Located in the main cities of the geographies where the company has activity.

Although in the matrix of material aspects issues of an environmental nature are not among the most relevant for the company, Ezentis is aware of the importance that the management of environmental efficiency presents in the achievement of two key challenges for the company.

- To improve the productive processes and, therefore, contribute to greater profitability in the costs associated with the operations.

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- To show the commitment of the organisation to environmental sustainability in each of its activities, in line with the increasingly demanding regulatory requirements and the growing importance for customers and end users.

Systematisation of the management and control of information.

The continued acquisition of companies in recent years has made it difficult to establish common policies and guidelines regarding environmental management and efficiency. Therefore, at present, some geographies maintain their Environmental Policies and the certification of their Environmental Management Systems, and those that do not have them, have the objective of obtaining Certification of their system in accordance with ISO 14001: 2015

An important aspect in the field of operational systems implemented in the company is the control and management of the fleet of vehicles and the fuel they consume. Currently, information is available for each vehicle that is in use, such as, for example, geographical location from GPS tools, or refuelling through a wallet card. This information, together with the team's Supervisors, is free in some cases to design the most efficient service route in distances and times, favours the reduction of fuel consumption and, therefore, emissions to the atmosphere.

On the other hand, this application also helps identify vehicles that require more maintenance due to their age or accumulated failures, so they can be included in the Vehicle Replacement Plan. As a general rule, older vehicles generate more emissions into the atmosphere since they do not incorporate the efficiency improvements of the latest generation models, so this measure of cost savings is at the same time an environmental advantage. The Group is in continuous renewal of its oldest fleet, since in addition to environmental reasons, it is required in many of the contracts with its customers.

Within its CSR Master Plan (2017-2020), Ezentis aims to improve the system of registration and control of non-financial information for better management of this and decision making in this regard. This process has already been initiated through the creation of a Scorecard of CSR indicators, in which the information of the different countries and of the new organisations forming an integral part of the Group is gradually integrated.

The field activity that accounts for more than 80% of the company's business, is supported by a high number of technicians and operators who move in fleet vehicles daily to the operation locations.

Consequently, the main environmental impact derived from the activity of Ezentis as a whole, has to do with the transport of vehicles, whose fuel consumption, in its different typologies, represents more than 90% of the energy consumption of the entire organisation in 2017

Distribution of the energy consumed by type of source:

Energy consumption (GJ)	2017
Consumption of electricity	10,120
Fleet consumption	319,166
Other office consumes	186
Total	**329,472**

n 2017, the company carried out the second calculation of emissions derived from its activity. In 2017, business travel issues were incorporated for the first time in the calculation of scope 3, although for the moment only air and train trips made in Spain are completed. For this reason, it is considered that the calculation of emissions is in evolution and is not exhaustive at the moment.

Distribution of emission Scope 1, 2 & 3:

Emission[3] (Ton CO_{2eq})	2017
Scope 1	2,227
Scope 2	630
Scope 3	20,931
Total	**23,788**

Direct emissions are calculated from the consumption of fuels in boilers, and the consumption associated with the company's own fleet of vehicles.

Scope 2 emissions derive from the consumption of electricity in the company's offices in all the countries where it operates.

Scope 3 of the company is mainly due to vehicles in a regime other than property (rent, leasing ... etc), and business trips made from Spain (plane and train)

In relation to the information of used materials and waste generated in the development of the field activities, work is being done so as to provide reliable and exhaustive data. For this reason, this information is included in the aforementioned scorecard, in order to homogenise its management and subsequent reporting.

[3] Source: UK Government Conversion Factors for greenhouse gas (GHG) reporting (2017); CO2 Emissions from Fuel Combustion 2016, (International Energy Agency)

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Finally, it is worth mentioning that the company completed the Carbon Disclosure Project (CDP) questionnaire for the first time in 2017, and in 2018 it will be carried out again with the information for year 2017.

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 thirteenth of June, two thousand and eighteen.	Madrid, a trece de junio de dos mil dieciocho.

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