# GRUPO EZENTIS, S.A. AND SUBSIDIARY COMPANIES (GRUPO EZENTIS)

Consolidated Financial Statements
in accordance with International Financial Reporting Standards
as adopted by the European Union,
and Consolidated Management Report for
the year ended 31 December 2018

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**Note**

## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(thousands of euro)

| ASSETS | Note | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| **Non-current assets** | | **133,053** | **128,631** |
| **Intangible assets** | | **50,946** | **46,294** |
| Goodwill | 6 | 34,539 | 34,681 |
| Other intangible assets | 7 | 16,407 | 11,613 |
| **Tangible fixed assets** | **8** | **31,093** | **20,908** |
| Land and buildings | | 48 | 86 |
| Technical facilities and machinery | | 2,240 | 2,883 |
| Tools and Furniture | | 2,396 | 3,448 |
| Motor vehicles | | 18,797 | 7,486 |
| Computers and other fixed assets | | 7,612 | 7,005 |
| **Equity Method Accounted Investments** | **10** | **56** | **82** |
| **Non-current financial assets** | **11** | **17,151** | **48,741** |
| **Deferred tax assets** | **19** | **33,807** | **12,606** |
| **Current assets** | | **189,411** | **150,884** |
| **Non-current assets held for sale** | **9** | **6,750** | **-** |
| **Inventories** | **12** | **20,425** | **10,982** |
| **Debtors** | | **138,728** | **128,270** |
| Customers for sales of products and services | 13 | 47,191 | 54,311 |
| Clients, work executed pending invoicing | 13 | 74,375 | 56,508 |
| Sundry debtors | 13 | 4,172 | 5,408 |
| Assets through current tax | 19 | 12,990 | 12,043 |
| **Other current assets** | **13** | **4,431** | **3,726** |
| **Cash and cash equivalents** | **13** | **19,077** | **7,906** |
| **Total Assets** | | **322,464** | **279,515** |

**The Notes to the Annual Financial Statements and Annexes I to V are an integral part of these EU-IFRS consolidated annual financial statements.**

## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018
(thousands of euro)

| | Note | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| **NET EQUITY** | | **32,038** | **31,031** |
| Subscribed capital | | 99,352 | 88,473 |
| Share premium | | 58,485 | 46,864 |
| Other reserves | | (85,776) | (78,307) |
| Treasury shares | | (435) | (11) |
| Profit and loss attributable to the parent company | | (14,697) | (6,701) |
| Other equity instruments | 3 | (982) | - |
| Translation differences | | (23,909) | (19,287) |
| **Minority interests:** | | **-** | **590** |
| **Total net equity** | **14** | **32,038** | **31,621** |
| **Non-current liabilities** | | **115,405** | **117,382** |
| **Provisions** | **18** | **6,534** | **31,013** |
| **Non-current financial assets** | | **100,695** | **81,199** |
| Debts with credit institutions | 15 | 94,959 | 77,164 |
| Derivative financial instruments | 15 | 982 | - |
| Other financial liabilities | 16 | 4,754 | 4,035 |
| **Deferred tax liabilities** | **19** | **8,015** | **4,951** |
| **Other Liabilities, Non-Current** | | **161** | **219** |
| **Current liabilities** | | **175,021** | **130,512** |
| **Liabilities associated with non-current assets held for sale** | **9** | **3,346** | - |
| **Current financial liabilities** | | **28,118** | **21,225** |
| Debts with credit institutions | 15 | 25,989 | 15,529 |
| Other financial liabilities | 16 | 2,129 | 5,696 |
| **Trade creditors and other accounts payable** | **17** | **139,961** | **107,310** |
| Suppliers | 17 | 81,311 | 45,406 |
| Other creditors | 17 | 8,509 | 6,640 |
| Remuneration pending payment | 17 | 11,052 | 13,975 |
| Liabilities through current tax | 19 & 17 | 24,285 | 31,299 |
| Prepaidments from clients | 17 & 22 | 14,804 | 9,990 |
| **Provisions for other liabilities and expenses** | **18** | **3,596** | **1,977** |
| **Total Liabilities** | | **290,426** | **247,894** |
| **Total net equity and liabilities** | | **322,464** | **279,515** |

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## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENT FOR 2018
(thousands of euro)

| | Note | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| **Operating Income** | | | |
| Net turnover | 22 & 23 | 436,985 | 394,689 |
| Other operating income | | 1,451 | 1,997 |
| Works performed by the Group on fixed assets | | 1,931 | 2,249 |
| **Operating expense** | | | |
| Consumables and other external expenses | 22 | (125,508) | (82,885) |
| Personnel expense | 22 | (185,383) | (179,003) |
| Depreciation and amortisation expense | 7 & 8 | (12,945) | (10,670) |
| Impairment and gains or (losses) on disposals of non-current assets | | - | (163) |
| Variation of provisions | | 416 | (1,525) |
| Other operating expense | 22 | (99,336) | (102,031) |
| Other profit or (loss) | 22 | (16,185) | (5,806) |
| **Consolidated operating profit/(loss)** | **23** | **1,426** | **16,852** |
| **Financial income and expense** | | | |
| Other income and interest | 22 & 23 | 2,472 | 1,590 |
| Financial expense and similar | 22 | (40,435) | (27,198) |
| Exchange rate differences (net) | 22 | (188) | (745) |
| Monetary corrections for hyperinflation | 2 | 6,507 | - |
| Impairment and gains or (losses) on for disposals of financial instruments; | 22 | 32 | (290) |
| **Financial profit/(loss)** | **23** | **(31,612)** | **(26,643)** |
| Participation in the Associates gains or (losses) | | - | 1 |
| **Consolidated profit/(loss) before taxes** | | **(30,186)** | **(9,790)** |
| Corporation tax | 19 & 23 | 17,862 | 3,010 |
| **Profit/(loss) for the year from continuing operations** | | **(12,324)** | **(6,780)** |
| **Profit/(loss) for the year from discontinued operations net of taxes** | 9 | (2,373) | - |
| **Consolidated profit/(loss) for the period** | | **(14,697)** | **(6,780)** |
| Attributable to: | | | |
| Non-Controlling Interests | | - | (79) |
| Owners of the Parent Company | | (14,697) | (6,701) |
| Basic earnings/(loss) per share from profit or loss of Parent Company | 14 | (0.0469) | (0.0271) |
| Basic earnings/(loss) per share from continuing operations | 14 | (0.0394) | (0.0274) |
| Basic earnings/(loss) per share from discontinued operations | 14 | (0.0076) | - |
| Diluted earnings/(loss) per share from profit or loss of Parent Company | 14 | (0.0469) | (0.0271) |
| Diluted earnings/(loss) per share from continuing operations | 14 | (0.0394) | (0.0274) |
| Diluted earnings/(loss) per share from discontinued operations | 14 | (0.0076) | - |

**The Notes to the Annual Financial Statements and Annexes I to V are an integral part of these EU-IFRS consolidated annual financial statements.**

## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2018 (INCOME AND EXPENSES RECOGNISED IN EQUITY)

(thousands of euro)

| | Note | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| **Consolidated year-end income (loss)** | | **(14,697)** | **(6,780)** |
| **Items that can later be classified to income** | | **(5,604)** | **(9,467)** |
| Hedges of net investment | **3.1** | - | (474) |
| Cash flow hedges | **3.1** | (982) | - |
| Translation differences in foreign currency | **14 c** | (4,622) | (8,993) |
| **Other comprehensive income for the year, net of tax** | | **(5,604)** | **(9,467)** |
| **Comprehensive income for the year** | | **(20,301)** | **(16,247)** |
| **Attributable to:** | | | |
| Owners of the Parent Company | | (20,301) | (16,168) |
| Non-controlling interests | **13 e** | - | (79) |
| **Comprehensive income for the year** | | **(20,301)** | **(16,247)** |
| **Total comprehensive income attributable to equity holders:** | | | |
| Continuing activities | | (17,928) | (16,168) |
| Discontinued activities | | (2,373) | - |
| | | **(20,301)** | **(16,168)** |

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## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## STATEMENT OF CHANGES TO CONSOLIDATED NET EQUITY FOR THE YEAR ENDED 31 December 2018

(thousands of euro)

| Thousands of euro | Subscribed capital (Note 14) | Share premium (Note 14) | Other reserves (Note 14) | Profit attributable to the parent company shareholders | Translation differences (Note 14) | Shares of the Parent Company (Treasury Stock) (Note 14) | Other equity instruments | Net equity attributable to the parent company shareholders (Note 14) | Minority Interests Note 14 | Total Net Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2018** | **88,473** | **46,864** | **(78,307)** | **(6,701)** | **(19,287)** | **(11)** | **-** | **31,031** | **590** | **31,621** |
| Year-end profit (loss) | - | - | - | (14,697) | - | - | - | (14,697) | - | (14,697) |
| Other comprehensive income for the year | - | - | - | - | (4,622) | - | (982) | (5,604) | - | (5,604) |
| **Comprehensive income for the year** | **-** | **-** | **-** | **(14,697)** | **(4,622)** | **-** | **(982)** | **(20,301)** | **-** | **(20,301)** |
| Operations with shareholders | - | - | - | - | - | (424) | - | (424) | - | (424) |
| - Increase (decrease) in capital | 10,879 | 11,621 | (129) | - | - | - | - | 22,371 | - | 22,371 |
| Transition IFRS 15 | | | 434 | - | - | - | - | 434 | - | 434 |
| Other operations with shareholders | - | - | 446 | - | - | - | - | 446 | (590) | (144) |
| **Transactions with owners** | **10,879** | **11,621** | **751** | **-** | **-** | **(424)** | **-** | **22,827** | **(590)** | **22,237** |
| Tax losses carried forward | - | - | (6,701) | 6,701 | - | - | - | - | - | - |
| Other variations to net equity | - | - | (1,519) | - | - | - | - | (1,519) | - | (1,519) |
| **Total movements in equity** | **10,879** | **11,621** | **(7,469)** | **(7,996)** | **(4,622)** | **(424)** | **(982)** | **1,007** | **(590)** | **417** |
| **Balance at 31/12/2018** | **99,352** | **58,485** | **(85,776)** | **(14,697)** | **(23,909)** | **(435)** | **(982)** | **32,038** | **-** | **32,038** |

**The Notes to the Annual Financial Statements and Annexes I to V are an integral part of these EU-IFRS consolidated annual financial statements.**

## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## STATEMENT OF CHANGES TO CONSOLIDATED NET EQUITY FOR THE YEAR ENDED 31 December 2017

(thousands of euro)

| Thousands of euros | Subscribed capital (Note 14) | Share premium (Note 14) | Other reserves (Note 14) | Profit attributable to the parent company shareholders | Translation differences (Note 14) | Shares of the Parent Company (Treasury Stock) (Note 14) | Net equity attributable to the parent company shareholders (Note 14) | Minority Interests (Note 14) | Total Net Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2017** | **70,697** | **31,578** | **(75,866)** | **903** | **(9,820)** | **(237)** | **17,255** | **535** | **17,790** |
| Year-end profit (Loss) | - | - | - | (6,701) | - | - | (6,701) | (79) | (6,780) |
| Other comprehensive income for the year | - | - | - | - | (9,467) | - | (9,467) | | (9,467) |
| **Comprehensive income for the year** | **-** | **-** | **-** | **(6,701)** | **(9,467)** | **-** | **(16,168)** | **(79)** | **(16,247)** |
| Operations with shareholders | - | - | 145 | - | - | 226 | 371 | - | 371 |
| - Increase (decrease) in capital | 17,776 | 15,286 | (2,712) | - | - | - | 30,350 | - | 30,350 |
| Divestment of subsidiaries | | | (516) | - | - | - | (516) | - | (516) |
| Other operations with shareholders | - | - | (261) | - | - | - | (261) | 134 | (127) |
| **Transactions with owners** | **17,776** | **15,286** | **(3,344)** | **-** | **-** | **226** | **29,944** | **134** | **30,078** |
| Tax losses carried forward | - | - | 903 | (903) | - | - | - | - | - |
| **Total movements in equity** | **17,776** | **15,286** | **(2,441)** | **(7,604)** | **(9,467)** | **226** | **13,776** | **55** | **13,831** |
| **Balance at 31/12/2017** | **88,473** | **46,864** | **(78,307)** | **(6,701)** | **(19,287)** | **(11)** | **31,031** | **590** | **31,621** |

**The Notes to the Annual Financial Statements and Annexes I to V are an integral part of these EU-IFRS consolidated annual financial statements.**

**GRUPO EZENTIS, S.A. AND SUBSIDIARIES**
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**
(thousands of euro)

| Thousands of euros | Note | 2018 | 2017 |
|---|---|---|---|
| **A) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3+4)** | | **28,412** | **15,140** |
| **1. Profit (loss) before tax** | | **(30,186)** | **(9,790)** |
| **2. Adjustments to profit/loss** | | **33,857** | **35,991** |
| Depreciation of fixed assets | 7 | 12,945 | 10,670 |
| Value corrections through impairment | | - | 241 |
| Disposals of financial instruments | | (32) | - |
| Variation of provisions | | (416) | 1,525 |
| Application of subsidies | | - | (137) |
| Results from disposals and conveyance of fixed assets | 22 | - | 163 |
| Financial income | 22 | (2,472) | (1,590) |
| Financial expenses | 22 | 40,435 | 27,198 |
| Participation in associates gains or (losses) | 22 | - | 1 |
| Exchange rate differences | 11 | 188 | 745 |
| Other adjustments to profit/loss / non-recurrent | | (16,791) | (2,825) |
| **3. Changes in working capital:** | | **29,048** | **(10,701)** |
| Inventory | | (9,443) | (1,886) |
| Trade debtors and other accounts receivable | 13 | 25,172 | (18,896) |
| Trade and other current liabilities | 17 | 13,319 | 10,081 |
| Other non-current assets and liabilities | | - | - |
| **4. Other cash flows from operating activities:** | | **(4,307)** | **(360)** |
| Taxes payable | | (4,307) | (360) |
| **B) CASH FLOWS FROM INVESTMENT ACTIVITIES (1+2)** | | **(28,480)** | **(5,814)** |
| **1. Payments through investments (-).** | | **(37,006)** | **(7,026)** |
| a) Acquisition of subsidiaries, net of cash (-) | | (9,834) | 1,705 |
| b) Tangible and intangible assets and real estate investments (-) | 7 & 8 | (27,172) | (7,826) |
| c) Other financial assets (-) | 7 | - | (712) |
| d) Payments through investments in group companies | 12 | - | (193) |
| **2. Collections through divestment (+)** | | **8,526** | **1,212** |
| b) Tangible and intangible assets and real estate investments (+) | | - | 860 |
| c) Other financial assets (+) | | 8,526 | 93 |
| d) Other assets (+) | | - | 259 |
| **C) CASH FLOW FROM FINANCING ACTIVITIES (1+2+3)** | | **9,834** | **(5,270)** |
| **1. Collections and (payments) through equity instruments** | **14** | **21,947** | **30,043** |
| a) Issue (+) | | 22,371 | 29,660 |
| b) Acquisition (-) | | (435) | - |
| c) Disposal (+) | | 11 | 383 |
| **2. Collections and (payments) through financial liability instruments:** | **15 & 16** | **25,850** | **(12,619)** |
| a) Issue (+) | | 104,879 | 12,496 |
| (b) Repayment and amortisation (-) | | (79,029) | (25,115) |
| **3. Cash flows from financing activities** | | **(37,963)** | **(22,694)** |
| a) Interest payments (-) | | (40,435) | (24,284) |
| b) Interest received (+). | | 2,472 | 1,590 |
| **D) EFFECT OF EXCHANGE RATE VARIATIONS** | | **1,405** | **(2,847)** |
| **(E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)** | | **11,171** | **1,209** |
| **F) Cash and cash equivalents at the beginning of the year** | | **7,906** | **6,697** |
| **G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E+F)** | **14.d** | **19,077** | **7,906** |

**The Notes to the Annual Financial Statements and Annexes I to V are an integral part of these EU-IFRS consolidated annual financial statements.**

## Notes to the consolidated financial statements for the year 2018
(thousands of euro)

### 1. General information:

Grupo Ezentis, S.A. (hereinafter the Parent Company) and its subsidiaries and associates (together "the Group") was incorporated in 1959.

The registered office of the Parent Company has been at Avenida Hytasa Nº 2, planta 2, puerta 20, Edificio Hytasa 41006 Seville, Spain since 15 November 2017. The Parent Company has been registered in the Mercantile Registry of Seville with this address since 13 December 2017.

At 31 December 2018, the Parent was carrying on its business in Spain, Argentina, Brazil, Chile, Colombia, Peru and Mexico, and its subsidiaries had as their company object everything that relates to:

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

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

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

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

5. The preparation and drafting of technical projects, site management, quality control, conducting studies and reports and technical advice of all kinds related to its corporate purpose.

6. Participation in companies that have similar or analogous activities to those designated above.

The Parent Company's activity relates to corporate services and shareholdings.

Annexes I, II and III present the subsidiaries included in the scope of consolidation and those not included in the scope of consolidation, respectively, as indicated below:

- Annex I: Subsidiaries included in the consolidated financial statements of Grupo Ezentis, S.A. and Subsidiaries.
- Annex II: Subsidiaries not included in the scope of consolidation of the Grupo Ezentis, as they correspond to inactive companies or companies in the process of liquidation
- Annex III: Joint ventures in which Group companies participate

The Parent Company's shares are listed on the Official Spanish Stock Exchanges of Madrid and Bilbao.

### 2. Basis of presentation, comparison of the consolidated annual accounts and principal accounting policies

#### 2.1) Basis of Presentation

The consolidated financial statements of the Grupo Ezentis for 2018 have been prepared:

1. By the Directors of the Parent Company at the meeting of the Board of Directors held on 27 March 2019.

2. In accordance with the International Financial Reporting Standards adopted for use in the European Union (EU-IFRSs) and approved by European Commission regulations in force at 31 December 2018, IFRIC interpretations and applicable mercantile legislation, no mandatory standards

have ceased to be applied. Annex IV summarises the most significant accounting principles and valuation criteria applied in the preparation of these consolidated annual financial statements.

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

4. These consolidated financial statements present a true and fair view of the consolidated net worth and financial position of the Group at 31 December 2018 and the consolidated results its operations and changes in consolidated net equity and consolidated cash flows for the year then ended

5. On the basis of the accounting records kept by the Company and by the other Group companies.

6. Applying the going concern principle at 31 December 2018, the Group had incurred losses of EUR 14,697 thousand (losses of EUR 6,701 thousand at 31 December 2017 attributable to the Parent Company). The losses in 2018 are mainly due to three non-recurring events: the cost of refinancing corporate debt amounting to EUR 6,479 thousand, the situation in Argentina with a negative impact of EUR 6,405 thousand and the costs of adapting the employment structure in some subsidiaries to capture synergies, which had a negative impact of EUR 10,296 thousand on results for the year.

At 31 December 2018, the Group had a positive working capital of EUR 14,390 thousand, a decrease of EUR 5,982 thousand with respect to the previous year, mainly due to the management performed on working capital and the exchange rate effect. The Portfolio at year end 2018 amounts to 791 million euros. The Portfolio consists mainly of multi-year contracts lasting between 3 and 5 years with the main operators in the sectors of activity in which Ezentis operates in Europe and Latin America.

As a result of the foregoing, the Parent Company's governing body has prepared these consolidated financial statements on a going concern basis, assuming that the Group will continue to generate positive cash flows and that there will be normal compliance with the obligations and payment commitments established.

7. The consolidated annual accounts have been prepared using the modified historical cost approach in those cases established by EU-IFRS, in which certain assets and liabilities are measured at fair value.

The consolidated financial statements for 2017 were approved in the General Meeting of Shareholders of the Parent Company on 29 June 2018 and are included solely for comparison purposes. In this respect, the Group has not restated the results for 2017 of the activities considered to have been discontinued in 2018 (see Note 9), due to the insignificant effect on these comparative balances.

The consolidated financial statements and the individual financial statements of the companies forming the Group for 2018 are pending approval by their respective Annual General Meetings. However, the Board of Directors of Grupo Ezentis, S.A. understands that these consolidated annual financial statements will be approved without significant changes.

The figures contained in these annual accounts are shown in thousands of euro unless otherwise stated.

**2.2) Classification of Argentina as a hyperinflationary country**

During 2018, various factors became apparent in the Argentine economy that led to the need to reconsider the treatment followed to date by Ezentis in the conversion of the financial statements of its investees in that country, as well as the recovery of its financial investments in Argentina. These factors include the inflation rate reached in 2018 and the cumulative inflation rate over the last three years, restrictions on the official foreign currency conversion market and, finally, the devaluation of the Argentine peso, as decided by the Argentine government.

Consequently, in accordance with International Financial Reporting Standards (IFRS), the Argentine economy was considered to be hyperinflationary in 2018, which represented the following main aspects:

- That it was appropriate to adjust the historical cost of the non-monetary assets and liabilities and the various equity items of the affected companies from the date of acquisition or incorporation onto the statement of financial position until the end of the financial year, to reflect changes in the purchasing power of the currency as a result of inflation.

Thus, the cumulative effect of the accounting restatement that corrected the effects of hyperinflation for years prior to 2018 would be reflected in consolidated translation differences at the beginning of 2018.

- That it is appropriate to adjust the income statement to reflect the financial loss corresponding to the impact of inflation for the year on net monetary assets (loss of purchasing power) in the net monetary position.

- That the different items of the income statement and cash flow statement must be adjusted by the inflation index since their generation, with a balancing entry in financial results and in a reconciling item on the cash flow statement, respectively.

- And, lastly, that all components of the financial statements of Argentine companies must be converted at the closing exchange rate (1 euro = 43,291 Argentine pesos at 31 December 2018).

The general price indices applied were as follows:

- Wholesale Internal Price Index (WPI), general level until 31 December 2016, except November and December 2015.
- Consumer Price Index (CPI) of the city of Buenos Aires for November and December 2015.
- Consumer Price Index (CPI) with national coverage for Argentina from January 2017.

The value of the general price index used at 31 December 2018 was 184.26 basis points and the variation with respect to the previous year was 47.65% (124.80 basis points at 31 December 2017)

On the basis of the foregoing, the main impacts on Ezentis' consolidated financial statements for 2018 were as follows:

| | **Thousands of euros** |
|---|---|
| | **2018** |
| Income | (2,718) |
| EBITDA | (64) |
| Net Profit | 6,405 |
| Reserves | (1,964) |
| Net Equity Effect | 1,192 |

(thousands of euro)

### 2.3) Changes in accounting policies and breakdowns

### 2.3.1.) New and amended standards adopted by the Group:

The following standards and interpretations came into force in 2018 and were used by the Group in the preparation of these consolidated financial statements:

| New standards, amendments and interpretations: | | Mandatory application for fiscal years beginning: |
|---|---|---|
| **Approved for Use in the European Union** | | |
| IFRS 15 Revenue from contracts with customers (published May 2014) | New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31) | |
| IFRS 9 Financial Instruments (last phase published July 2014) | Replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities, hedge accounting and impairment under IAS 39 | 01 January 2018. |
| Clarifications to IFRS 15 (published April 2016) | It revolves around the identification of the performance obligations, principal versus agent, of the granting of licenses and their accrual at a point or over time and some clarifications to the transition rules | |

**IFRS 15: Revenue from customer contracts**

IFRS 15 sets out the criteria for accounting revenue from customer contracts and replaces IAS 18 Revenue from Operation activities and IAS 11 Construction Contracts and related interpretations.

As described in Note 2.2 of the 2017 consolidated financial statements, the Group has performed an extensive analysis of the different categories of customer contracts covered by this standard, verifying the performance obligations identified for each type of contract in accordance with the provisions of the standard, the methodologies used to determine the transaction price and its distribution among each of the performance obligations in accordance with IFRS 15, in order to determine the effect that the criteria of the new standard could have at the time of accounting recognition of income from such contracts.

The Group has adopted the standard, effective for annual periods beginning on or after 1 January 2018, using the simplified retrospective approach, which means that the cumulative impact of adoption will be recognised in retained earnings on or after 1 January 2018 and comparative figures have not been restated.

In this regard, it should be noted that part of the income generated by the group relates to the execution of contracts for the provision of operation and maintenance services in the field of telecommunications and energy infrastructure and services, the execution periods of which are long-term, i.e., longer than one year. Therefore, the application of the criteria included in IFRS 15 did not result in the recognition of revenues differing significantly from those recognised in accordance with the criteria under IAS 18 and IAS 11 and did not have a significant impact at the date of first-time application, except for the capitalisation of certain costs relating to the formalisation of contracts in accordance with the aforementioned standard, which led to an increase in reserves at 1 January 2018 amounting to EUR 434 thousand.

In addition, in relation to the presentation of assets and liabilities relating to contracts established in IFRS 15, the Group opted not to present the aforementioned assets and liabilities separately on the consolidated balance sheet, and therefore maintained the current presentation of the "Clients, executed works pending certification" and "Customer Advances" headings on the consolidated balance sheet arising from the application of the stage of completion of construction work. The Group has chosen to present the assets and liabilities relating to contracts in a breakdown in the notes to the consolidated financial statements (see note 22).

**IFRS 9: Financial Instruments**

IFRS 9 establishes the criteria for recording and measuring financial instruments and replaces IFRS 39 Financial Instruments: Recognition and measurement:

The most significant changes resulting from the adoption of this standard are those relating to:

Classification and valuation of financial assets and liabilities. IAS 39 distinguished 4 categories of financial assets: fair value through profit or loss, held-to-maturity, available-for-sale and loans and receivables, with only the first category being maintained under IFRS 9. The criteria for classifying financial assets depend both on how an entity manages its financial instruments and, on the existence, and characteristics of the contractual cash flows of the financial assets. In this way the asset will be valued in the following way:

- If the objective of the business model is to hold a financial asset for the purpose of collecting contractual cash flows and, under the terms of the contract, cash flows are received on specific dates that constitute only payments of principal plus interest on that principal, the financial asset is valued at amortised cost.
- If the objective of the business model is both to obtain contractual cash flows and to sell them and, under the terms of the contract, cash flows are received on specific dates that constitute payments of principal plus interest on principal only, the financial assets are valued at fair value with changes in other comprehensive income (equity).
- In addition to these scenarios, the remaining assets will be valued at fair value through profit or loss. All equity instruments are valued by default in this category because their contractual flows do not comply with the characteristic of being only principal and interest payments. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

Financial assets and liabilities are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. On initial recognition, an undertaking measures trade receivable that do not have a significant financial component at their transaction price.

For recognition after initial recognition of financial assets, the following accounting policies are applied:

Financial assets at amortised cost These assets are subsequently recognised at amortised cost using the effective interest rate method. This amortised cost is reduced by any impairment loss. Gains or losses shall be recognised in profit or loss for the period when the financial asset is derecognised or impaired, or because of exchange rate differences.

Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss are subsequently recognised at fair value, excluding transaction costs, which are charged against earnings. Gains or losses (including dividends and interest) arising from changes in fair value are presented on the income statement under the heading "Other financial income/(expense) - net" in the period in which they arose.

Debt instruments at fair value through changes in other comprehensive income: They are subsequently recognised at fair value, with changes in fair value recognised under "Other comprehensive income". Interest income, impairment losses and exchange rate differences are recognised on the income statement. When sold or derecognised, adjustments to the cumulative fair value recognised in 'other comprehensive income' are included on the income statement as 'other net financial income/(expense)'.

Equity instruments at fair value through changes in other comprehensive income: They are valued after initial recognition at fair value. Only dividends are posted to income, unless such dividends clearly represent a recovery of the cost of the investment.

Therefore, the fundamental changes in the classification of the Group's financial assets would be summarised as:

| Financial Assets | Original Classification under IAS 39 | New classification under IFRS 9 |
|---|---|---|
| Hedging derivatives | Hedging instrument at fair value | Hedging instrument at fair value |
| Other financial assets | Loans and accounts receivable | Amortised cost |
| Clients and accounts receivable | Loans and accounts receivable | Amortised cost |
| Cash and Cash Equivalents. | Loans and accounts receivable | Amortised cost |

In addition, the classification of financial liabilities under IFRS 9 remains similar to that of IAS 39. Generally, liabilities are valued at amortised cost, except for financial liabilities held for trading, such as derivatives, which are measured at fair value through profit or loss. Therefore, there are no impacts in this category of financial instruments.

The breakdown by category of the Group's financial assets and liabilities at the reporting date is detailed in Notes 13, 15 and 16 to these consolidated financial statements.

IFRS 9 introduces a new impairment model based on expected loss (as opposed to the incurred loss model in IAS 39), consisting of 3 phases that must distinguish between the calculation of expected losses in the next 12 months from initial recognition (phase 1), expected losses based on significant increases in credit risk (phase 2) and incurred losses based on events (phase 3).

The criterion adopted by the Group is to recognise as an incurred loss those overdue balances based on the default ratio found for each Group entity in accordance with its own characteristics and those of its customers and debtors.

Since the Group's accounts receivable are primarily trade receivables without a significant financing component from Ezentis to the customer, the simplified approach is applied, and an initial and subsequent impairment provision is made based on the expected credit losses over the life of the asset. Due to the nature of the clients, their rating and historical defaults, the effect of the expected loss calculation has not had any impact on the application of the new criterion

With respect to the hedge accounting model, the new standard seeks to align accounting criteria with risk management, and, to this end, it affects the requirements for designation and documentation of the economic relationships between the hedging instrument and the hedged item. In the hedge accounting model applied by the Group, the fundamental change has been in the evaluation of the effectiveness of the hedges, by changing to the use of qualitative criteria to verify the economic relationship between the hedge and the hedged item, and to the evaluation of the impact of credit risk on the performance of the hedge.

With respect to refinancing of financial liabilities, IFRS 9 establishes that contractual flows of refinanced debt should be discounted at the original interest rate revised with the associated fees, rather than at the new rate resulting from the refinancing operation. The application of this new standard has not had any impact on the consolidated financial statements, since the refinancing carried out by the Group (see Note 15) has led to substantial changes in the liabilities recognised at that time.

At the date of first application of this new standard, it was not necessary to record any adjustment in these consolidated annual financial statements.

(thousands of euro)

### 2.3.2) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published which are not mandatory for the financial year ended 31 December 2018 and which have not been adopted early by the group.

| New standards, amendments and interpretations: | | Mandatory application for fiscal years beginning: |
|---|---|---|
| **Approved for Use in the European Union** | | |
| IFRS 16 Leases (published January 2016) | It replaces IAS 17 and associated interpretations. Addresses the identification of lease contracts and their accounting treatment | |
| Amendment to IFRS 9 Early cancellation with negative offsetting features (published October 2017) | This amendment will permit the measurement at amortised cost of certain financial assets that can be cancelled early for an amount less than the outstanding amount of principal and interest on that principal | 01 January 2019. |
| IFRIC 23 Uncertainty of tax treatment (published June 2017) | Clarifies how to apply the IFRS recording and measurement criteria when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity | |
| **Not yet approved for use in the European Union at the date of preparation of these financial statements** | | |
| Amendment to IAS 28 Long-term interest in associates and joint ventures (published October 2017) | Clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied | 01 January 2019. |
| Amendment to IAS 19 Modification, reduction or liquidation of a plan (published February 2018) | Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a defined benefit plan is modified, reduced or liquidated | |

The group's assessment of the impact of these new standards and interpretations is set out below:

**IFRS 16 *Leases***

The Group has decided to use the following practical solutions in applying the simplified method for leases previously classified as operating leases under IAS 17 Leases:

- Do not apply IFRS 16 to contracts that were not previously identified as containing a lease by applying IAS 17 and IFRIC 4 "Determining whether an arrangement contains a lease".
- Use of a single discount rate at country level.
- Exclusion of initial direct costs from the measurement of the asset by right of use on the date of initial application.
- Exclusion of leases whose term ends within 12 months of the date of initial application.
- Exclusion of leases in which the underlying asset is of low value.
- Instead of carrying out an impairment review at the date of initial application, the Company based its assessment of the onerous nature of the leases on the basis of IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately prior to the initial application date, so that the asset for right of use is adjusted at the date of initial application by the amount of the provision for onerous contracts recognised, where appropriate, in the statement of financial position immediately prior to the initial application date.

The Group, as lessee, elects to apply IFRS 16 using the modified retroactive approach, calculating at the initial date of application 1 January 2019 the value of the asset per right of use at that date whose equivalent is the financial liability of the lease, not restated in comparative information.

The Group has performed a detailed analysis of all the lease contracts entered into by it, both as lessor and lessee. The conclusion of this preliminary analysis is that the Group will have to record the rights of use and the corresponding liabilities relating to contracts for the rental of premises and facilities and means of transport, mainly in the scope of its business, which, based on the terms of these contracts, will be recorded in accordance with the requirements of the standard.

At 31 December 2018, the Group had non-cancellable operating leases, mainly of a real estate nature, amounting to EUR 29,357 thousand (see Note 22-d). In addition to these non-cancellable commitments, the Group expects to recognise liabilities for uncommitted lease periods, but in which it considers that there is reasonable certainty that it will not exercise the right to terminate the contract early. Therefore, the Group expects to recognise, on 1 January 2019, assets for right of use and liabilities for lease contracts of real estate assets in a range between approximately EUR 20,155 thousand and EUR 22,038 thousand at 1 January 2019.

In addition, the Group expects operating profit to increase by approximately EUR 2,304 thousand to EUR 2,902 thousand.

Lastly, the Group's activities as lessor are not material and the new standard does not make any material changes to the lessor's accounting records and, therefore, the Group does not expect a material impact on the consolidated financial statements for 2019.

## 3. Financial risk management

### 3. 1 Financial risk factors

The Grupo Ezentis has a Comprehensive Risk Management System through which it identifies, evaluates, prioritises and manages the Group's relevant risks. This system operates on a comprehensive and continuous basis and is the result of the consolidation at the corporate level of the steps taken by each of the business units, country or company that form or have formed part of the Grupo Ezentis throughout the year.

The purpose of this Comprehensive Risk Management System is to ensure that the risks that may affect the strategies and objectives of the Grupo Ezentis are systematically identified, analysed, evaluated, managed and controlled, with uniform criteria and established within the established risk tolerance levels.

The Board of Directors is responsible for defining the risk control and management policy, identifying the Company's main risks, especially 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 responsible for supervising the internal control systems for financial information (IFRS) and periodically guaranteeing the risk management system, so that the main risks are properly identified, managed and disclosed.

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

Financial risk management in particular is the responsibility of the Finance Department, which evaluates and hedges 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 associated with the financial markets, cash generation and management. These include those related to liquidity and working capital management, access to financial and capital markets, credit risk, and changes in exchange and interest rates.

## Notes to the consolidated financial statements for the year 2018
(thousands of euro)

### Financial Instruments

The financial instruments held by the Group at 31 December 2018 and 2017 are as follows:

| | Thousands of euro | | | |
|---|---|---|---|---|
| | At 31 December | | | |
| | 2018 | | 2017 | |
| | Valuation at amortised cost | Valuation at fair value Hedging instruments | Valuation at amortised cost | Valuation at fair value Hedging instruments |
| **Asset financial instruments** | | | | |
| Deposits and surety | 17,151 | - | 48,741 | - |
| **Non-current financial assets** | **17,151** | **-** | **48,741** | **-** |
| **Customers for sales of products and services** | **138,728** | **-** | **128,270** | **-** |
| Deposits and surety | 4,431 | - | 3,726 | - |
| **Other current financial assets** | **4,431** | **-** | **3,726** | **-** |
| **Cash and Cash Equivalents.** | **19,077** | **-** | **7,906** | **-** |
| **Current financial assets** | **162,236** | **-** | **139,902** | **-** |
| **Total** | **179,387** | - | **188,643** | - |
| **Financial liability instruments** | | | | |
| **Debts with credit institutions (Note 15)** | **94,959** | **-** | **77,164** | - |
| **Derivatives** | **-** | **982** | **-** | - |
| Loans and other accounts payable | 4,754 | - | 4,035 | - |
| **Other non-current financial liabilities** | **4,754** | **-** | **4,035** | **-** |
| **Total non-current financial liabilities** | **99,713** | **982** | **81,199** | **-** |
| **Debts with credit institutions (Note 15)** | **25,989** | **-** | **15,529** | **-** |
| Loans and other accounts payable | 2,129 | **-** | 5,696 | **-** |
| **Other financial liabilities** | **2,129** | **-** | **5,696** | **-** |
| **Suppliers** | **125,157** | **-** | **97,320** | **-** |
| **Total current financial liabilities** | **153,275** | **-** | **118,545** | **-** |
| **Total** | **252,988** | **982** | **199,744** | **-** |

The analysis of financial instruments measured at fair value is classified by valuation method. The different valuation levels have been defined as follows:

Trading price (unadjusted) on active markets for identified assets and liabilities; The Grupo Ezentis does not have financial instruments valued using this method.

Data other than the listed price included within Level 1 that are observable for the asset or liability, both directly (i.e. prices) and indirectly (i.e. derived from prices) (Level 2).

Data for the asset or liability that are not based on observable market data (i.e., unobservable data) (Level 3)

| 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial Instruments | | | | |
| - Derivatives | - | - | 982 | 982 |
| **Total liabilities** | **-** | **-** | **982** | **982** |

**Interest rate risk**

Changes in interest rates change the fair value of financial assets and liabilities that earn a fixed interest rate, as well as the cash flows of financial assets and liabilities tied to a variable interest rate, and therefore affect both equity and profit or loss, respectively. To mitigate this, the Group maintains an active policy in interest rate risk management, with constant monitoring of the market. Financial debts and other creditors, as well as our clients' contracts, are tied to a market interest rate and inflation rates.

Only a portion of the financial liabilities are subject to interest rate fair value risk. Financial debts and other creditors are tied to a market interest rate.

The debt structure at 31 December 2018 and 2017 is as follows:

| | Thousands of Euro | |
|---|---|---|
| | **31/12/2018** | **31//12/2017** |
| Fixed rate | 6,883 | 9,731 |
| Variable rate | 120,948 | 92,693 |
| **Total** | **127,831** | **102,424** |

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

To hedge interest rate risk, the Group has arranged financial instruments to hedge 69% of total corporate debt at face value at 31 December 2018.

To determine the fair value of the derivatives, the Company uses discounted expected cash flows based on market conditions with respect to the euro interest rate curves at the valuation date.

The derivatives contracted by the Group at 31 December 2018 are as follows:

| Classification | Type | Nominal (thousands of euros) | Maturity (*) | Fair value (thousands of euros) | |
|---|---|---|---|---|---|
| | | | | Assets | Liabilities |
| Interest Rate Swap | Variable to Fixed | 22,222 | 14-11-2023 | - | (265) |
| Interest Rate Swap | Variable to Fixed | 22,500 | 14-11-2024 | - | (503) |
| Interest Rate Swap | Variable to Fixed | 8,889 | 14-11-2023 | - | (106) |
| Interest Rate Swap | Variable to Fixed | 8,889 | 14-11-2023 | - | (108) |
| | | **62,500** | | **-** | **(982)** |

(*) The maturity of hedging instruments coincides with the year in which cash flows are expected to occur and affect the income statement.

Interest rate swap is used to hedge the interest rate. In the Interest Rate Swap, interest rates are exchanged in such a way that the Company receives a variable interest rate from the bank in exchange for a fixed interest payment. The Interest Rate Swap has been designated as a cash flow hedge.

At 31 December 2018, the fair value of the interest rate hedges denominated in Ezentis currencies is estimated to amount to a net liability position of EUR 982 thousand.

The sensitivity of the result to changes in interest rates on bank borrowings is as follows:

| In thousands of euro | Increase/decrease in interest rate (referenced to Euribor) | Effect on income before taxes |
|---|---|---|
| 2018 | +/-1% | +/- 1.209 |
| 2017 | +/-1% | +/- 946 |

**Exchange rate risk**

The Group's exchange rate risk is basically related to the operations of Group entities located outside Spain, especially in Latin America.

In order to mitigate these risks, the Group attempts to match, whenever possible, the costs and revenues referenced to the same currency, as well as the amounts and maturity of assets and liabilities arising from transactions denominated in currencies other than the euro. In this way, the Group has a natural exchange rate hedge that minimises currency risk on earnings, as it offsets the risk of sales in each country's currency with purchases, which is also made in that same currency.

The currencies other than the euro in which the Group operates most at 31 December 2018 are the Argentine peso, the Chilean peso, the Brazilian real, the Peruvian nuevo sol, the Colombian peso and the Mexican peso. The sensitivity of earnings and equity (increase and decrease) to the exchange rate of these currencies against the euro is as follows:

| | | Thousands of Euro | |
|---|---|---|---|
| | | **31//12/2018** | **31//12/2017** |
| Argentina | | | |
| Effect on income before taxes | ( +5% / - 5% ) | (629) | 10 |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | (397) | 185 |
| Chile | | | |
| Effect on income before taxes | ( +5% / - 5% ) | (414) | 62 |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | 812 | 934 |
| Peru | | | |
| Effect on income before taxes | ( +5% / - 5% ) | (61) | - |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | 1,439 | 1,486 |
| Brazil | | | |
| Effect on income before taxes | ( +5% / - 5% ) | (102) | (149) |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | 1,692 | 1,052 |
| Colombia | | | |
| Effect on income before taxes | ( +5% / - 5% ) | (32) | (59) |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | 144 | 185 |
| Mexico | | | |
| Effect on income before taxes | ( +5% / - 5% ) | 62 | (4) |
| Effect on equity (change in value adjustment) | ( +5% / - 5% ) | 177 | 119 |

(thousands of euro)

In 2018, 73.8% of the Group's sales (92.2% in 2017) and 74.4% in 2018 of its operating expenses (89.6% in 2017) were in foreign currency.

The main figures for sales in currencies other than the euro are summarised below:

| | Net amount of Turnover | |
|---|---|---|
| | **2018** | **2017** |
| Brazil | 134,680 | 133,461 |
| Chile | 91,974 | 99,148 |
| Peru | 40,746 | 39,483 |
| Argentina | 33,529 | 71,826 |
| Mexico | 11,973 | 5,682 |
| Colombia | 9,538 | 10,225 |
| Caribbean | - | 4,202 |
| **Total foreign currency other than euro** | **322,440** | **364,027** |
| **Net sales** | **436,985** | **394,689** |
| **% of transactions in currencies other than the euro** | **73.8%** | **92.2%** |

The book value of fixed assets located abroad was EUR 28,501 thousand at 31 December 2018 (EUR 20,069 thousand at 31 December 2017), representing 91.7% of the total book value of fixed assets at year-end 2018 (96.0% at year-end 2017).

Also, the book value of other intangible assets located abroad was EUR 36,943 thousand at 31 December 2018 (31 December 2017: EUR 38,678 thousand), which mainly includes EUR 23,958 thousand of the goodwill of Ezentis Perú, S.A.C., EUR 3,154 thousand of the goodwill and intangibles identified in Ezentis Energía S.A.., EUR 3,332 thousand of goodwill and intangibles identified in Ezentis Engenharia, EUR 693 thousand relating to the intangibles identified in the Colombian subsidiary of the Networks Test Group and goodwill and intangibles identified in the acquisition of Tecnet for EUR 2,082 thousand.

**Credit risk**

This occurs when the provision of services or the acceptance of orders from customers whose financial solvency was not guaranteed at the time of acceptance, or during the execution of the order, may give rise to a risk of collection of the amounts due. In order to minimise the risk of non-payment, Ezentis analyses the credit quality of its customers, which in any case is excellent because they are first-rate companies in their markets.

The Grupo Ezentis mitigates this risk through policies that ensure that projects are carried out on customers with an appropriate credit history, for whom the corresponding solvency analyses are established.

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

The business lines of Technology and, especially, Telecommunications, depend on the group headed by Telefónica, S.A., representing approximately 50.2% of the group's revenues in 2018 (58.2% in 2017). In relation to accounts receivable, the Group reduces credit risk by factoring, without recourse, accounts receivable from the main customers of certain business areas. There is no historical history of invoices not attended by companies of the Telefónica group.

The credit risk of liquid funds is limited because the counterparties are banks of high credit quality. Likewise, the vast majority of accounts receivable that are neither past due nor provisioned for having a high credit quality in accordance with the Group's assessment, based on the analysis of the solvency and payment history of each customer.

(thousands of euro)

The analysis of the risk of collection of customers for sales and services at 31 December 2018 and 2017 is as follows

| | 31 December 2018. | | | 31 December 2017. | | |
|---|---|---|---|---|---|---|
| | (Overdue) and not impaired | Not Overdue | Total | (Overdue) and not impaired | Not Overdue | Total |
| Less than 180 days | 6,351 | 39,838 | 46,189 | 9,258 | 44,352 | 53,610 |
| More than 180 days | 1,002 | - | 1,002 | 701 | - | 701 |
| **TOTAL** | **7,353** | **39,838** | **47,191** | **9,959** | **44,352** | **54,311** |

Less than 180 days:

The tranche presented for EUR 46,189 thousand in 2018 (53,610 thousand in 2017) is considered to be of very low risk since it corresponds to customers with an payment age of less than 180 days and with very good credit quality. According to the Group's track record on these customers, the risk is considered to be very low (less than 1% of the customers presented in this category become defaults).

More than 180 days:

In the tranche presented as a customer more than 180 days old amounting to EUR 1,002 thousand at year-end 2018 (EUR 701 thousand at year-end 2017), it is considered to be a medium-risk tranche, even though it relates to customers who have matured in full, according to the history of these customers, less than 4% could result in default.

Note 13 shows that there are balances with overdue customers older than 180 days which are considered to be impaired amounting to EUR 1,085 thousand at year-end 2018 (EUR 1,501 thousand at year-end 2017).

**Liquidity Risk**

This risk is caused by temporary mismatches between the resources generated by the activity and the required funds. To mitigate this risk, the Group determines cash requirements using various budgeting tools and working capital management measures. With these tools, we identify cash requirements in amount and time, and plan financing requirements.

At 31 December 2018, the Group had a positive working capital of EUR 14,390 thousand (positive working capital of EUR 20,372 thousand at year-end 2017).

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

At 31 December 2018, liquidity amounted to EUR 19,077 thousand (31 December 2017: EUR 7,906 thousand), including cash and cash equivalents at 31 December 2018 (see Note 13-d).

The breakdown of the maturities of financial liabilities at 31 December 2018 is as follows

| | Thousands of euro at 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022 & following** | **Total** |
| Suppliers and other creditors | 89,820 | - | - | - | 89,820 |
| Remuneration pending payment | 11,052 | - | - | - | 11,052 |
| Liabilities through current tax | 24,285 | - | - | - | 24,285 |
| Debts with credit institutions | 25,989 | 12,205 | 13,735 | 69,019 | 120,948 |
| Derivative financial instruments | - | - | - | 982 | 982 |
| Other financial liabilities | 2,129 | 1,590 | 1,165 | 1,999 | 6,883 |
| **Total** | **153,275** | **13,795** | **14,900** | **72,000** | **253,970** |

The breakdown of the maturities of financial liabilities maturing in 2019 is as follows

| | Thousands of euro at 31 December 2018 | | | |
|---|---|---|---|---|
| | **Up to 3 months** | **Between 3 and 6 months** | **Between 6 and 12 months** | **Total 2018** |
| Suppliers and other creditors | 44,910 | 35,928 | 8,982 | 89,820 |
| Remuneration pending payment | 11,052 | - | - | 11,052 |
| Liabilities through current tax | 13,278 | 9,714 | 1,293 | 24,285 |
| Debts with credit institutions | 13,135 | 5,337 | 7,517 | 25,989 |
| Other financial liabilities | 570 | 306 | 1,253 | 2,129 |
| Total | **82,945** | **51,285** | **19,045** | **153,275** |

The financial resources available in the first few months to meet the financial liabilities at 31 December 2018 are:

a) Cash and cash equivalents: EUR 19,077 thousand
b) Other current assets: EUR 4,431 thousand
c) Debtors: EUR 138,728 thousand

The average construction period in progress at the close of fiscal year 2018, considering total revenues, is 62 days (51 days at the close of fiscal year 2017).

The amount that will be collected over the following twelve months is the total amount of uninvoiced work executed existing at 31 December 2018, i.e. EUR 74,375 thousand (31 December 2017: EUR 56,508 thousand).

The evolution of clients, work executed pending invoicing is representative of the evolution experienced by the Group since 2016, with the acquisition of new companies and the award of new relevant contracts, as shown in the following summary:

| | **2018** | **2017** | **2016** |
|---|---|---|---|
| Clients, work executed pending invoicing | 74,375 | 56,508 | 46,368 |
| Net sales | 436,985 | 394,689 | 312,952 |
| **% / Net turnover** | **17.0%** | **14.3%** | **14.8%** |

2017

The breakdown of the maturities of financial liabilities existing at 31 December 2017 is as follows

| | Thousands of euro at 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 & following | Total |
| Suppliers and other creditors | 52,046 | - | - | - | 52,046 |
| Remuneration pending payment | 13,975 | - | - | - | 13,975 |
| Liabilities through current tax | 31,299 | - | - | - | 31,299 |
| Debts with credit institutions | 15,529 | 2,622 | 74,223 | 319 | 92,693 |
| Other financial liabilities | 5,696 | 2,727 | 629 | 679 | 9,731 |
| **Total** | **118,545** | **5,349** | **74,852** | **998** | **199,744** |

### 3.2. Credit risk

The Group's objectives with capital management are to safeguard the Group's ability to ensure the Group's operation and development and thus seek the highest profitability for shareholders. The Group's strategy continues to have an impact on the diversification and geographical consolidation of its activity, both in Spain and in other countries.

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

The Group monitors capital according to the leverage ratio, in line with market practice. This index is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings plus other financial liabilities less cash and cash equivalents and less current financial assets. Total capital contributed to the business is calculated as equity plus net debt. The ratio of total capital employed to revenue is also tracked.

The leverage ratio used at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Debts with credit institutions | 120,948 | 92,693 |
| Other financial liabilities | 6,883 | 9,731 |
| Cash and cash equivalents and current financial assets | (23,508) | (11,632) |
| **Net Debt** | **104,323** | **90,792** |
| Net Equity | 31,837 | 31,621 |
| **Total capital employed in the business** | **136,160** | **122,413** |
| Leverage index | 76.6% | 74.2% |

As mentioned in Note 15, the quantitative restrictions of the financing contract include the obligation to comply with certain financial covenants, which include the following

i) a limit on consolidated indebtedness, calculated as gross debt/EBITDA,
ii) the obligation to comply with a cash hedge ratio,
iii) the obligation to comply with an interest coverage ratio, and
iv) limiting investment in fixed assets to a maximum of 2% of revenue.

(thousands of euro)

The Group defines EBITDA as the consolidated operating profit for the year before taxes (excluding the profit from discontinued operations), before deducting interest, commissions, discounts and other financial payments by any member of the Group and without including the financial expenses provided for, adding expenses attributable to amortisation, depreciation and impairment of assets, before other results considered to be of a non-recurring nature, before deducting any costs associated with the transaction of the financing itself, after deducting the result associated with minority interests, excluding the participation in the result of associates, before taking into account the gains or losses recognised because of changes in the fair value of derivative instruments or the revaluation of any other asset and before taking into account any impact arising from pension plans and share option plans.

The reconciliation between EBITDA and the consolidated income statement is as follows:

| | 2018 | 2017 |
|---|---|---|
| **Year-end profit (Loss)** | **(14,697)** | **(6,780)** |
| Income tax expense | 17,862 | 3,010 |
| Participation in the Associates gains or (losses) | - | 1 |
| Financial results | (31,612) | (26,643) |
| Amortisation and depreciation | (12,945) | (10,670) |
| Impairment and gains or (losses) on disposals of non-current assets | - | (163) |
| Variation of provisions | 416 | (1,525) |
| Other non-recurring income (note 22) | (16,185) | (5,806) |
| Year-end profit or (loss) from discontinued operations net of tax | (2,373) | - |
| **EBITDA** | **30,140** | **35,016** |

## 4. Accounting estimates and judgements

The preparation of the consolidated annual financial statements in accordance with EU-IFRS requires management to make estimates and assumptions that may affect the accounting policies adopted and the amount of related assets, liabilities, income, expenses and breakdowns related thereto. The estimates and assumptions made are based on historical experience and other facts considered reasonable taking into account the circumstances at the date of formulation of the balance sheet, the result of which represents the basis of judgement on the value of the assets and liabilities that are not otherwise immediately determinable. In spite of this, the actual results could be different than the estimates.

The accounting estimates and judgements used at the close of 31 December 2018 have been applied uniformly in respect of employees in the preparation of the consolidated annual financial statements for 2017.

The main estimates made by Group are detailed below.

### 4.1. Useful life of intangible and tangible fixed assets

The Group's management determines the estimated useful lives and corresponding charges due to depreciation for its intangible and tangible fixed assets. The useful lives of the fixed assets are estimated with regard to the period in which the fixed asset items generate financial profits.

At each close, the Group reviews the useful life of the tangible fixed assets and if the estimates differ from those made prior the effect of the change is recorded for the future as of the year in which the change is made.

In relation to intangible assets with indefinite useful lives (goodwill), at least at the end of each financial year Group management submits these assets to an impairment test. The recoverable amount of each CGU to which goodwill has been allocated has been determined based on calculations of value in use using the discounted future cash flow method.

### 4.2. Deferred taxes

The Group is subject to income tax in the various countries in which it operates. The Group recognises liabilities for possible tax claims based on the estimation of whether additional taxes will be required. When the final outcome of these matters differs from the amounts initially recognised, such differences will have an effect on income tax and deferred tax provisions in the period in which the determination is made.

Similarly, the Group evaluates the recoverability of deferred tax assets based on the existence of future taxable income against which it is possible to capitalise such assets.

At 31 December 2018, the Group recognised deferred tax assets mainly in Brazil amounting to EUR 4,491 thousand, in Chile amounting to EUR 6,298 thousand, in Peru amounting to EUR 1,701 thousand, in Argentina amounting to EUR 3,291 thousand and in Spain amounting to EUR 17,967 thousand in unused tax credits and double taxation deductions.

### 4.3. Accounts receivable and financial assets

The Group makes estimates in relation to the collection of balances owed by customers in projects where there are disputes to be resolved or litigation in progress arising from disagreement with the work performed or non-compliance with contractual clauses linked to the return on assets delivered to customers, without any conflict in this area due in part to the excellent credit profile of customers who also very positively value the quality of the work and services provided by the Grupo Ezentis.

### 4.4. Provisions

Provisions are recognised when it is probable that a present obligation, as a result of past events, will result in an outflow of resources and the amount of the obligation can be reliably estimated. Necessarily, important estimates are made in order to meet the requirements of the accounting standards. The Management of the Group makes estimates, evaluating all the information and relevant facts, the probability of occurrence of the contingencies as well as the amount of the liability to be settled in the future.

### 4.5. Recognition of income

The Group's revenue recognition method is based mainly on the percentage of completion method. The stage of completion is determined on the basis of the economic valuation of the tasks actually performed at the balance sheet date as a percentage of the estimated total costs for each contract. This revenue recognition method is applied only when the outcome of the contract can be estimated reliably, and it is probable that the contract will generate profit. If the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent of cost recovery. In applying the percentage-of-completion method, the Group makes significant estimates in relation to the total costs required to perform the contract. These estimates are regularly reviewed and evaluated. During the development of the project, the Group also estimates the probable contingencies related to the increase in the estimated total cost and varies the recognition of revenues accordingly.

### 4.6 Derivatives

Interest rate swap is used to hedge the interest rate. In the Interest Rate Swap, interest rates are exchanged in such a way that the Company receives a variable interest rate from the bank in exchange for a fixed interest payment. The Interest Rate Swap has been designated as a cash flow hedge.

## 5. Business combinations

<u>2018</u>

On 1 June 2018, the Group acquired 100% of the shares of the company Excellence Field Factory, S.L.U. (hereinafter referred to as "EFF")

The following table summarises the book value, the consideration given at the transaction date of 1 June 2018, the fair values of the assets acquired and the liabilities assumed to acquire control:

| | Thousands of euro |
|---|---|
| Cash payments | 9,197 |
| Share payments (note 14a) | 19,500 |
| **Total consideration transferred 1-6-2018** | **28,697** |

Cash payments correspond to the initial consideration plus an additional amount as a result of the adjustment for compensation for the working capital of the acquired company.

Recognised amounts of identifiable assets acquired and liabilities assumed:

| | Book value | Fair value adjustments | Fair value |
|---|---|---|---|
| Intangible assets | 3,774 | 1,531 | 5,305 |
| Fixed assets | 925 | - | 925 |
| Non-current financial assets | 4,996 | - | 4,996 |
| Deferred tax assets | - | - | - |
| Current assets | 34,877 | 1,328 | 36,205 |
| Current financial assets | 225 | (3) | 222 |
| Cash and cash equivalents. | 18,865 | (2) | 18,863 |
| Deferred tax liabilities | - | (383) | (383) |
| Non-current liabilities | (4,996) | - | (4,996) |
| Current liabilities | (25,746) | (1,859) | (27,605) |
| **Total identifiable net assets** | **32,920** | **612** | **33,532** |
| **Negative consolidation difference (note 22-e)** | | | (4,835) |
| **Total** | | | **28,697** |

The net assets acquired in 2018 were measured by an independent expert in order to express an independent opinion on the fair value of certain intangible assets identified in accordance with the criteria established by international accounting standards IAS 38 and IFRS 3. The date of issue of the Report is 7 September 2018 on data from 1 June 2018

In order to compare the reasonableness of the negative consolidation difference arising from the purchase transaction, an analysis has been made of the nature of the items that make up the balance sheet of the acquired company. The purpose is to assess whether there are elements whose fair value is likely to make adjustments in addition to those already made prior to the integration of the company in the scope of consolidation.

The balance sheet of the acquired company presents a structure, in which 5 large groups can be established:

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

ii. Treasury and financial investments

iii. Tangible fixed assets

iv. Deferred tax assets

v: Intangible assets

However, in the specific case of the acquired company, these assets comprise mainly computer software with a defined useful life and a relative residual weight on the balance sheet total and intangible assets due to the acquisition of contracts with customers with a defined useful life.

The negative consolidation difference arising in the transaction, whose value amounts to a total of EUR 4,835 thousand (Note 22-e), is mainly identified with the structure of the acquired business, which presents the financing needs of working capital for its growth, which is covered through non-recourse debt.

The amount of ordinary income recognised on the consolidated financial statements at 31 December 2018 relating to the acquired company amounted to EUR 87,588 thousand for the months from June to December, the contributed profit being EUR 3,716 thousand.

If the Group had consolidated the acquisition of this entity from 1 January 2018, the consolidated income statement would show pro forma ordinary revenues of EUR 487 million, operating income before depreciation, amortisation and other income (EBITDA) of EUR 36.2 million and a loss for the year of EUR -10.8 million.

2017

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

During the second half of fiscal year 2017, the administrative condition associated with the purchase of the Peruvian company Ingeniería Celular Andina, S.A. was met.

In addition, to the extent that a series of suspensive conditions were met at 31 December 2017, Ezentis acquired 100% of the shares and holdings of the Spanish company Grupo Comunicaciones y Sonido, S.L.

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

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

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

Recognised amounts of identifiable assets acquired and liabilities assumed:

| 30/06/2017. | Book value | Fair value adjustments | Fair value |
|---|---|---|---|
| Intangible assets | 15 | - | 15 |
| Fixed assets | 618 | - | 618 |
| Non-current financial assets | 20 | - | 20 |
| Deferred tax assets | 305 | - | 305 |
| Current assets | 7,728 | - | 7,728 |
| Current financial assets | 139 | - | 139 |
| Cash and cash equivalents. | 667 | - | 667 |
| Deferred tax liabilities | (8) | - | (8) |
| Non-current liabilities | - | (1,438) | (1,438) |
| Current liabilities | (3,079) | - | (3,079) |
| **Total identifiable net assets** | **6,406** | **(1,438)** | **4,968** |
| **Negative consolidation differences** | | | (2,672) |
| **Total** | | | **2,295** |

| 31/12/2017. | Book value | Fair value adjustments | Fair value |
|---|---|---|---|
| Intangible assets | 27 | - | 27 |
| Fixed assets | 19 | - | 19 |
| Non-current financial assets | 35 | - | 35 |
| Deferred tax assets | 330 | - | 330 |
| Current assets | 3,185 | - | 3,185 |
| Current financial assets | 14 | - | 14 |
| Cash and cash equivalents. | 875 | - | 875 |
| Deferred tax liabilities | - | - | - |
| Non-current liabilities | - | - | - |
| Current liabilities | (1,730) | (600) | (2,330) |
| **Total identifiable net assets** | **2,755** | **(600)** | **2,155** |
| **Negative consolidation differences** | | | (432) |
| **Total** | | | **1,723** |

The net assets acquired in 2017 were measured by an independent expert in order to express an independent opinion on the fair value of certain intangible assets identified in accordance with the criteria established by international accounting standards IAS 38 and IFRS 3. The date of issue of the Report is 01 February 2018 on data from 30 June 2017 and 31 December 2017

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

The amount of ordinary income recognised in the consolidated financial statements at 31 December 2017 relating to the companies acquired amounted to EUR 13,928 thousand for the months from July to December, the contributed profit being EUR 826 thousand.

If the Group had consolidated the acquisition of these companies from 1 January 2017, the consolidated income statement for the year would show pro forma ordinary revenues of EUR 416 million and operating income before depreciation, amortisation and other income (EBITDA) of EUR 35.4 million.

At 31 December 2018, after the period of one year from the date of recognition of the business combination, there have been no changes in the measurement of assets and liabilities acquired that have resulted in differences in the initial recognition of the business combination.

## 6. Goodwill

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

| | Thousands of euro | |
|---|---|---|
| | 31//12/2018 | 31//12/2017 |
| Beginning balance | 34,681 | 37,810 |
| Translation differences | (142) | (3,129) |
| **Ending Balance** | **34,539** | **34,681** |

Goodwill has not been impaired since it was recognised in the consolidated annual financial statements.

(thousands of euro)

The policies and impairment analyses applied by the Group's Parent Company's directors to its goodwill have not been modified in comparison with year-end 2017.

At 31 December 2018, the Group recognised the effect of translation differences for the year amounting to EUR 142 thousand on the goodwill arising in the business combinations with Ezentis Perú, S.A.C., Ezentis Energía, S.A. and Ezentis Engenharia, S.A. and Tecnet, S.A.

The breakdown of the balance of the "Goodwill" caption on the consolidated balance sheet by CGU and the segments in which the CGUs are presented is as follows:

| CGU | Segment | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| Ezentis Perú | Perú | 23.958 | 23.445 |
| Ezentis Energia | Brazil | 2.869 | 3.212 |
| Ezentis Engenharia | Brazil | 1.975 | 2.211 |
| Grupo Networks Test | Spain | 4.821 | 4.821 |
| Tecnet | Chile | 916 | 992 |
| **Total** | | **34.539** | **34.681** |

**Loss tests on impairment of goodwill**

Goodwill is allocated to each cash-generating unit (hereinafter "CGU"). Impairment tests were performed at 31 December of each year.

The Parent Company's directors tested goodwill for impairment at 31 December 2018 and 2017, identifying that the projected cash flows attributable to each CGU support the value of the goodwill recognised. The projections used to calculate value in use are based on the 2019 budget approved by the Directors of the Group's Parent Company on 28 December 2018, the sector's economic growth forecasts for each country and the long-term projections, considering a projection period up to 2024, made by each of the local management in those countries.

The recoverable amount of the various CGUs has been determined on the basis of calculations of value in use using the discounted future cash flow method.

The main key assumptions on which management has based the projections of the CGUs to which goodwill has been allocated are the forecast of revenue growth based on management's estimates of renewal of major contracts and operating margins.

At 31 December 2018, the actual Revenues and EBITDA figures of the different CGUs are practically in line with the projections described above as the deviations generated have not been significant.

The discount rates and growth rates used for each of the CGUs are as follows:

| | Discount rate % | | Residual growth rate % | |
|---|---|---|---|---|
| CGU | 2018 | 2017 | 2018 | 2017 |
| Ezentis Perú | 11.6% | 12.7% | 2.9% | 3.5% |
| Ezentis Energia | 14.6% | 15.4% | 6.1% | 4.6% |
| Ezentis Engenharia | 14.6% | 15.8% | 6.1% | 4.5% |
| Networks Test España | 6.0% | 9.0% | 2.0% | 1.6% |
| Networks Test Colombia | 9.2% | 11.6% | 4.7% | 3.2% |
| Tecnet | 11.0% | 11.3% | 3.4% | 3.3% |

In determining the discount rates, the current cost of money (mainly 10-year Spanish government bonds and 10-year Brazilian, Colombian and Peruvian bonds), the weighted average capital rate and the risk premiums generally used by analysts for the business and considering the geographical area have been taken into account. The Group has re-estimated the discount rates applied on the basis of the new debt structure as a result of the refinancing process completed in 2018, which allows a significant reduction in the financial cost of corporate debt (see Note 15).

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

The equivalent pre-tax discount rates would be:

| | Discount rate % | |
|---|---|---|
| **CGU** | **2018** | **2017** |
| Ezentis Perú | 15.0% | 16.0% |
| Ezentis Energia | 19.9% | 21.9% |
| Ezentis Engenharia | 20.7% | 22.9% |
| Networks Test España | 7.3% | 11.4% |
| Networks Test Colombia | 12.3% | 15.0% |
| Tecnet | 13.5% | 13.0% |

In the case of residual growth rates, consideration has been given to both economic growth and long-term inflation expectations for each of the countries where each CGU is located.

In all cases, growth rates below the average of the products or industry in which the CGUs operate have been considered, which were obtained from the "EIU, Thomson Reuters and Analyst Report":

| **Residual growth rate** | | | | **Long-term Inflation** |
|---|---|---|---|---|
| **Countries** | **Min,** | **Max.** | **Average** | **2020** |
| Brazil | 5.0% | 8.0% | 6.5% | 6.1% |
| Spain | 2.0% | 4.0% | 3.0% | 2.0% |
| Colombia | 3.0% | 6.0% | 4.8% | 4.7% |
| Peru | 3.0% | 6.0% | 3.7% | 2.9% |
| Chile | 3.0% | 5.0% | 3.6% | 3.4% |

The book value of each CGU at 31 December 2018 and 2017 and its recoverable amount is as follows:

| **Thousands of euro** | **2018** | | **2017** | |
|---|---|---|---|---|
| **CGU** | **Book value** | **Recoverable value** | **Book value** | **Recoverable value** |
| Ezentis Perú | 24,569 | 26,543 | 26,025 | 30,741 |
| Ezentis Energia | 16,488 | 27,320 | 12,279 | 21,134 |
| Ezentis Engenharia | 10,818 | 54,507 | 9,489 | 25,887 |
| Grupo Networks Test | 10,047 | 20,768 | 10,936 | 16,058 |
| Tecnet | 6,422 | 36,643 | 7,027 | 9,667 |

In all cases, sensitivity tests have been performed in relation to the discount rate and the residual growth rate, without varying the conclusions obtained with respect to the valuation of the asset, as shown on the following table:

| Thousands of euro | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| CGU | Discount rate % | Growth rate % | Recoverable value | Discount rate % | Growth rate % | Recoverable value |
| Ezentis Perú | - | +1/-1 | 28,678/24,849 | - | +1/-1 | 33,524/28,503 |
| | +1/-1 | - | 23,960/29,789 | +1/-1 | - | 27,400/34,913 |
| Ezentis Energia | - | +1/-1 | 30,113/25,114 | - | +1/-1 | 23,228/19,394 |
| | +1/-1 | - | 24,116/31,386 | +1/-1 | - | 19,053/23,646 |
| Ezentis Engenharia | - | +1/-1 | 59,090/50,088 | - | +1/-1 | 28,071/24,059 |
| | +1/-1 | - | 49,061/61,376 | +1/-1 | - | 23,657/28,553 |
| Grupo Networks Test | - | +1/-1 | 26,208/17,433 | - | +1/-1 | 18,042/14,521 |
| | +1/-1 | - | 16,717/27,385 | +1/-1 | - | 14,274/18,361 |
| Tecnet | - | +1/-1 | 40,368/33,786 | - | +1/-1 | 10,509/9,013 |
| | +1/-1 | - | 32,535/41,989 | +1/-1 | - | 8,753/10,835 |

## 7. Other intangible assets

The changes in this caption on the asset side of the accompanying consolidated balance sheet are as follows:

*2018:*

| | Thousands of euro | | |
|---|---|---|---|
| | Contracts, client portfolios and non-compete agreements | Other intangible fixed assets | Total |
| **Cost** | | | |
| Beginning balance | 12,656 | 16,170 | 28,826 |
| Additions | 12 | 6,906 | 6,918 |
| Business combinations (Note 5) | 5,305 | - | 5,305 |
| Translation differences | (1,794) | (661) | (2,455) |
| Withdrawals | - | - | - |
| Ending balance | 16,179 | 22,415 | 38,594 |
| **Accumulated depreciation** | | | |
| Beginning balance | (7,155) | (10,058) | (17,213) |
| Charges during the year | (2,976) | (2,107) | (5,083) |
| Translation differences | - | 109 | 109 |
| Ending balance | (10,131) | (12,056) | (22,187) |
| **Other intangible assets, Net:** | | | |
| **Beginning balance** | **5,501** | **6,112** | **11,613** |
| **Ending balance** | **6,048** | **10,359** | **16,407** |

*2017*

| | Thousands of euro | | |
|---|---|---|---|
| | Contracts Customer portfolio and non-competition agreements | Other Fixed Assets Intangible assets | Total |
| **Cost** | | | |
| Beginning balance | 13,919 | 12,966 | 26,885 |
| Additions | - | 3,360 | 3,360 |
| Business combinations (Note 5) | - | 42 | 42 |
| Translation differences | (1,263) | (146) | (1,409) |
| Withdrawals | - | (52) | (52) |
| Ending balance | 12,656 | 16,170 | 28,826 |
| **Accumulated depreciation** | | | |
| Beginning balance | (4,977) | (8,379) | (13,356) |
| Charges during the year | (2,178) | (1,679) | (3,857) |
| Ending balance | (7,155) | (10,058) | (17,213) |
| **Other intangible assets, Net:** | | | |
| **Beginning balance** | **8,942** | **4,587** | **13,529** |
| **Ending balance** | **5,501** | **6,112** | **11,613** |

During 2018 and 2017 the Group has developed internal applications focused on the Technology area in its networks and engineering divisions and Naverggi, through the company Navento Technologies S.L.U. and the company Ezentis Tecnología S.L.U. The total investment in 2018 in Navento Technologies S.L.U. in this connection amounted to EUR 1,392 thousand (EUR 1,350 thousand in 2017). These developments have been financed through subsidies granted by Centro para el Desarrollo Tecnológico Industrial (CDTI) and the Ministry of Industry. The total investment in Ezentis Tecnología S.L.U. amounts to EUR 578 thousand (EUR 258 thousand in 2017).

In addition, in 2018 there were internal additions and developments in computer applications amounting to EUR 4,876 thousand, mainly in Peru (EUR 453 thousand), Argentina (EUR 244 thousand), Brazil (EUR 1,699 thousand), Colombia (EUR 336 thousand) and Chile (EUR 1,627 thousand).

At 31 December 2018, other intangible assets in use amounting to EUR 2,738 thousand gross had been fully depreciated (31 December 2017: EUR 2,777 thousand).

At 31 December 2018, the Group had investments abroad in other intangible assets with a net amortisation value of EUR 8,533 thousand (31 December 2017: EUR 9,250 thousand).

**Provision for impairment**

Based on the measurement rules for intangible assets with defined useful lives, in 2018 and 2017 the Parent Company's directors assessed the cash-generating units with other intangible assets and determined that their recoverable amount, i.e. their value in use, was higher than their book value and, accordingly, no provision was recognised in 2018 or 2017 for impairment of other intangible assets.

## 8. Tangible fixed assets

The changes in "Fixed assets" on the consolidated balance sheet in 2018 and 2017 were as follows:

| *2018* | Land and Buildings | Technical facilities and machinery | Tools and Furniture | Motor Vehicles | Computers and Other Fixed Assets | Total |
|---|---|---|---|---|---|---|
| | | | | | | **Thousands of euro** |
| **Cost** | 890 | 8,813 | 10,956 | 21,253 | 10,733 | |
| Beginning balance | 890 | 7,190 | 10,048 | 22,314 | 12,684 | 53,126 |
| Translation differences | (13) | (260) | (525) | (1,078) | (394) | (2,270) |
| Additions (Note 22) | - | 439 | 372 | 17,720 | 2,218 | 20,749 |
| Business combinations (Note 5) | - | - | - | 702 | 223 | 925 |
| Withdrawals | - | - | - | (1,591) | - | (1,591) |
| Ending balance | 877 | 7,369 | 9,895 | 38,067 | 14,731 | 70,939 |
| **Accumulated depreciation** | | | | | | |
| Beginning balance | (804) | (3,822) | (6,600) | (14,828) | (5,679) | (31,733) |
| Translation differences | - | 44 | 33 | 91 | 26 | 194 |
| Allocations | (25) | (866) | (932) | (4,573) | (1,466) | (7,862) |
| Withdrawals | - | - | - | 40 | - | 40 |
| Ending balance | (829) | (4,644) | (7,499) | (19,270) | (7,119) | (39,361) |
| **Provision for impairment** | | | | | | |
| Beginning balance | | (485) | | | | (485) |
| Ending balance | - | (485) | - | - | - | (485) |
| **Net tangible fixed assets:** | | | | | | |
| **Beginning balance** | **86** | **2,883** | **3,448** | **7,486** | **7,005** | **20,908** |
| **Ending balance** | **48** | **2,240** | **2,396** | **18,797** | **7,612** | **31,093** |

| *2017* | Land and Buildings | Technical facilities and machinery | Tools and Furniture | Motor Vehicles | Computers and Other Fixed Assets | Total |
|---|---|---|---|---|---|---|
| | | | | | | **Thousands of euro** |
| **Cost** | | | | | | |
| Beginning balance | 903 | 8,590 | 9,696 | 20,636 | 11,914 | 51,739 |
| Translation differences | (13) | (490) | (471) | (983) | (552) | (2,509) |
| Additions (Note 22) | - | 340 | 823 | 2,800 | 685 | 4,648 |
| Business combinations (Note 5) | - | - | - | - | 637 | 637 |
| Withdrawals | - | (1,250) | - | (139) | - | (1,389) |
| Ending balance | 890 | 7,190 | 10,048 | 22,314 | 12,684 | 53,126 |
| **Accumulated depreciation** | | | | | | |
| Beginning balance | (787) | (2,516) | (5,666) | (12,356) | (4,028) | (25,353) |
| Translation differences | - | - | - | - | - | - |
| Allocations | (17) | (1,306) | (1,228) | (2,611) | (1,507) | (6,669) |
| Business combinations (Note 5) | - | - | - | - | (144) | (144) |
| Withdrawals | - | - | 294 | 139 | - | 433 |
| Ending balance | (804) | (3,822) | (6,600) | (14,828) | (5,679) | (31,733) |
| **Provision for impairment** | | | | | | |
| Beginning balance | | (485) | | | | (485) |
| Ending balance | - | (485) | - | - | - | (485) |
| **Net tangible fixed assets:** | | | | | | |
| **Beginning balance** | **116** | **5,589** | **4,030** | **8,280** | **7,886** | **25,901** |
| **Ending balance** | **86** | **2,883** | **3,448** | **7,486** | **7,005** | **20,908** |

The main additions in 2018 relate to the acquisitions of Motor Vehicles in Chile for EUR 9,083 thousand, Brazil for EUR 5,139 thousand, Peru for EUR 1,350 thousand and Argentina for EUR 2,116 thousand, acquisitions of computer equipment and other non-current assets in Chile for EUR 252 thousand, Colombia for EUR 450 thousand, Brazil for EUR 544 thousand, Peru for EUR 294 thousand and Argentina for EUR 90 thousand

In addition, the acquisitions by business combination correspond to the addition to the consolidation perimeter of EFF, see note 5.

The main additions in 2017 related to the acquisitions of Motor Vehicles in Chile for EUR 1,690 thousand, Brazil EUR 228 thousand, Peru for EUR 228 thousand and Argentina for EUR 559 thousand, acquisitions of computer equipment and other fixed assets in Chile for EUR 312 thousand and Colombia for EUR 66 thousand, Brazil for EUR 63 thousand and Peru for EUR 175 thousand, acquisitions of tools and furniture in Argentina for EUR 37 thousand, Brazil for EUR 224 thousand, Peru for EUR 108 thousand and Chile for EUR 298 thousand.

In addition, the acquisitions by business combination corresponded to the acquisition of the companies of Grupo Comunicaciones y Sonido, see note 5.

At 31 December 2018, fully depreciated fixed assets totalled EUR 6,226 thousand (31 December 2016: EUR 7,078 thousand).

At 31 December 2018 and 2017 there were no mortgage guarantees on properties owned by the Group.

At 31 December 2018 and 2017 there were no contractual commitments to purchase fixed assets.

At 31 December 2018, the Group had investments abroad in tangible fixed assets with a net depreciated value of EUR 28,501 thousand (31 December 2017: EUR 20,069 thousand).

The breakdown of the items held by the Group under finance leases, included under "Fixed Assets" on the consolidated balance sheets at 31 December 2018 and 2017, is as follows:

| | | | Thousands of euro |
|---|---|---|---|
| | | | 31//12/2018 |
| | Technical facilities and machinery | Furniture, Computer Equipment, Other Fixed Assets and Motor Vehicles | Total |
| **Cost** | | | |
| Beginning balance | 4,094 | 24,120 | 28,214 |
| Additions / (Disposals) | 273 | 10,684 | 10,957 |
| Ending balance | 4,367 | 34,804 | 39,171 |
| **Accumulated depreciation** | | | |
| Beginning balance | (2,875) | (16,586) | (19,461) |
| (Provisions) / Retirements | (508) | (6,636) | (7,144) |
| Ending balance | (3,383) | (23,223) | (26,605) |
| **Net balances** | **984** | **11,581** | **12,566** |

| | Thousands of euro | | |
|---|---|---|---|
| | 31//12/2017 | | |
| | Technical facilities and machinery | Furniture, Computer Equipment, Other Fixed Assets and Motor Vehicles | Total |
| **Cost** | | | |
| Beginning balance | 3,198 | 22,955 | 26,153 |
| Additions / (Disposals) | 896 | 1,165 | 2,061 |
| Ending balance | 4,094 | 24,120 | 28,214 |
| **Accumulated depreciation** | | | |
| Beginning balance | (2,122) | (13,309) | (15,431) |
| (Provisions) / Retirements | (753) | (3,277) | (4,030) |
| Ending balance | (2,875) | (16,586) | (19,461) |
| **Net balances** | **1,219** | **7,534** | **8,753** |

The Group's policy is to enter into finance leases for part of its facilities, equipment and Motor Vehicles. Interest rates are set on the date of the contract. In 2018 and 2017, the average effective interest rate on this debt was approximately 7.4% and 7.8%, respectively, for leases held in foreign subsidiaries. Leases are amortised on a fixed basis and no agreement has been entered into for the payment of contingent rents.

The breakdown of the total finance lease debt at 31 December 2018 and 2017, classified under "Debts with credit institutions" on the consolidated balance sheet at those dates, is as follows

| | Lease payments | |
|---|---|---|
| | 31//12/2018 | 31//12/2017 |
| Amounts payable for financial leases: | | |
| Less than one year (note 15) | 5,169 | 3,313 |
| Between two and five years (note 15) | 8,874 | 3,710 |
| **Total** | **14,043** | **7,023** |

### 9. Non-current assets and liabilities held for sale and profit or (loss) from discontinued operations

The Board of Directors, at its meeting on 28 December 2018, decided to discontinue the operation and put the companies Radiotrónica Construcciones, S.A.(Argentina) Grupo Comunicaciones y Sonido, S.L. (Spain) and GTS Thaumat XXI, S.A.U. (Spain) up for sale.

At 31 December 2018, the following conditions have been met to classify non-current assets and liabilities as held for sale:

- The asset (or disposal group) is available for immediate sale
- Its sale is highly probable. There are active trades at reasonable prices in line with their fair value
- Its sale is expected within the next 12 months.

### 9.1 Disposable group assets classified as held for sale

The breakdown of this heading at 31 December 2018 is as follows:

| | Thousands of euro |
|---|---|
| | **31//12/2018** |
| **NON-CURRENT ASSETS** | **834** |
| Intangible assets | 195 |
| Tangible fixed assets | 27 |
| Non-current financial assets | 69 |
| Deferred tax assets | 543 |
| **CURRENT ASSETS** | **5,916** |
| Inventory | 476 |
| Trade debtors and other accounts receivable | 3,821 |
| Other current assets | 1,438 |
| Cash and cash equivalents | 181 |
| **TOTAL ASSETS** | **6,750** |

At 31 December 2018, the Group's directors presented the business relating to Radiotrónica Construcciones, S.A. (Argentina), Grupo Comunicaciones y Sonido, S.L. (Spain) and GTS Thaumat XXI, S.A.U. (Spain) as assets or group of assets held for sale. The main assets correspond to trade debtors and short-term accruals.

### 9.2 Disposable group liabilities classified as held for sale

The breakdown of this heading at 31 December 2018 is as follows:

| | Thousands of euro |
|---|---|
| | **31//12/2018** |
| **NON-CURRENT LIABILITIES** | **58** |
| Provisions | 50 |
| Deferred tax liabilities | 8 |
| **CURRENT LIABILITIES** | **3,288** |
| Current financial liabilities | 40 |
| Trade creditors and other accounts payable | 3,248 |
| **TOTAL LIABILITIES** | **3,346** |

At 31 December 2018, this includes the liabilities related to the assets of Radiotrónica Construcciones, S.A. (Argentina), Grupo Comunicaciones y Sonido, S.L. (Spain) and GTS Thaumat XXI, S.A.U. (Spain). The main liabilities correspond to trade creditors.

### 9.3 Profit or (loss) from discontinued operations

At 31 December 2018, the profit or (loss) from discontinued operations includes the loss from discontinued operations of Radiotrónica Construcciones, S.A. (Argentina), Grupo Comunicaciones y Sonido, S.L. (Spain) and GTS Thaumat XXI, S.A.U. (Spain) amounting to EUR (2,373) thousand.

| | Thousands of euro |
|---|---|
| | 31//12/2018 |
| Operating Income | 9,266 |
| Operating expense | (10,682) |
| **Operating results** | **(1,416)** |
| **Financial results** | **(1,392)** |
| **Pre-tax profit or (loss)** | **(2,808)** |
| Corporation tax | 435 |
| **Year-end profit (Loss)** | **(2,373)** |

### 9.4 Cash flow statement of discontinued operations

At 31 December 2018, the cash flow statement from discontinued operations is as follows:

| | Thousands of euro |
|---|---|
| | 31//12/2018 |
| **Cash flows from operation activities** | **776** |
| **Cash flows from investment activities** | **(3,572)** |
| **Cash flows from financing activities** | **3,216** |
| **Effect of the exchange rate variations** | **(146)** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS** | **274** |
| **Cash or cash equivalents at the start of the year** | **1,014** |
| **Cash and cash equivalent at the end of the year** | **1,288** |

## 10. Investments accounted for using the equity method

The amounts and changes in this heading in 2018 and 2017 were as follows:

| | Thousands of euro | |
|---|---|---|
| | **2018** | **2017** |
| Beginning balance | 82 | 121 |
| Business combinations (Note 5) | - | 35 |
| Withdrawals | - | (45) |
| Others | (26) | (29) |
| Ending balance | **56** | **82** |

At 31 December 2018 the investments accounted for using the equity method amounted to EUR 56 thousand (EUR 82 thousand in 2017) and correspond to the investment in the Joint Ventures.

**10.a Holdings in companies not included in the scope of consolidation:**

| | Thousands of euro | |
|---|---|---|
| | **2018** | **2017** |
| **Cost** | | |
| Beginning balance | 50,050 | 50,050 |
| Ending balance | **50,050** | **50,050** |
| | | |
| **Provision for impairment** | | |
| Beginning balance | (50,050) | (50,050) |
| Ending balance | **(50,050)** | **(50,050)** |
| | | |
| Beginning balance | - | - |
| Ending balance | - | - |

At 31 December 2018 and 2017, the impairment provision amounted to EUR 50,050 thousand, which relates to other investments in companies not included in the scope of consolidation since at least 2007.

Annex II includes a list of the investments in non-consolidated Group companies and information relating thereto.

## 11. Non-current financial assets

The changes during 2018 and 2017 were as follows:

| | Thousands of euro | |
|---|---|---|
| | **2018** | **2017** |
| **Cost** | | |
| **Beginning balance** | **48,741** | **46,268** |
| Additions and withdrawals (net) due to changes in the scope of consolidation | 108 | - |
| Additions | 3,385 | 3,870 |
| Withdrawals | (35,083) | (1,397) |
| **Ending balance** | **17,151** | **48,741** |

All non-current financial assets correspond to deposits made for various reasons.

Additions in 2018 relate mainly to deposits made in Brazil as a result of labour litigation.

This heading also includes deposits in court to meet possible tax obligations of Vértice Trescientos Sesenta Grados, S.A. amounting to EUR 7,565 thousand in nominal value and EUR 989 thousand in interest on arrears due to the procedure for the derivation of the Tax Authority's liability to the Group's Parent (see Note 21).

The additions in 2017 related mainly to deposits made in Brazil in connection with court cases of a labour nature, customer withholdings delivered on completion of the project once the guarantee has been released by the customer and the deposit of EUR 1,257 thousand made in connection with a tax appeal filed with the Mexican tax authorities (Comunicaciones y Sonido México, S.A. de C.V.), which is fully funded (Note 18).

Withdrawals in 2018 relate mainly to the following two events:

- EUR 28,236 thousand relating to the deposit made with the assignee entity as a result of the signing of a non-recourse credit assignment agreement with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortium (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation). (See Note 21)
- EUR 6,000 thousand from the restricted cash account due to the cancellation of the Senior Facility Agreement signed with Highbridge Principal Strategies, LLC. (See Note 15)

Withdrawals in 2017 relate mainly to changes in fair value and losses on derivative financial instruments arranged by the Parent Company.

## 12. Inventories

The breakdown of inventories at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Raw materials and other supplies | 17,871 | 7,357 |
| Advances to suppliers | 2,554 | 3,625 |
| | **20,425** | **10,982** |

The "Raw Materials and Other Supplies" caption relates mainly to materials used in the Group's various projects in progress.

The Group companies have taken out various insurance policies to cover the risks to which their inventories are subject. The coverage provided by these policies is considered to be sufficient.

## 13. Current financial assets

### a) Clients through sales and services

The breakdown of these headings on the attached consolidated balance sheet at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Customers for sales of products and services | 47,191 | 54,311 |
| Clients, provision of services pending invoicing | 74,375 | 56,508 |
| | **121,566** | **110,819** |

The balances of clients for sales and services at 31 December 2018 and 2017 are net of the effects discounting through non-recourse factoring and discounting of commercial cheques amounting to EUR 72,836 thousand and EUR 2,001 thousand, respectively (EUR 18,592 thousand and EUR 8,924 thousand at 31 December 2017). This amount has been derecognised from the assets and liabilities corresponding to year-end 2018 and 2017 since it corresponds to commercial discount transactions without recourse in which the credit and default risks of the debtor have been substantially transferred to the financier.

At 31 December 2018, the Group companies had drawn down non-recourse factoring lines amounting to EUR 72,836 thousand. The interest rate on these lines for 2018 is between 3.8% and 15.6%, with the weighted average rate on debts at 31 December 2018 being 7.1% (2017 8.5%). In addition, at 31 December 2018 the Group companies had a balance of EUR 16,602 thousand in undiscounted invoices.

The breakdown, by currency, of the balance drawn down in factoring lines is as follows:

| | **2018** |
|---|---|
| Euro | 43,440 |
| Brazilian Real | 11,032 |
| Chilean Peso | 8,566 |
| Mexican Peso | 3,239 |
| Peruvian Peso | 6,559 |
| | **72,836** |

In relation to clients for the provision of services pending billing, this relates to the provision of services under contracts with customers which, at the end of each financial year, have not yet been billed.

There is no significant effect on fair value of clients and accounts receivable. Nominal values are considered an approximation of their fair value and their discounting and is not, in any case, significant.

At 31 December 2018 and 2017, the balance sheet amount relating to clients for the sale and provision of services is presented net of the impairment provision for accounts receivable recognised by the Group.

The changes in the provision for insolvencies are as follows

| | **Thousands of euro** | |
|---|---|---|
| | **2018** | **2017** |
| Beginning balance | 1,501 | 1,476 |
| Charges during the year | - | 25 |
| Reversals | (416) | - |
| Ending balance | **1,085** | **1,501** |

At 31 December 2018, the EUR 1,085 thousand (1,501 thousand in 2017) relate to balances with customers for the sale and provision of services, which are more than 180 days old.

In 2018 and 2017 the Group did not exercise or enforce any type of guarantees in order to recover amounts of provisions related to clients for sales and services.

At 31 December 2018, EUR 84,386 thousand (31 December 2017: EUR 101,943 thousand) relate to balances in foreign currencies other than the euro of clients for sales and services and pending invoicing work executed. The breakdown, by currency, of the total amount of these headings is as follows:

| | Thousands of euro | |
|---|---|---|
| | Al 31 December | |
| | 2018 | 2017 |
| Euros | 37.180 | 8.876 |
| Pesos (Chile) | 22.983 | 29.745 |
| Pesos (Argentina) | 6.002 | 20.475 |
| Soles (Perú) | 11.186 | 12.386 |
| Pesos (Colombia) | 3.286 | 3.365 |
| Real (Brazil) | 37.598 | 32.929 |
| Pesos (Mexico) | 3.331 | 3.043 |
| | **121.566** | **110.819** |

**b) Other Accounts Receivable**

The breakdown of this category at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Sundry debtors | 5,317 | 6,575 |
| Personnel | 739 | 717 |
| Provision for impairment | (1,884) | (1,884) |
| | **4,172** | **5,408** |

The Directors of the Parent Company consider that the book value of sundry debtors not provisioned approximates their fair value.

At 31 December 2018 and 2017, sundry accounts receivable includes a consolidated VAT receivable amounting to EUR 1,884 thousand, which has been fully funded since the close of 2013. In addition, this heading includes balances of sundry debtors mainly in Peru amounting to EUR 1,249 thousand, Argentina amounting to EUR 558 thousand, Brazil amounting to EUR 427 thousand and Chile amounting to EUR 831 thousand.

**c) Other current assets**

Other Current Assets" on the consolidated balance sheets at 31 December 2018 and 2017 includes the following items:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Short-term accruals | 2,751 | 2,961 |
| Others | 1,680 | 765 |
| | **4,431** | **3,726** |

**Short-term accruals**

This heading mainly includes accruals at 31 December 2018 and 2017 in respect of insurance premiums and prepaid expenses relating to construction projects, which will accrue over the next twelve months.

**Others**

At 31 December 2018 and 2017, "Other Current Assets" includes mainly short-term guarantees provided in the normal course of business.

**d) Cash and cash equivalents**

The breakdown of these headings on the attached consolidated balance sheet at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Cash and Bank Balances | 18,408 | 7,098 |
| Other cash equivalents | 669 | 808 |
| | **19,077** | **7,906** |

At 31 December 2018, of the balance presented as "Cash and Cash Equivalents" amounting to EUR 18,408 thousand, of which EUR 2,989 thousand (EUR 2,060 thousand at year-end 2017) correspond to amounts in foreign currencies other than the euro and EUR 669 thousand of the balance presented as "Other Cash equivalents" 295 thousand (EUR 307 thousand at year-end 2017) correspond to amounts in foreign currencies other than the euro.

**14. Net equity**

**b) Subscribed capital and share premium**

The changes during 2018 and 2017 were as follows:

2018

| | Thousands of euro | | |
|---|---|---|---|
| | | | 2018 |
| | Number of shares | Par value | Share premium |
| **Ending balance at 31/12/2017** | **294,909,295** | **88,473** | **46,864** |
| Capital increase (1) | 4,347,825 | 1,304 | 1,696 |
| Capital increase (2) | 31,914,880 | 9,575 | 9,925 |
| **Ending balance at 31/12/2018** | **331,172,000** | **99,352** | **58,485** |

(1) On 23 April 2018, the following resolution to increase share capital, approved at the Extraordinary General Meeting of Shareholders of the Grupo Ezentis, held on 9 April 2018, corresponding to the second item on its agenda, was registered in the Mercantile Registry of Seville:

I. Capital increase agreement for credit compensation with Logística Corporativa, S.A., Vórtice Holding 2000, S.A. and Corinpat, S.A. for the amount of EUR 2,999,999.25 through the issue of 4,347,825 new shares of 0.30 euros of nominal value and 0.39 euros of issue premium, subscribed and paid by Logística Corporativa, S.A., Vórtice Holding 2000, S.A. and Corinpat, S.A.

The credits offset originate from a sales contract signed on 30 June 2017.

The 4,347,825 new ordinary shares represent 1.45% of the share capital after the increase.

(2) On 07 June 2018, the following resolution to increase share capital, approved at the Extraordinary General Meeting of Shareholders of the Grupo Ezentis, held on 14 May 2018, corresponding to the first item on its agenda, was registered in the Mercantile Registry of Seville:

I. Capital increase agreement whereby Ericsson is delivered the portion of the share price, as foreseen in the agreement reached with Ericsson España, S.A. for the acquisition of EFF, through its subsidiary Ezentis Tecnología, S.L.U. for the amount of EUR 19,500,000 (note 5). Along these lines, it has been agreed to issue 31,914,880 Ezentis shares, of the same class and series as those currently in circulation, with a par value of 30 euro cents each, for a total amount of EUR 19,499,991.68, of which EUR 9,574,464 correspond to share capital and EUR 9,925,527.68 to share premium. The share premium per share is EUR 0.311. The Ezentis New Shares received by Ericsson represent 9.637% of the share capital of Ezentis after the increase.

The resulting share capital at 31 December 2018 was EUR 99,351,600, divided into 331,172,000 shares with a par value of 0.3 euro.

At the date of preparation of the consolidated financial statements, all the shares were listed on the official Spanish stock exchanges in Madrid and Bilbao.

The expenses relating to the capital increases carried out by the Parent Company in 2018 amounted to EUR 129 thousand, which were recognised with a charge to reserves at the balance sheet date.

2017

| | Thousands of euro | | |
|---|---|---|---|
| | | | 2017 |
| | Number of shares | Par value | Share premium |
| **Ending balance at 31/12/2016** | **235,655,488** | **70,697** | **31,578** |
| Capital increase (3) | 6,288,515 | 1,886 | 1,515 |
| Capital increase (4) | 52,965,292 | 15,890 | 13,771 |
| **Ending balance at 31/12/2017** | **294,909,295** | **88,473** | **46,864** |

(3) On 20 July 2017, the following resolutions to increase share capital, approved at the Ordinary General Meeting of Shareholders of the Grupo Ezentis held on 29 June 2017, corresponding to items seven and eight of the agenda, were registered in the Mercantile Registry of Seville:

I. Capital increase agreement for compensation of credits for an amount of EUR 2,248,643.16 through the issuance 3,287,490 new shares with a par value of 30 euro cents each and 0.384 euros in issue premium, subscribed and paid by Messrs. Ademir Castilho Piqueira and Roberto Takashi Araki.

The offset credits arise from (i) a sale and purchase agreement entered into on 28 November 2013, (ii) a share purchase option agreement dated 19 June 2015 and (iii) a letter of amendment dated 11 March 2016, with Ademir Castilho Piqueira and Roberto Takashi Araki, assigned to Ezentis pursuant to a capitalisation agreement entered into on 17 May 2017.

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

II. Capital increase agreement for compensation of credits for the amount of EUR 1,152,393.60 through the issue of 3,001,025 new shares with a par value of 30 euro cents each and 0.084 euros in issue premium, subscribed and paid for by Servicios de Comunicaciones BRS Limitada, Eduardo Aroca Oliva and Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patricio Saavedra Rodríguez and Dominia Telecomunicaciones Limitada.

The offset credits originate from i) a sales contract signed on 11 September 2013, modified by agreements dated 31 March, 23 May, 27 July, 2 August and 29 December 2016, ii) a sales contract signed on 31 March 2016, modified by agreements dated 27 and 29 July and 29 December 2016 and iii) a purchase agreement dated 23 May 2016 modified on 2 August and 29 December 2016 with Servicios de Comunicaciones BRS Limitada, Eduardo Aroca Oliva y Compañía Limitada, Inversiones Marcelo Riveros Limitada, Inversiones Alcázar Limitada, Osvaldo Patricio Saavedra Rodríguez and Dominia Telecomunicaciones Limitada.

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

(4) On 26 October 2017, the deed relating to the increase in share capital for a nominal amount of EUR 15,889,587.60 corresponding to 52,965,292 shares with a par value of 30 euro cents each and a share premium of EUR 13,770,975.29 equivalent to 26 euro cents per share was registered in the Mercantile Registry of Seville.

The expenses relating to the capital increases carried out by the Parent Company in 2017 amounted to EUR 2,712 thousand, which were recognised with a charge to reserves at the balance sheet date.

(thousands of euro)

**Restrictions on the transferability of shares and shareholder agreements**

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

At 31 December 2017 Mr. Ademir Castilho Piqueira, Mr. Roberto Takashi Araki and Mr. Clemente Luis Márquez had transferred their shares

The Syndication Agreement is valid until 30 May 2019 and comprises, at 31 December 2017, a total of 7,073,809 Ezentis shares representing 2.399% of share capital, comprising the following voting rights:

| Shareholder | Shares |
|---|---|
| Mr. Guillermo Fernandez-Vidal | 606,631 |
| Teleprocesing Service, S.A. | 3,242,898 |
| Constanter, S.L. | 818,462 |
| Mr. Carlos Mariñas Lage | 899,483 |
| Mr. Fernando González Sánchez | 433,537 |
| Mr. Jorge de Casso Pérez | 318,755 |
| Mr. José María Maldonado Carrasco | 270,645 |
| Mr. Víctor Alfredo Drasal | 207,794 |
| Mr. Roberto Cuens | 116,776 |
| Mr. José Homobono Ocaña | 70,097 |
| Mr. Gabriel Frías García | 83,333 |
| Mr. Oscar Palencia Sorry | 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 |

Grupo Ezentis, S.A. reported by means of a significant event published on 31 December 2018 (registration number 273465), in compliance with article 531 of the Spanish Companies Act, that it had been notified of the termination, on the same date, of the syndication contract signed on 30 May 2016, published by means of a significant event on 14 June 2016 (registration number 239706).

**Agreement with Ericsson España, S.A.:**

In the framework of the transaction with Ericsson España, S.A. (hereinafter "Ericsson"), commitments were assumed that condition the transfer of the shares of its ownership, by which this company:

- shall have the right to sell, transfer or dispose, at any time, of Ezentis Shares which, as at 1 June 2018 (closing date of the acquisition), exceed 10% of the share capital of the Grupo Ezentis;
- will refrain from selling or transferring or otherwise disposing of Ezentis Shares until 1 January 2019, representing between 5% and 10% of the share capital of the Grupo Ezentis on the Closing Date;
- Refrain from selling or transferring or otherwise disposing of Ezentis Shares corresponding to 5% of the share capital of the Grupo Ezentis on the Closing Date until 24 months after the Closing Date, .

(a) Ericsson shall be entitled to pledge the Ezentis Shares as security for financing incurred in the conduct of its business activities, which shall not be considered disposal for the purposes of this Clause, and (b) it may not transfer any Ezentis Shares as a loan of shares.

As at 31 December 2018, there are no other restrictions on the acquisition or transfer of shares representing the share capital other than those resulting from the Internal Code of Conduct in the area of securities markets and general securities market regulations.

**Significant shareholdings**

Significant shareholders of Grupo Ezentis S.A. are those who directly or indirectly hold shares equal to or greater than 3%, as well as shareholders who, although not significant, have exercised the power to propose the appointment of a member of the Board of Directors.

**31 December 2018:**

In accordance with this definition, the Company's most significant shareholders, in accordance with the information appearing on the website of the National Securities Market Commission (CNMV), are Telefonaktiebolaget L.M. Ericsson, which holds 9.637% of the indirect voting rights (31,914,880 shares) through the company Ericsson España, S.A. Secondly, Eralan Inversiones, S.L. which holds 4.170% of the direct voting rights (12,296,664 shares). Thirdly, Lierde Sicav, S.A. which owns 3.326% of the direct voting rights (9,808,911 shares). Fourthly, Santander Asset Management, S.A., SGIIC which holds 3.412% of the indirect voting rights (8,041,018 shares) through Santander Small Caps España, FI. The remaining percentage of the shares is held by various shareholders.

**31 December 2017:**

In accordance with this definition, one of the significant shareholders of the Parent Company, according to the information on the website of the National Securities Market Commission (CNMV), is Eralan Inversiones, S.L., which holds 4.17% of the direct voting rights. Secondly, Lierde Sicav, S.A. which owns 3.326% of the direct voting rights. The remaining percentage of the shares is held by various shareholders.

**b) Reserves**

**Share premium**

The Capital Companies Act expressly permits the use of the balance of the share premium for capital and establishes no specific restrictions as to the availability of this balance.

**Legal reserve**

Pursuant to the Spanish Capital Companies Act, a minimum amount equal to 10% of year-end profits, if any, must be allocated to the legal reserve until said reserve reaches at least 20% of share capital. The legal reserve may be used to increase capital provided that the remaining balance does not fall below 10% of the new capital figure. With this exception, this reserve may only be used to offset losses in the event that there are no other reserves available which would be sufficient for said purpose.

At 31 December 2018 the Parent Company had a legal reserve of EUR 702 thousand (31 December 2017: EUR 544 thousand). At 31 December 2018 and 2017, the legal reserve does not equal 20% of share capital.

**c) Translation differences**

The changes during 2018 and 2017 were as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Beginning balance | (19,287) | (9,820) |
| Net investment hedge (Note 3.1) | - | (474) |
| Translation differences | (4,622) | (8,993) |
| **Ending Balance** | **(23,909)** | **(19,287)** |

At 31 December 2018 and 2017 all translation differences correspond to Subsidiaries.

**d) Treasury shares**

The changes in this the balance sheet account in 2018 and 2017 were as follows:

| | Shares | Thousands of euro |
|---|---|---|
| **Balance at 31/12/2016** | **665,954** | **237** |
| Additions | 75,720 | 41 |
| Withdrawals | (725,126) | (267) |
| **Balance at 31/12/2017** | **16,548** | **11** |
| Additions | 993,303 | 642 |
| Withdrawals | (302,302) | (218) |
| **Balance at 31/12/2018** | **707,549** | **435** |

**e) Minority interests**

The balance of this heading on the consolidated balance sheets at 31 December 2018 and 2017 includes the value of the minority interests in the consolidated companies.

The changes during 2018 and 2017 were as follows:

| | Thousands of euro | |
|---|---|---|
| | 31//12/2018 | 31//12/2017 |
| Beginning balance | 590 | 535 |
| Increases/(Decreases) | (590) | 134 |
| Year-end profit (Loss) | - | (79) |
| **Ending Balance** | **-** | **590** |

**2018**

On 28 December 2018, the minority interests of Ezentis Argentina, S.A. were acquired and they now hold 100% of the shares of the subsidiaries.

At 31 December 2018, there were no "Minority Interests".

**2017**

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

The profit for the year assigned to minority interests at 31 December 2017 amounts to a loss of EUR -79 thousand. The breakdown of this is as shown below:

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

The breakdown of minority interests in the balance sheet at 31 December 2017 is as follows:

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

Additionally, the value of the assets and liabilities of Minority interests as at 31 December 2017 is as follows:

| | 31/12/2017. | |
|---|---|---|
| **Thousands of euro** | **ASSETS** | **LIABILITIES** |
| - Shareholders of 49% of Radiotronica Serv. Mineros del Noa (Argentina) | 260 | (87) |
| - Shareholders of 40% of Radiotronica Construcciones (Argentina) | 2,569 | (2,459) |
| Shareholders of 2% of Ezentis Energía S.A. (Brazil): | 619 | (418) |

**f) Share-based incentives**

On 29 June 2018, the Ordinary General Shareholders' Meeting approved, in accordance with Article 219 of the Spanish Capital Companies Act, Article 35 of the Company's Articles of Association and the provisions of the Directors' Remuneration Policy, the delivery of shares in the Company to directors who do not perform delegated or executive functions as part of their remuneration system.

The maximum amount of the gross remuneration to be paid through the delivery of shares is thirty thousand euro (€30,000) to each of the directors who do not carry out delegated or executive functions in the Company, the settlement and payment of which will be made only once by resolution of the Board of Directors following a proposal from the Appointments and Remuneration Committee. Based on said limit, the maximum number of shares to be distributed shall be that which derives from dividing the aforementioned amount by the price resulting from the closing price of the ninety (90) days prior to the adoption of the corresponding resolution, which shall be assigned to the different beneficiaries by resolution of the Board of Directors, upon proposal of the Appointments and Remuneration Committee, depending on the parameters, if any, that may be applicable. In any case, the shares must be held by the beneficiaries until they cease to be directors of the Company.

**Long-term Incentives:**

On 29 June 2018, in accordance with the provisions of Article 219 of the Consolidated Text of the Spanish Capital Companies Act, the Shareholders in General Meeting approved the establishment of a long-term incentive for certain categories of Directors, senior executives and other executives of the Company and its SUBSIDIARIES linked to the achievement of strategic objectives for the period 2018-2020 and to be settled in cash and by delivery of shares in the Company (hereinafter, the "Long-Term Incentive"), in accordance with the following terms:

1. Description: The long-term incentive is configured as an incentive linked to the fulfilment, at the end of the reference period of the long-term incentive, of various strategic objectives that will be set by the Board of Directors and that will be linked, among other criteria, to the following:

(a) Evolution of operating profit and/or net profit.
(b) Evolution of operating cash flow.
(c) Evolution of the share price on the Spanish Stock Exchanges.

2. Beneficiaries Addressed to the directors who perform delegated or executive functions and to the senior executives of Grupo Ezentis, S.A. and to certain executives of the SUBSIDIARIES of the Company, as well as to other executives of the Company and its SUBSIDIARIES who, if applicable, may be included in the scope of application of the long-term incentive during its validity by virtue of the resolutions adopted by the Board of Directors in execution of this resolution.

3. Amount: The maximum cash amount to be delivered will be two million three hundred and thirty-one thousand nine hundred and sixty-six euro (€2,331,966) and the maximum number of shares to be delivered to all the beneficiaries of the long-term Incentive will be five million one hundred and ninety-six thousand and two (5,196.002) ordinary shares of the Company, equivalent to 1.571% of the share capital, which will be assigned to the different beneficiaries by resolution of the Board of Directors, following a proposal from the Appointments and Remuneration Committee, based on parameters corresponding to the level of responsibility of each beneficiary and the level of compliance with the objectives set.

**g. Earnings / (Loss) per share**

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

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Profit (Loss) attributable to shareholders (Thousands of euro) | (14,697) | (6,701) |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | 247,610,746 |
| **Basic earnings/(loss) per share from profit or loss of Parent Company (Euro)** | **(0.0469)** | **(0.0271)** |

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Profit (Loss) from continuing operations (Thousands of euro) | (12,324) | (6,780) |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | 247,610,746 |
| **Basic earnings(loss) per share from continuing operations (Euro)** | **(0.0394)** | **(0.0274)** |

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Gain (Loss) on discontinued operations (Thousands of euro) | (2,373) | - |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | - |
| **Basic earnings(loss) per share from continuing operations (Euro)** | **(0.0076)** | - |

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Profit (Loss) attributable to shareholders (Thousands of euro) | (14,697) | (6,701) |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | 247,610,746 |
| Weighted average number of diluted shares | **313,057,736** | **247,610,746** |
| **Diluted earnings/(loss) per share from profit or loss of Parent Company (Euro)** | **(0.0469)** | **(0.0271)** |

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Profit (Loss) from continuing operations (Thousands of euro) | (12,324) | (6,780) |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | 247,610,746 |
| Weighted average number of diluted shares | **313,057,736** | **247,610,746** |
| **Diluted earnings(loss) per share from continuing operations (Euro)** | **(0.0394)** | **(0.0274)** |

| | At 31 December | |
|---|---|---|
| | **2018** | **2017** |
| Gain (Loss) on discontinued operations (Thousands of euro) | (2,373) | - |
| Weighted average number of shares outstanding (Shares) | 313,057,736 | - |
| Weighted average number of diluted shares | **313,057,736** | - |
| **Diluted earnings(loss) per share from discontinued operations (Euro)** | **(0.0076)** | - |

### 15. Debts with credit institutions

The breakdown of this category at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | | | |
|---|---|---|---|---|
| | At 31 December | | | |
| | 2018 | | 2017 | |
| | Non-current | Current | Non-current | Current |
| Loans and credit facilities | 86,085 | 20,820 | 73,454 | 12,216 |
| Derivative financial instruments | 982 | - | - | - |
| Financial leases (Note 8) | 8,874 | 5,169 | 3,710 | 3,313 |
| **Debts with credit institutions** | 95,941 | 25,989 | 77,164 | 15,529 |

The breakdown, by year of maturity, of non-current bank borrowings under loans, credit facilities and finance leases at 31 December 2018 and 2017 is as follows:

| | Thousands of euros |
|---|---|
| **Year of maturity** | **2018** |
| 2020 | 12,205 |
| 2021 | 13,735 |
| 2022 | 9,310 |
| 2023 & following | 60,691 |
| | **95,941** |

| | Thousands of euros |
|---|---|
| **Year of maturity** | **2017** |
| 2019 | 2,622 |
| 2020 | 74,223 |
| 2021 | 319 |
| 2022 & following | - |
| | **77,164** |

The interest rate on loans and credit facilities in 2018 was between 4.91% and 16.84% (2017: between 5.69% and 31.01%), with the weighted average rate on debts at 31 December 2018 being 7.1% (2017: 8.6%). This average interest rate must be understood in the context of the countries in which the Grupo Ezentis operates.

**Structural Financing - Syndicated Loan Contract**

On 6 November 2018, the Group signed a loan agreement for a total amount of EUR 90 million, maturing in six years, with Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A., Bankia, S.A., Banco Pichincha España, S.A., EBN Banco de Negocios, S.A. and a series of funds managed and/or advised by Muzinich.

The loan structure consists of three tranches for the amounts and characteristics listed below:

- Tranche A, amounting to EUR 40,000,000, the purpose of which is to repay in advance the loan with Highbridge Principal Strategy LLC.
- Tranche B, for an amount of EUR 45,000,000, for the same purpose as the previous one.
- Tranche C, amounting to EUR 5,000,000, the purpose of which is to finance the Group's organic growth.

On 14 November 2018, the Group drew of all Tranches A and B and an amount of EUR 4,716,000 of Tranche C to finance the working capital needs of certain contracts in Brazil and Chile. The subsidiary of the Grupo Ezentis that is the main debtor of this financing is Corporación Ezentis Internacional, S.a.r.l.

Tranches A and C are redeemable semi-annually as from 30 June 2019 (Tranche A) and 30 June 2020 (Tranche C) and mature on 14 November 2023. Tranche B is fully repayable on 14 November 2024.

As a result of the new financing, and using funds from tranches A and B, the Group cancelled the Senior Facility Agreement signed with Highbridge Principal Strategy LLC on 23 July 2015, amounting to EUR 83,911 thousand. In addition, on that date the existing guarantees on a restricted cash account amounting to EUR 6 million were released as security for the aforementioned financing, recorded as a non-current financial asset on the balance sheet at 31 December 2017. At 31 December 2018, the effect on financial expenses on the attached consolidated income statement from the cancellation of the aforementioned financing amounted to EUR 6,479 thousand, mainly due to the early cancellation fee and the allocation to the consolidated income statement of the amount of the amortised cost that had not yet been amortised.

Interest and expenses

The loan includes interest, expenses and commissions including. among others:

- Variable interest with reference to Euribor (with a minimum of 0%) plus a spread.
- Fees for the availability of the amounts granted and not drawn.
- Agency commissions

Guarantees and conditions

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

- Pledging of the shares of the Group companies that signed or adhered to the Contract.
- Pledge on the bank accounts of certain companies holding shares.

The financing contract and the disposition of funds under it are subject to certain financial and non-financial obligations.

The loan establishes the obligation to comply with certain financial ratios as well as with other non-financial obligations customary in this type of contract.

The loan arrangement expenses amounted to EUR 4,891 thousand and are presented as a decrease in the value of the loan, which is charged against earnings using the amortised cost method. The amount recognised on the consolidated income statement in this connection amounted to EUR 153 thousand.

Interest paid in 2018 amounted to EUR 440 thousand. The amount relating to the settlement of the hedges amounted to EUR 57 thousand.

At 31 December 2018, the debt recognised in the accompanying consolidated balance sheet amounted to EUR 85,360 thousand (31 December 2017: EUR 73,118 thousand relating to the previous financing with Highbridge).

(thousands of euro)

### Derivative financial instruments

In order to mitigate interest rate risk, the Group arranged hedges through interest rate swaps. The notional amounts of these hedges cover the full amount of Tranche A and 50% of Tranche B (see note 3). The market value of these financial instruments was EUR 982 thousand at 31 December 2018.

### Other financing

In addition, the Group's subsidiaries have bank debt contracts at local level to finance working capital requirements. The main contracts are as follows:

| | Thousands | | | | | |
|---|---|---|---|---|---|---|
| | **Euro** | **Argentine Peso** | **Brazilian Real** | **Chilean Peso** | **Colombian Peso** | **Peruvian Soles** |
| Debts with credit institutions | 138 | 87 | 7,714 | 7,593 | 63 | - |
| Recourse factoring | - | - | - | 4,212 | 1,796 | - |
| Finance leases | - | 68 | 2,402 | 10,024 | - | 1,490 |
| **Total** | **138** | **155** | **10,116** | **21,829** | **1,859** | **1,490** |

The finance leases relate mainly to vehicle finance leases entered into by the subsidiaries of the Ezentis Chile, S.A., Ezentis Energía, S.A. Group. (Brazil) and Ezentis Perú, S.A. in 2018 and 2017.

The book value of debt with credit institutions and finance leases (both current and non-current) approximates their fair value.

### Changes in Liabilities arising from Financing Activities

The reconciliation of the balances classified as financial liabilities with the cash flow from financing activities on the Cash Flow Statement is as follows

| | **31/12/2017.** | **Issue** | **Repayment and amortisation** | **Interest** | **Hedging instruments** | **Others** | **31/12/2018.** |
|---|---|---|---|---|---|---|---|
| Debts with credit institutions | 77,164 | 88,765 | (72,179) | 104 | 982 | 1,105 | 95,941 |
| Loans Avanza Plans (Note 16) | 2,205 | - | (627) | - | - | - | 1,578 |
| Other debts (note 16) | 1,830 | 3,131 | (921) | - | - | (864) | 3,176 |
| **Long-term debts** | **81,199** | **91,896** | **(73,727)** | **104** | **982** | **241** | **100,695** |
| Debts with credit institutions | 15,529 | 12,323 | (778) | (122) | - | (963) | 25,989 |
| Loans Avanza Plans (Note 16) | 1,125 | - | - | - | - | 345 | 1,470 |
| Other debts (note 16) | 4,571 | 660 | (4,524) | - | - | (48) | 659 |
| **Short-term debts** | **21,225** | **12,983** | **(5,302)** | **(122)** | **-** | **(666)** | **28,118** |
| **TOTAL** | **102,424** | **104,879** | **(79,029)** | **(18)** | **982** | **(425)** | **128,813** |

## 16. Other financial liabilities

The breakdown of this category at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | | | |
|---|---|---|---|---|
| | At 31 December | | | |
| | 2018 | | 2017 | |
| | Non-current | Current | Non-current | Current |
| Loans Avanza Plans | 1,578 | 1,470 | 2,205 | 1,125 |
| Other debts | 3,176 | 659 | 1,830 | 4,571 |
| | **4,754** | **2,129** | **4,035** | **5,696** |

**Loans Avanza Plans**

At 31 December 2018 and 2017, this heading includes the loans received by the Group through its subsidiaries (mainly Ezentis Tecnología, S.L.U. and Navento Technologies, S.L.U.) from official bodies amounting to EUR 3,048 thousand (31 December 2017: EUR 3,330 thousand). These loans are zero-rate and were granted to finance development projects. These loans are initially measured at fair value and the difference between this fair value and the amount received is recognised as interest rate subsidies under "Other Non-Current Liabilities". They are applied to the income statement in accordance with the criteria for recognition of development expenses on the income statement.

**Other debts**

At 31 December 2018, this heading includes the amount that the Group has yet to pay for the following items:

- As a result of specific financing from the Government of Argentina to Ezentis Argentina, at 31 December 2018 the Group had a debt of EUR 576 thousand in current liabilities.

- As a result of tax deferrals granted by local tax authorities to Ezentis Engenharia (Brazil) and Ezentis Energía (Brazil) at 31 December 2018, the Group owes EUR 3,176 thousand in non-current liabilities and EUR 83 thousand in current liabilities.

At 31 December 2017, this heading included the amount that the Group had yet to pay for the following items:

- For the specific financing from the Government of Argentina to Ezentis Argentina, at 31 December 2017 the Group had a debt of EUR 576 thousand in non-current liabilities.

- For the acquisition of Comunicaciones y Sonido México, S.A. de C.V. (Mexico), Ingeniería Celular Panamericana, S.A. de C.V. (Mexico), GTS Thaumat XXI, S.A. (Spain), Grupo Comunicaciones y Sonido, S.L. (Spain) and the Peruvian company Ingeniería Celular Andina, S.A. ("ICA") at 31 December 2017, the Group had a debt of EUR 3,950 thousand in current liabilities, of which EUR 3,000 thousand were paid in shares of Grupo Ezentis, S.A. This debt was settled at 31 December 2018.

- As a result of the acquisition of Tecnet, S.A. at 31 December 2017, the Group had a debt of EUR 621 thousand in current liabilities. This debt had been settled at December 31, 2018.

## 17. Trade creditors and other accounts payable

The breakdown in this consolidated balance sheet heading at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | 2018 | 2017 |
| Suppliers | 81,311 | 45,406 |
| Other creditors | 8,509 | 6,640 |
| Remuneration pending payment | 11,052 | 13,975 |
| Liabilities through current tax (Note 19) | 24,285 | 31,299 |
| Liabilities associated with customer contracts (note 22) | 14,804 | 9,990 |
| | **139,961** | **107,310** |

"In compliance with the ICAC Resolution of 29 January 2017, the following information is provided at 31 December 2018 and 2017 in relation to all Spanish consolidated companies:

| | 2018 | 2017 |
|---|---|---|
| | Days | |
| Average payment period to suppliers | 111 | 124 |
| Ratio of transactions paid | 105 | 124 |
| Ratio of outstanding payment transactions | 135 | 126 |
| | Thousands of euro | |
| Total payments made | 12,285 | 14,343 |
| Total payments outstanding | 2,836 | 3,538 |

At 31 December 2018, EUR 82,890 thousand (EUR 94,576 thousand at 31 December 2017) relate to balances in foreign currencies other than the euro with trade creditors and other accounts payable. The following is the total amount corresponding to this item broken down by currency type:

| | Thousands of euro | |
|---|---|---|
| | 2018 | 2017 |
| Euros | 57,071 | 12,734 |
| Pesos (Chile) | 17,045 | 23,333 |
| Pesos (Argentina) | 12,935 | 25,536 |
| Soles (Peru) | 15,855 | 16,844 |
| Dollars (USA) | 294 | 294 |
| Real (Brazil) | 33,455 | 25,627 |
| Pesos (Mexico) | 2,041 | 1,417 |
| Pesos (Colombia) | 1,265 | 1,524 |
| | **139,961** | **107,310** |

## 18. Provisions

The changes during 2018 and 2017 were as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Thousands of euro | | Thousands of euro | |
| | Non-current | Current | Non-current | Current |
| Beginning balance | **31,013** | **1,977** | **29,720** | **5,428** |
| Additions | 4,192 | 3,412 | 240 | 1,421 |
| Business combinations (Note 5) | - | - | 1,438 | - |
| Reversals | (28,558) | (1,793) | (157) | (219) |
| Payments | (113) | - | (228) | (4,653) |
| **Ending Balance** | **6,534** | **3,596** | **31,013** | **1,977** |

The breakdown, by nature, of these provisions at 31 December 2018 and 2017 is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Thousands of euro | | Thousands of euro | |
| | Non-current | Current | Non-current | Current |
| Litigation | 6,534 | 2,228 | 31,013 | 748 |
| Others | - | 1,368 | - | 1,229 |
| **Ending Balance** | **6,534** | **3,596** | **31,013** | **1,977** |

The Directors of the Parent Company, based on their best estimate of all possible outcomes, jointly re-estimated all the provisions required at 31 December 2018, amounting to EUR 6,534 thousand (31,013 thousand at 31 December 2017) under non-current provisions and EUR 3,797 thousand (31 December 2017: EUR 1,977 thousand) under current provisions. The main concepts to which these provisions correspond are mercantile and labour litigation.

**Litigation and claims in progress**

At 31 December 2018 and 2017, various legal proceedings and claims were pending against the consolidated entities arising from the ordinary course of business. Both the Group's legal advisers and its directors consider that the outcome of these proceedings and claims will not have a material effect on the consolidated financial statements for the years in which they are settled, in addition to those already recognised.

The main reversal for the year 2018 corresponds to the provision for an amount of EUR 28,236 thousand relating to the litigation maintained with BNP Paribas in relation to the deposit made by the assignee, resulting from the execution of a loan assignment contract without recourse with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortium (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation). See Note 11 and 21

In addition, the provision includes mainly EUR 2,455 thousand (EUR 882 thousand in 2016) and EUR 1,977 thousand (EUR 4,837 thousand in 2016) under the non-current and current caption for provisions arising from various litigation and risks associated with subsidiaries domiciled in Argentina, Chile, Mexico and Brazil.

**Risk of Litigation and claims in progress**

The objectives set by the Group's directors include reducing legal disputes and initiating proceedings to recover assets that the company lost in the past, not ruling out the requirement for civil and criminal liability, if any.

Therefore, it is not expected that there will be an increase in the risks derived from judicial conflicts, but rather, on the contrary, the resolution of the existing ones in positive terms for the Group, and the interposition of new actions that in any case will have a positive impact on its accounts.

Detailed information on the main processes in progress is included in Note 21 to the consolidated financial statements.

## 19. Tax Situation

***a) Balances with Public Administrations***

The breakdown of the balances held by the Group with public authorities at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | **Non-current** | **Current** | **Non-current** | **Current** |
| Deferred tax assets | 33,807 | - | 12,606 | - |
| Other assets through current tax | - | 12,990 | - | 12,043 |
| **Public Administration Debtors** | **33,807** | **12,990** | **12,606** | **12,043** |
| Tax Admin. creditor for VAT and Social Security | - | 14,854 | - | 21,624 |
| Tax Admin. creditor for personal, corporate and other taxes | - | 9,431 | - | 9,675 |
| Deferred tax liabilities | 8,015 | - | 4,951 | - |
| **Public Administration, creditor** | **8,015** | **24,285** | **4,951** | **31,299** |

***b) Reconciliation of the consolidated tax base and accounting profit***

The Parent Company (Grupo Ezentis, S.A.) pays tax under tax consolidation with other investee companies, acting as parent company of the consolidated tax group. In 2018, the following Group companies form the tax consolidation group: the Parent Company (Grupo Ezentis, S.A.) and the following subsidiaries: Ezentis Tecnología, S.L.U., Radiotrónica Catalunya, S.A.U., Radiotrónica Galicia, S.A.U., Radiotrónica Zona Centro, S.A.U., Navento Technologies, S.L.U., Avánzit Infraestructuras y Servicios, S.A.U.., Avánzit Comunicaciones Públicas, S.L.U., Naverggi, S.A.U., Avánzit Instalaciones e Ingeniería, S.L.U.), Electrificaciones Ferroviarias Catenaria, S.A.U., Moraleja Parque Fotovoltaico I, S.L.U., Moraleja Solar I, S.L.U., Avánzit I+D+I, S.L.U., Ezentis Internacional, S.L.U., Ezentis Chile, S.L., Ezentis Brasil Telecom, S.L.U., Ezentis Brasil Instalaciones, S.L.U., Calatel Spain, S.L.U., Avánzit Telco, S.L.U., Ezentis Telco, S.L.U., Calatel Andalucía, S.L.U., Ezentis Gestión de Redes, S.L.U. and Networks Test, S.L.U.

As from 1 January 2019, Excellence Field Factory, S.L. will be incorporated into the tax consolidation group.

The other SUBSIDIARIES of the Group file individual tax returns in accordance with the tax rules applicable in each country.

## Notes to the consolidated financial statements for the year 2018
(thousands of euro)

The reconciliation of the consolidated accounting profit for 2018 and 2017 to the theoretical tax base (which would be the one corresponding to the individual financial statements under Spanish accounting principles) is as follows:

| | Thousands of euro | | | | | |
|---|---|---|---|---|---|---|
| | At 31 December | | | | | |
| | 2018 | | | 2017 | | |
| | Increase | Decrease | Amount | Increase | Decrease | Amount |
| Accounting consolidated pre-tax profit or (loss) | - | - | (30,186) | - | - | (9,790) |
| Profit/Loss of foreign subsidiaries and consolidation adjustments | 43,105 | (11,180) | 31,925 | 18,562 | (4,810) | 13,751 |
| **Aggregate profit/loss Spanish Tax Group** | | | **1,739** | | | **3,961** |
| Permanent differences of individual companies | 100 | (3,393) | (3,293) | 22 | (2,756) | (2,734) |
| Temporary differences of individual companies: | | | | | | |
| Subsidiary portfolio provisions | - | - | - | 27 | - | 27 |
| Reversal of provisions / depreciation | - | (148) | (148) | 67 | (180) | (113) |
| Tax amortisation of merger goodwill | - | (15,187) | (15,187) | - | (15,187) | (15,187) |
| Reversals financial expenses | 891 | - | 891 | - | (659) | (659) |
| Others | - | 7 | 7 | - | (2,059) | (2,059) |
| **Taxable amount (tax result)** | | | **(15,990)** | | | **(16,764)** |

The permanent negative differences relate mainly to the exemption from international economic double taxation of dividends from the subsidiaries Ezentis Colombia, S.A. and Networks Test, S.L.U., as established in Article 21 of Royal Legislative Decree 4/2004 of 5 March, approving the consolidated text of the Corporate Income Tax Law (hereinafter, LIS).

The positive timing differences correspond to the limitation on the deductibility of the net financial expenses for the current year.

The timing differences relate mainly to (i) the reversal, in the current year, of expenses that were not considered to be a tax-deductible expense in the prior year as a result of different accounting and tax allocation criteria; and (ii) the tax amortisation of consolidation goodwill (the impairment of which was adjusted for corporate income tax in prior years as a positive timing difference).

The breakdown of accounting tax expense is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Current tax | 275 | 217 |
| Deferred taxes | (18,137) | (3,227) |
| **Income tax expense** | **(17,862)** | **(3,010)** |

(thousands of euro)

The reconciliation of income tax expense to accounting profit is as follows:

**2018**

| Tax expense | Profit (Loss) Before Tax. | Tax rate | Effect of non-deductible expenses | Other adjustments | Recognition of tax credits | Correction of the tax rate | (Expense) Income Tax 2018 |
|---|---|---|---|---|---|---|---|
| Argentina | (12,572) | 3,143 | - | - | 868 | - | 4,011 |
| Chile | (8,283) | 2,071 | - | - | - | (54) | 2,017 |
| Peru | (1,225) | 306 | - | (78) | - | 60 | 288 |
| Brazil | (2,034) | 509 | - | - | - | 46 | 555 |
| Mexico | 1,237 | (309) | - | - | - | 106 | (203) |
| Ezentis Colombia | (643) | 161 | - | - | - | (30) | 131 |
| Spain, Luxembourg and consolidation adjustments | (6,666) | 1,667 | (823) | (2,042) | 12,261 | - | 11,063 |
| | **(30,186)** | **7,548** | **(823)** | **(2,120)** | **13,129** | **128** | **17,862** |

**2017**

| Tax expense | Profit (Loss) Before Tax. | Tax rate | Effect of non-deductible expenses | Other adjustments | Recognition of tax credits | Correction of the tax rate | (Expense) Income Tax 2017 |
|---|---|---|---|---|---|---|---|
| Argentina | 201 | (50) | - | - | - | (225) | (275) |
| Chile | 1,239 | (310) | - | 116 | - | (670) | (864) |
| Peru | (1,076) | 269 | - | - | - | (20) | 249 |
| Brazil | (2,973) | 743 | - | 309 | 1,274 | (1,267) | 1,059 |
| Caribbean | 11 | (3) | - | - | - | (44) | (47) |
| Colombia | (1,178) | 295 | - | 169 | - | (217) | 247 |
| Spain and Rest of the World | (6,014) | 1,504 | (684) | 133 | 2,380 | (692) | 2,641 |
| | **(9,790)** | **2,448** | **(684)** | **727** | **3,654** | **(3,135)** | **3,010** |

***c) Deferred taxes***

Under the tax legislation in force in the various countries in which the consolidated entities are located, certain temporary differences arise which must be taken into account when quantifying the related income tax expense.

With effect for fiscal years commencing on or after 1 January 2015, due to the entry into force in Spain of Corporate Income Tax Law 27/2014, of 27 November, the offsetting of tax loss carryforwards from previous fiscal years is permitted on an unlimited basis over time. The tax losses relating to Spanish companies amounted to EUR 539,765 thousand at 31 December 2018 (EUR 523,775 thousand at 31 December 2017), following the filing of income tax for 2017 in July 2018). In addition, the Spanish consolidated tax group has unused tax credits of EUR 79,645 thousand in future years for the amortisation for tax purposes of merger goodwill and unused tax credits for international double taxation of EUR 3,324 thousand. From the above, EUR 17,967 thousand has been recognised under deferred tax assets.

In addition, at 31 December 2018 there were temporary differences in the tax payable of the main companies in the tax consolidation group amounting to EUR 78,248 thousand (at 31 December 2017 this amounted to EUR 81,857 thousand in tax payable).

In 2018 tax losses generated by the Parent Company amounted to EUR 15,990 thousand, which will be credited by the Group to the tax authorities with the income tax return for 2018 (31 December 2017: EUR 16,791 thousand, following the filing of the income tax for 2017 in July 2018).

The analysis of deferred tax assets and liabilities at 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | **2018** | **2017** |
| **Deferred tax assets** | | |
| - Deferred tax assets to be recovered in more than 12 months | 32,046 | 11,099 |
| - Deferred tax assets to be recovered within 12 months | 1,761 | 1,507 |
| | **33,807** | **12,606** |
| **Deferred tax liabilities** | | |
| - Deferred tax liabilities to be recovered in more than 12 months | 6,958 | 4,060 |
| - Deferred tax liabilities to be recovered within 12 months | 1,057 | 891 |
| | **8,015** | **4,951** |

Deferred tax assets arising from tax loss carryforwards and unused tax credits are recognised to the extent that it is probable that the related tax benefit will be realised through future tax profits.

The amount recorded at 31 December 2018 under deferred tax assets relates mainly to the following subsidiaries:

- EUR 930 thousand corresponding to Ezentis Serviços, Instalação e Engenharia de Comunicações, S.A.
- EUR 3,561 thousand corresponding to Ezentis Energía, S.A.
- 6,298 thousand corresponding to the Chilean subsidiaries Ezentis Chile S.A. and Ezentis Energia, SpA
- EUR 1,701 thousand corresponding to the Peruvian subsidiaries, Ezentis Perú, S.A. and Ingeniería Celular Andina, S.A.
- 3,291 thousand corresponding to the subsidiary Ezentis Argentina S.A.
- EUR 17,967 thousand corresponding to the subsidiaries of the Spanish Tax Group.

The amount recorded at 31 December 2017 under deferred tax assets relates mainly to the following subsidiaries:

- 1,159 thousand corresponding to Ezentis Serviços, Instalação e Engenharia de Comunicações, S.A.
- EUR 2,999 thousand corresponding to Ezentis Energía, S.A.
- EUR 1,507 thousand corresponding to the Chilean subsidiaries Ezentis Chile S.A., Tecnet, S.A. and Ezentis Energia, SpA
- EUR 1,493 thousand corresponding to the Peruvian subsidiaries, Ezentis Perú, S.A. and Ingeniería Celular Andina, S.A.
- EUR 423 thousand corresponding to the Spanish subsidiaries in provincial territories, GTS Thaumat XXI, S.A. and Grupo Comunicaciones y Sonido, S.L.
- And EUR 5,025 thousand corresponding to the subsidiaries of the Spanish Tax Group.

Only deferred tax assets which, due to prudence, are expected to be recovered in a maximum time horizon of 10 years have been recorded.

***d) Years open for inspection***

At 31 December 2018, both the Parent Company had the last four financial years open for inspection for the main taxes for which it is liable.

Owing to possible different interpretations of the tax rules, the results of future audits that may be carried out by the tax authorities for the years subject to verification may give rise to tax liabilities, the amount of which cannot currently be quantified in an objective manner. However, in the opinion of the Group's tax advisers and its directors, the possibility of material liabilities arising in this connection, in addition to those already recognised, is remote.

### 20. Third-party guarantees

At 31 December 2018, the Group had received from financial institutions guarantees provided to third parties amounting to EUR 39,236 thousand, most of which relate to technical guarantees provided to guarantee the bids for new projects and the successful completion of the work awarded (at 31 December 2017 the guarantees amounted to EUR 38,152 thousand).

At 31 December 2018, as security for the financing agreement entered into with a syndicate of financial institutions, the shares and holdings in a number of Group companies had been pledged.

The Directors of the Parent Company consider that the guarantees described above will not give rise to any payment obligation for the consolidated companies that has not already been provisioned and, therefore, the combined balance of these commitments cannot be considered a real future need for financing or liquidity to be granted to third parties by the Group.

### 21. Litigation and arbitration

The main proceedings and litigation in progress in which the Group is a defendant and plaintiff are as follows:

**ETB (Empresa Telefónica de Bogotá)**

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

Following compliance with the different procedural stages, on 16 November 2006 ETB was sentenced to pay Radiotrónica Colombia 9,267 million Colombian pesos (for information purposes only, EUR 2,490 thousand). This sentence was appealed by both parties, and a final sentence was issued on 21 June 2018 approving the appeal filed by Radiotrónica Colombia and sentencing ETB to pay 9,267 million Colombian pesos. At 31 December 2018, the profit recognised in the consolidated income statement amounted to EUR 1,945 thousand.

**Proceedings by Group companies against former Group directors and executives**

At 31 December 2018 and 2017, the Group has recognised accounts receivable from the former Chairman of the Parent Company, Mr Juan Bautista Pérez Aparicio, totalling EUR 1,501 thousand. This amount, which is fully provisioned, was claimed in prior years from the anti-corruption prosecutor's office. After several rulings in favour of the Group, the execution is processed as an execution before Section 1 of the Provincial Court of Madrid.

**Litigation with BNP**

The Parent Company had made a deposit with the assignee arising from the execution of a non-recourse credit assignment agreement with BNP Paribas for the sale of an account receivable from Teleconsorcio and its consortium (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation) amounting to US$25,000 thousand, signed on 27 December 2001.

As a result of the Parent Company's suspension of payments, BNP Paribas announced the unilateral termination of the 25-million-dollar deposit contract, irregularly offsetting the full amount mentioned above, which at 31 December 2010 and 2009, valued at the historical exchange rate and after recording interest, amounted to EUR 28,236 thousand. (Note 13).

In recent years, the Grupo Ezentis has been defending its rights in various judicial instances in Lima (Peru), the latest proceedings being the ruling of the Commercial Court of Lima No. 17 (Peru), which rendered its Judgement on 9 March 2015, dismissing in its entirety the lawsuit filed by BNPPA against the Company, and approving Ezentis's counter-claim, condemning BNPPA to pay the Company the sum of US$25,487,062.92, with express condemnation of BNPPA's to pay interest and costs. On 23 March 2016, after an appeal against the judgement, the Judge of the 17th Civil Court, Commercial Sub-speciality of the Superior Court of Justice of Lima, declared BNP's claim founded. Once the sentence was appealed before the First Civil Court Sub-specialized in commercial matters of the Superior Court of Justice of Lima, on 8 November 2016, the appeal was resolved confirming the sentence of first instance, being appealed again in cassation before the Supreme Court of Justice of the Republic, which issued a sentence on 26 October 2017, notified on 27 June 2018, upholding the judgement under appeal, dismissing the appeal brought by Ezentis. There can be no appeal against that judgement. Therefore, the balance of "Other Non-Current Financial Assets" (see Note 11) and the provision for contingencies and expenses (see Note 18) at 31 December 2018 were derecognised.

**Procedure with the Tax Authorities**

On 14 July 2014, the Tax Agency announced the commencement of a procedure to derive tax liability for tax debts of Vértice Trescientos Sesenta Grados, S.A., for the amount of EUR 7.5 million.

On 5 January 2015, the Tax Liability Declaration Agreement dated 17 December 2014 (hereinafter the "Declaration Agreement"), issued by the Tax Agency, declaring the Company jointly and severally liable for debts of Vértice Trescientos Sesenta Grados, S.A. amounting to EUR 7.5 million, was notified.

In addition, on 20 February 2015, the Company filed a request with the Regional Collection Unit of the Madrid Special Delegation of the SPanish Tax Authorities to suspend the Declaration Agreement under article 233 of the General Tax Law.

Following the filing, on 29 January 2015, of the economic-administrative claim before the Central Economic-Administrative Court against the liability derivation agreement, the Company submitted a written statement of allegations dated 11 May 2015.

In relation to the request for suspension submitted on 20 February 2015 to the Regional Collection Unit of the Special Delegation of Madrid, since this required that the guarantees provided cover not only the principal of the debt (EUR 7,565 thousand), but also the interest on arrears generated during the suspension plus 20% for the surcharge that could be accrued in the event of enforcement of the guarantee, it was considered more beneficial in financial terms to proceed with the payment of the principal of the debt, renouncing the suspension requested.

The payment made on 7 August 2015 did not imply acceptance of the derivation of responsibility; the Company has requested the refund as undue income of this amount, together with the corresponding interest for late payment, when the claims are accepted by the courts.

On 5 March 2018, the Central Economic-Administrative Court rejected the Company's claim and notified its decision of 31 January 2018. Despite the dismissal of the ruling, the Company considers that the arguments of the pleading of 11 May 2015 have not been distorted, and therefore the Company's claim is fully in accordance with law, and the Board of Directors agreed, at a meeting held on 21 March 2018, to proceed to challenge before the National High Court the aforementioned Resolution of the Central Economic-Administrative Court, a circumstance that has occurred, the procedure being at the stage of the transfer of the State Attorney's reply and the opening of the evidence period.

The Company's management, in agreement with its legal advisers, considers it unlikely that the Company's claims would be dismissed through the final resolution of this matter, and therefore, in accordance with accounting regulations, no provision was recognized for this item.

## 22. Income & expense

### a) Net turnover / Revenues from customer contracts

The breakdown of net turnover by geographical markets is detailed in Note 23.

The sectors of activity in which the Group is organised operationally are as follows:

1. Telecommunications
2. Electrical company
3. *Others*: Including the water, mining, gas and other sectors.

The breakdown, by business sector, of revenues from customer contracts at 31 December 2018 and 2017 is as follows

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Telecommunications | 336,242 | 277,807 |
| Electricity | 85,300 | 98,704 |
| Others | 18,826 | 22,424 |
| **Total** | **440,368** | **398,935** |

The breakdown of assets through customer contracts is as follows:

| | Thousands of euro | |
|---|---|---|
| | 2018 | |
| | Non-current | Current |
| Costs of obtaining contracts | 1,270 | 2,814 |
| Clients, work executed pending invoicing | - | 74,375 |
| **Total** | **1,270** | **77,189** |

The costs of obtaining contracts are included under Other Intangible Assets (non-current) and Inventories (current).

The breakdown of liabilities arising from contracts with customers is as follows:

| | Thousands of euro | |
|---|---|---|
| | 2018 | |
| | Non-current | Current |
| Prepaidments from clients | - | 14,804 |
| **Total** | **-** | **14,804** |

In 2018 the Group continued with its policy of diversifying its activities and customers, although it maintains approximately 50.2% of its activity with the Telefónica Group (approximately 58.2% in 2017).

**b) Personnel expense**

The breakdown of consolidated personnel expenses in 2018 and 2017 is as follows, expressed in thousands of euro:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| Wages and salaries | 164,922 | 157,706 |
| Employee welfare expense | 20,461 | 21,297 |
| | **185,383** | **179,003** |

The average number of persons employed during 2018 and 2017, by professional category, was as follows:

| | Average Number of Employees | |
|---|---|---|
| | 2018 | 2017 |
| Senior management | 12 | 13 |
| Qualified and non-qualified technicians | 1,007 | 1,153 |
| Administrative staff | 1,221 | 935 |
| Work site personnel | 9,753 | 8,747 |
| | **11,993** | **10,848** |

At 31 December 2018 and 2017, the number of employees distributed by gender and professional category is as follows:

| | At 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Men | Women | Men | Women |
| Senior management | 10 | - | 15 | - |
| Qualified and non-qualified technicians | 834 | 106 | 944 | 243 |
| Administrative staff | 766 | 596 | 549 | 427 |
| Work site personnel | 9,939 | 597 | 7,974 | 533 |
| | **11,549** | **1,299** | **9,482** | **1,203** |

At 31 December 2018, the number of employees with a disability of more than 33% was 37 (11 in Spain). At 31 December 2017 there were 37 employees (12 in Spain)

### c) Consumables and other external expenses

The breakdown of "Consumables and Other External Expenses" in 2018 and 2017 is as follows, expressed in thousands of euro:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | **2018** | **2017** |
| Consumption | 18,821 | 17,501 |
| Subcontracting | 106,687 | 65,384 |
| | **125,508** | **82,885** |

### d) Other operating expense

The breakdown of “Other operating expense" for 2018 and 2017 is as follows, expressed in thousands of euro:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | **2018** | **2017** |
| Operating leases and fees | 24,464 | 26,425 |
| Maintenance and repairs | 5,584 | 4,853 |
| Services by independent professionals | 8,036 | 9,466 |
| Transportation | 1,061 | 1,459 |
| Insurance premiums | 1,347 | 1,892 |
| Advertising and PR | 202 | 358 |
| Supplies | 15,520 | 14,553 |
| Other services | 22,203 | 17,304 |
| Other operating expense | 379 | 671 |
| Taxes | 20,540 | 25,050 |
| | **99,336** | **102,031** |

The expenses incurred by the Group under operating leases were as follows

| | Thousands of euro | |
|---|---|---|
| | **31//12/2018** | **31//12/2017** |
| Operating lease payments recognised in profit or loss for the year | 24,464 | 26,425 |

The Group has various long-term lease contracts. The most significant of these are the leases of office and warehouse buildings and the leasing of vehicles in some subsidiaries.

## Notes to the consolidated financial statements for the year 2018
(thousands of euro)

The total amount of future minimum payments for non-cancellable operating leases and amounts for instalments is as follows

| | Thousands of euro | |
|---|---|---|
| | 31//12/2018 | 31//12/2017 |
| 1 year | 9,786 | 9,140 |
| 1 to 5 years | 19,571 | 18,280 |
| **Total** | **29,357** | **27,420** |

**e) Other income or (expense)**

The breakdown of this heading on the attached income statement for the years ended 31 December 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| **Other profit or (loss)** | **2018** | **2017** |
| Other income or (expense) | 16,185 | 5,806 |
| | **16,185** | **5,806** |

The following effects are mainly included under "Other profit or (loss) for the year 2018":

- Income from negative consolidation difference of EUR 4.8 million corresponding to the acquisition of the company EFF (See Note 5)
- Expense for adapting the labour structure in some subsidiaries to capture synergies amounting to EUR 10,296 thousand.
- Adjustments to uncollectible balances and other non-recurring expenses amounting to EUR 10,549 thousand.

The following effects are mainly included under "Other profit or (loss) for the year 2017":

- Revenue due to negative consolidation difference of EUR 3.1 million corresponding to the acquisition of Comunicaciones y Sonido México, S.A. de C.V., Ingeniería Celular Panamericana, S.A. de C.V., GTS Thaumat XXI, S.A., Grupo Comunicaciones y Sonido, S.L. and Ingeniería Celular Andina, S.A. (See Note 5)
- Expenses for severance indemnities/work restructuring, termination of contracts with customers and others amounting to EUR 8.9 million.

**f) Financial income and expense**

The breakdown of this heading on the attached consolidated income statement for 2018 and 2017 is as follows:

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | 2018 | 2017 |
| **Financial expenses** | **(34,116)** | **(27,943)** |
| Financial expenses operating debt | (25,043) | (16,167) |
| Financial expense structural debt (note 15) | (15,392) | (11,031) |
| Negative exchange rate differences | (188) | (745) |
| Monetary corrections for hyperinflation | 6,507 | - |
| **Change in fair value** | **32** | **(290)** |
| Profit/loss on disposal of equity instruments | 32 | (290) |
| **Financial income** | **2,472** | **1,590** |
| Other income and interest | 2,472 | 1,590 |

**g) Transactions in currencies other than the Euro**

In 2018, approximately 73.5% (91.8% in 2017) of the Group's operating revenues and 74.4% (89.6% in 2016) of its operating expenses were incurred abroad, mainly in the Group's Latin American subsidiaries. Information on transactions in currencies other than the euro is included in Note 3.1.

**h) Audit fees and other services**

The fees accrued by the Group auditor, KPMG, in 2018 amount to EUR 532 thousand for audit fees and other services. Of this amount, the fees accrued in 2018 by the companies in KPMG's international network (other than Spain) amount to EUR 270 thousand

The fees accrued by the Group auditor, PwC, in 2017 amounted to EUR 750 thousand. Of this amount, the fees accrued in 2017 by companies in PwC's international network (other than Spain) amounted to EUR 331 thousand

| | 2018 | 2017 |
|---|---|---|
| Audit Services | 500 | 631 |
| Audit-related services | 10 | 12 |
| Tax services | 22 | 9 |
| Other services | - | 98 |
| | **532** | **750** |

Audit services: mainly the work provided to perform the audit of the annual accounts, including, additionally in 2017, services related to comfort letter issues.

Audit-related services: in 2018 relate to work on the issuance of special reports on capital increases due to credit compensation required by the auditor of the Parent Company due to the obligation to comply with mercantile legislation carried out in that year (in 2017 this relates to work relating to agreed procedures on financial ratios), as well as the issuance of special reports on capital increases

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

Other services: services permitted by the applicable independence regulations, related to the due diligence service.

## 23. Information by business segment

### Segmentation criteria

Segment information is structured according to the geographical distribution of the Group

Segment information is presented in a manner consistent with the internal information presented to the highest decision-making body (Board of Directors of the Group's Parent Company). The accounting policies of the segments are the same as those applied and described in these notes to the consolidated annual financial statements.

The Group's activities are located in the National and Foreign Territories, mainly in the following countries: Spain, Argentina, Chile, Peru, Brazil, Colombia and Mexico.

## GRUPO EZENTIS, S.A. AND SUBSIDIARIES

## Notes to the consolidated financial statements for the year 2018
(thousands of euro)

**Information by business segment**

The information for the different countries in which the Group operates is as follows:

| Thousands of euro | Spain | | Argentina | | Chile | | Peru | | Brazil | | Caribbean | | Colombia | | Mexico | | Holdings and other | | Intercompany Eliminations | | Total Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Income:** | | | | | | | | | | | | | | | | | | | | | | |
| Net turnover | 123,353 | 34,707 | 33,529 | 71,826 | 91,974 | 99,148 | 40,746 | 39,483 | 134,680 | 133,461 | - | 4,202 | 9,538 | 10,225 | 11,973 | 5,682 | 9,980 | 13,057 | (18,788) | (17,102) | **436,985** | **394,689** |
| Operating Income | 121,342 | 36,755 | 33,543 | 71,910 | 91,974 | 99,209 | 41,889 | 40,806 | 134,680 | 133,943 | - | 4,202 | 9,538 | 10,300 | 11,973 | 5,682 | 10,096 | 13,276 | (14,668) | (17,148) | **440,367** | **398,935** |
| Financial income | 767 | 58 | 1,503 | 942 | 818 | 368 | 93 | 73 | 897 | 1,680 | - | 89 | 3 | 3 | 47 | 11 | 6,757 | 1,901 | (8,413) | (3,535) | **2,472** | **1,590** |
| **Profit or (Loss):** | | | | | | | | | | | | | | | | | | | | | | |
| Operating profit/loss | 6,678 | 3,110 | (5,713) | 4,830 | (5,997) | 4,292 | 349 | (7) | 2,031 | 4,629 | - | (58) | 103 | (100) | 1,281 | (7) | 2,604 | 3,042 | 90 | (2,879) | **1,426** | **16,852** |
| Financial results | (1,071) | (308) | (6,859) | (4,629) | (1,842) | (1,367) | (1,574) | (1,070) | (3,572) | (7,030) | - | 69 | (254) | (565) | (44) | (66) | (16,396) | (11,347) | - | (330) | **(31,612)** | **(26,643)** |
| Profit (loss) from investments in associates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 | - | - | **-** | **1** |
| Pre-tax profit or (loss) | 4,909 | 2,327 | (12,572) | 201 | (8,283) | 1,239 | (1,225) | (1,076) | (2,034) | (2,973) | - | 11 | (643) | (1,178) | 1,238 | (73) | (11,664) | (8,305) | 88 | 37 | **(30,186)** | **(9,790)** |
| Taxation | (1,172) | (145) | 4,011 | (275) | 2,017 | (864) | 288 | 249 | 555 | 1,059 | - | (47) | 131 | 247 | (203) | (80) | 12,235 | 2,866 | - | - | **17,862** | **3,010** |
| **Other information** | | | | | | | | | | | | | | | | | | | | | | |
| Additions of tangible assets | 641 | 32 | 2,286 | 690 | 9,965 | 2,417 | 1,644 | 553 | 5,758 | 530 | - | - | 450 | 66 | - | - | 5 | 360 | - | - | **20,749** | **4,648** |
| Depreciation expense | (552) | (76) | (421) | (360) | (4,164) | (3,048) | (944) | (1,125) | (1,290) | (1,546) | - | - | (459) | (289) | - | - | (32) | (225) | - | - | **(7,862)** | **(6,669)** |
| **Assets** | | | | | | | | | | | | | | | | | | | | | | |
| Total assets | 130,676 | 38,817 | 30,381 | 38,086 | 83,368 | 80,730 | 46,906 | 48,350 | 101,842 | 76,910 | - | - | 6,587 | 7,608 | 6,893 | 5,202 | 256,970 | 191,740 | (341,159) | (207,928) | **322,464** | **279,515** |
| **Liabilities** | | | | | | | | | | | | | | | | | | | | | | |
| Total Liabilities | 103,135 | 26,742 | 38,314 | 34,390 | 67,895 | 62,041 | 18,129 | 18,636 | 68,010 | 55,878 | - | - | 3,709 | 3,914 | 3,358 | 2,824 | 329,035 | 251,397 | (341,159) | (207,928) | **290,426** | **247,894** |

According to their geographical distribution, the information is as follows:

| Figures in thousands of euro | Net turnover | | Operating Income | | Total Assets | | Additions of Non-Current Assets (*) | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Spain | 123,353 | 34,707 | 121,342 | 36,755 | 130,676 | 38,817 | 9,286 | 1,573 |
| Argentina | 33,529 | 71,826 | 33,543 | 71,910 | 30,381 | 38,086 | 2,530 | 903 |
| Chile | 91,974 | 99,148 | 91,974 | 99,209 | 83,368 | 80,730 | 11,592 | 3,250 |
| Peru | 40,746 | 39,483 | 41,889 | 40,806 | 46,906 | 48,350 | 2,097 | 961 |
| Brazil | 134,680 | 133,461 | 134,680 | 133,943 | 101,842 | 76,910 | 7,457 | 741 |
| Caribbean | - | 4,202 | - | 4,202 | - | - | - | - |
| Colombia | 9,538 | 10,225 | 9,538 | 10,300 | 6,587 | 7,608 | 786 | 186 |
| Mexico | 11,973 | 5,682 | 11,973 | 5,682 | 6,893 | 5,202 | - | - |
| Holding and others | 9,980 | 13,057 | 10,096 | 13,276 | 256,970 | 191,740 | 149 | 369 |
| Consolidation adjustments | (18,788) | (17,102) | (14,668) | (17,148) | (341,159) | (207,928) | - | - |
| | **436,985** | **394,689** | **440,367** | **398,935** | **322,464** | **279,515** | **33,897** | **7,983** |

(*) Includes additions of non-current assets due to business combinations (see note 5)

**24. Related party transactions**

For the purposes of this section, the following are considered to be related parties:

- Significant shareholders of Grupo Ezentis S.A., understood as those who directly or indirectly hold shares equal to or greater than 3%, as well as shareholders who, although not significant, have exercised the power to propose the appointment of a member of the Board of Directors. See information included in Note 14.

- The Directors and Officers of the Company and their immediate family. The term "Director" means a member of the Board of Directors and the term "Officer" means a member of the Management Committee.

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

**(a) Purchase of goods, services and financial charges**

In 2018 and 2017 there were no transactions with related parties of this nature.

**b) Other transactions**

In 2018 and 2017 there were no other transactions with related parties.

**c) Directors' remuneration**

The remuneration earned in 2018 and 2017 by the members of the Parent Company's Board of Directors, received from all the Group companies of which they are directors or officers, is as follows

| | Thousands of euro | | | |
|---|---|---|---|---|
| **FY** | **Monetary remuneration** | **Attendance fees and other** | **Services by independent directors** | **Total** |
| 2018 | 761 | 799 | - | 1,560 |
| 2017 | 430 | 518 | - | 948 |

The remuneration accrued to each member during the financial years 2018 and 2017, are:

| **Director** | **-Monetary remuneration 2018** | **-Monetary remuneration 2017** |
|---|---|---|
| Mr. Fernando González Sánchez | 255 | - |
| Mr. Guillermo José Fernández Vidal | 310 | 430 |
| Mr. Carlos Mariñas Lage | 196 | - |
| **TOTAL** | **761** | **430** |

| **Director** | **Per diems and others 2018** | **Per diems 2017** |
|---|---|---|
| Mr. Enrique Sánchez de León | 201 | 129 |
| Mr. Luis Solana Madariaga | - | 39 |
| Mr. Francisco Javier Cremades Garcia | - | 30 |
| Mr. Pedro María Azcárate Palacios | 153 | 109 |
| Ms Ana María Sánchez Tejada | 74 | 44 |
| Ms Laura González Molero | 107 | 58 |
| Ms Emma Fernández Alonso | 95 | 65 |
| Ms Carmen Gómez-Barreda Tous-Monsalve | 92 | 44 |
| Mr. Alfonso Alonso Durán | 77 | - |
| **TOTAL** | **799** | **518** |

In fiscal year 2018, the non-executive directors have accrued remuneration in kind through the delivery of shares for a maximum amount of EUR 30,000gross to each of the directors, within the framework of the Remuneration Policy approved by the Ordinary General Meeting of Shareholders held on 29 June 2018 under point six of its agenda, published by means of a significant event on that same date (registration number 267382), which provides for the remuneration in shares of directors who do not perform delegated or executive functions. Pursuant to the foregoing, the aforementioned General Meeting approved, under item seven of its agenda, the delivery of shares to non-executive directors as part of their remuneration. The total amount to which said remuneration amounts is EUR 210, thousand gross and the shares delivered must be held until they cease to be directors of the Company. This amount is included in the breakdown of "Per diems and other 2018" in the foregoing breakdown.

The amount of the global remuneration of the Board of Directors includes the proportional part of the remuneration received by the directors Mr. Fernando González Sánchez and Mr. Carlos Mariñas Lage from their appointment by the Ordinary General Shareholders' Meeting held on 29 June 2018 until 31 December 2018.

(thousands of euro)

At 31 December 2018, the Chief Executive Officer has recognised an indemnity equivalent to two gross years of the current remuneration, including fixed and variable remuneration, in certain cases of termination of the contract. At 31 December 2017, the Chief Executive Officer had recognised an indemnity equivalent to three gross monthly payments of current remuneration, including fixed and variable remuneration, in certain cases of termination of the contract.

At 31 December 2018 and 2017 there were no advances, loans or pension plans granted to any member of the Board of Directors of the Parent Company. In addition, there is life insurance cover for a member of the Board of Directors with an insured capital of three times the amount of their salary. The Group has contracted D&O civil liability insurance.

The monetary remuneration for both 2018 and 2017 corresponds to the salaries and wages of the members of the Board of Directors who perform executive functions in the Group. The per diems' section corresponds to the per diems paid to the directors in 2018 and 2017 for attending the meetings of the Board of Directors and its Committees according to the position held in each case.

**Shareholdings, positions, functions and activities carried out by the directors**

In accordance with the duty to avoid situations of conflict with the Company's interest, during the financial year the directors who have held appointments on the Board of Directors has complied with the obligations stipulated in Article 228 of the redacted text of the Spanish Capital Companies Act Similarly, they and the persons related to them, have abstained from incurring the cases of conflict of interest provided for in article 229 of said law

**d) Remuneration of senior management**

The remuneration paid in 2018 and 2017 to the Parent Company's General Managers and persons performing similar functions in the excluded subsidiaries who, simultaneously, are members of the Parent Company's Board of Directors (whose remuneration has been detailed above) is summarised as follows:

| Year | Number of people | Total Salary Remuneration |
|---|---|---|
| 2018 | 6 | 1,086 |
| 2017 | 5 | 1,742 |

Mr. Fernando González Sánchez and Mr. Carlos Mariñas Lage are identified as members of senior management until their appointment as directors by the Ordinary General Shareholders' Meeting held on 29 June 2018. The proportional part of the remuneration received from 1 January 2018 until the aforementioned appointment has been included. It also includes the remuneration received by Mr. Manuel Merino Lanza as Economic and Financial General Director until his departure from the Company on 30 September 2018 and that of Mr. Ignacio Barón López from his appointment as General Director of Economic and Financial Affairs on 1 October 2018.

The Senior Executives currently on the Group's payroll all have a life insurance policy with an insured capital of three times the fixed annual remuneration. There is a long-term incentive plan (2018-2020) for Senior Executives, linked to the fulfilment of objectives, which vary between 1 and 2.5 years of fixed remuneration, for the whole period. (See Note 14.f)

The contracts of certain senior managers contain notice clauses and no post-contractual competition.

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

At 31 December 2018 and 2017, there were no outstanding balances arising from financial agreements.

## 25. The Environment

By virtue of the Group's current business activity, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results.

## 26. Subsequent events

Since 31 December 2018 and after the preparation of these consolidated financial statements, there have been no significant events for Grupo Ezentis, S.A. and subsidiaries.

**ANNEX I**

**SUBSIDIARIES INTEGRATED IN GRUPO EZENTIS**

| | | | % Voting Rights | | Data of the Investee | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Controlled by the Parent Company | | Thousands of Euro | | | | | | |
| Company | Address | Activity | Direct | Indirect | Cost | Provisions | Value Net Book Value | Assets | Liabilities | Equity | Result Year |
| Corporación Ezentis Holdco, S.à.r.L. **(B)** | Rue Eugene Ruppert, 6 L-2453 Luxembourg | To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same. | 100% | - | 38,141 | - | 38,141 | 71,134 | 31,318 | 39,816 | (99) |

(thousands of euro)

**SUBSIDIARIES INTEGRATED IN GRUPO EZENTIS**

**Subsidiaries and branches Grupo Ezentis, S.A:**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Corporación Ezentis Holdco, S.à.r.l | 6, rue Eugène Ruppert, L-2453 Luxembourg | Act as an investment holding company. To acquire, totally or partially, participations, shares, and securities of all types of mercantile societies. | 100% | - |

**Subsidiaries Corporación Ezentis Holdco, S.à.r.l**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Corporación Ezentis Internacional, S.à.r.l | 6, rue Eugène Ruppert, L-2453 Luxembourg | Act as an investment holding company. To acquire, totally or partially, participations, shares, and securities of all types of mercantile societies. | - | 100% |

**Subsidiaries Corporación Ezentis Internacional, S.à.r.l.:**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Ezentis Tecnología. S.L.U. | c/ Santa Leonor, 65 Building B. Madrid (Spain) | Activities of elaboration, manufacture, engineering, design, development projects, sale, exploitation, import, export, commercialisation, installation, civil works, etc. of switching products and network management. | - | 100% |
| Naverggi, S.A.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Design, development, manufacture, distribution and marketing of technology-based electronic components, especially those that integrate communications and location, as well as gateway management with mobile operators. | - | 100% |
| Avanzit Infraestructuras y Servicios, S.A.U. | c/ Santa Leonor, 65 Building B Madrid (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 installations. Construction of Civil Works Technical consulting | - | 100% |
| Avanzit Instalaciones e Ingeniería, S.L.U. | Polígono El Guadiel s/n (Jaén) | Execution and maintenance of electrical installations. Execution and maintenance of telecommunication and computing systems, equipment and components. | - | 100% |
| Calatel Andalucía, S.L.U. | Avenida Hytasa number 12, second floor, door 20, Hytasa Building, Seville | Study, promotion, construction and management of all kinds of works and installations. Execution and maintenance of electrical installations. Execution and maintenance of telecommunication and computing systems, equipment and components. | - | 100% |

(thousands of euro)

| | | | | |
|---|---|---|---|---|
| Ezentis Internacional, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Purchase, sale, holding, administration, management and operation, for its own account, of participations, shares, titles and securities of all types of mercantile companies, with the exception in all cases of those activities which, in accordance with special legislation and singularly with the regulations of the Law on Collective Investment Institutions and the Law on the Securities Market, require some special authorisation, inscription in the Public Registry or requirements not met by this company. | - | 100% |
| Ezentis Gestión de Redes, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication and information processing elements and equipment for security applications. | - | 100% |

**Subsidiaries of Ezentis Tecnología, S.L.U**.

| Company | Address | **Activity** | **% Voting Rights Controlled by the Parent Company** | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| GTS Thaumat XXI, S.A.U. | Polígono Industrial Itzaga, plot E1, Galdakao (48960 - Vizcaya) | Research and development, manufacture of new products and active and passive complements. | - | 100% |
| Grupo Comunicaciones y Sonido, S.L. | Polígono Industrial Itzaga, plot E1, Galdakao (48960 - Vizcaya) | Telecommunication services.<br>Acquisition, urbanisation, promotion, exploitation, sale, use, rental, construction, subdivision, etc. | - | 100% |
| Excellence Field Factory, S.L.U. | Avenida Reino Unido 1, 3º H-I, Edificio Gyesa Palmera (41012 - Seville) | Research and development, operation, maintenance, development and integration of information systems, analysis, design, development and implementation of Information Systems, engineering design of own or third party telecommunication networks, consulting and civil engineering services, engineering, construction and maintenance of all types of electrical installations, engineering, construction and maintenance of mechanical installations, engineering, construction and maintenance of fire-fighting installations, engineering and construction of works, buildings, travel and tracks, conservation and maintenance of buildings and urban furniture, provision of back office services, electronic, computer and telematic information capture and processing, safety and health coordination in the project phase and execution and project management, works management, control and project management. | - | 100% |
| Avanzit I Mas D Mas I, S.L.U. | Avda. Ministro Josep Piqué, S/N 23200 La Carolina (JAÉN) | Consulting, design, network and systems engineering, application development, implementations, maintenance and sale of solutions for networks and telecommunications systems. Through purchase, sale, swap, operation, lease and administration. | - | 100% |
| Raselo, S.A. | Lavalle 310 1° - C.A.B.A (Argentina) | Consulting, project, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunication systems (ii) networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, household, industrial, hazardous, pathogenic and any other type of waste; for the treatment of water and wastewater, the purification of air and exhaust gases. | - | 1.09% |

(thousands of euro)

**Subsidiaries of Ezentis Internacional, S.L.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Ezentis Chile, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Own-account holding, management and administration of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of the general services required by the companies, including but not limited to management, administration, operations, quality and legal advice services of the various Group companies | - | 100% |
| Ezentis Brasil Instalaciones, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Own-account holding, management and administration of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of the general services required by the companies, including but not limited to management, administration, operations, quality and legal advice services of the various Group companies | - | 100% |
| Ezentis Brasil Telecom, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Own-account holding, management and administration of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of the general services required by the companies, including but not limited to management, administration, operations, quality and legal advice services of the various Group companies | - | 100% |
| Comunicaciones y Sonido, México, S.A. de C.V. | Lake Tana Nº 43, Bodega 9 Col. Huichapan, Del Miguel Hidalgo C.P. 11290 México D.F | Execution and contracting of engineering studies and telecommunications services; Design of towers, accessories and booths for the implementation of wireless infrastructure and Execution of all types of works and their supervision | - | 99.999% |
| Ingeniería Celular Panamericana, S.A. de C.V. | Arbolitos s / n Nave 12 Andén 10, Colonia Texcacoa TEPOTZOTLAN State of Mexico (Mexico) | Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems. | - | 99.999% |
| Ezentis Energía, SpA | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | Provision of consulting services, design, implementation and after-sales maintenance of turnkey solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology. | - | 0.3% |
| Tecnet S.A. | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | Provision of consulting services, design, implementation and after-sales maintenance of turnkey solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology. | - | 5% |
| Ezentis Chile, S.A. | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and railway signalling, ancillary activities in the construction and telecommunications sector, the provision of value-added services to these telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those described above | - | 0.01% |

**Subsidiaries of Naverggi, S.A.U.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Navento Technologies, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Develop and commercialise a real time cost oriented economic localisation program for the mass public | - | 100% |

(thousands of euro)

**Subsidiaries of Ezentis Gestión de Redes, S.L.U.**

| Company | Address | **Activity** | **% Voting Rights Controlled by the Parent Company** | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Networks Test, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | To carry out studies, opinions, reports, projects and technical plans related to engineering in its various branches, especially electronics; to carry out designs, prototypes and technical apparatus, especially in the electrical, mechanical and electronic branches, as well as to manufacture, assemble, install, maintain and market them, both in Spain and abroad; and to provide advisory services related to engineering and representation of both national and foreign companies. | - | 100% |
| Ezentis Colombia, S.A.S. | Bogotá D.C., CR 67 No. 100-20 Office 302 | Organisation, operation, provision and operation of activities and services related to the consultancy and outsourcing of technical, financial and personnel services, network operation services, information systems or any other type of activity related to information and communication technologies, | - | 100% |
| Ingeniería Celular Andina, S.A. | Avenida Néstor Gambetta, 576, Callao, 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 installations. Construction of Civil Works Technical advice | - | 0.001% |
| Comunicaciones y Sonido, México, S.A. de C.V. | Lake Tana Nº 43, Bodega 9 Col. Huichapan, Del Miguel Hidalgo C.P. 11290 México D.F | Execution and contracting of engineering studies and telecommunications services; Design of towers, accessories and booths for the implementation of wireless infrastructure and Execution of all types of works and their supervision | - | 0.001% |
| Ingeniería Celular Panamericana, S.A. de C.V. | Arbolitos s / n Nave 12 Andén 10, Colonia Texcacoa TEPOTZOTLAN State of Mexico (Mexico) | Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems. | - | 0.001% |

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

| Company | Address | **Activity** | **% Voting Rights Controlled by the Parent Company** | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Calatel Andalucía, S.L.U. | c/ Santa Leonor, 65 Building B Madrid (Spain) | Own-account holding, management and administration of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of the general services required by the companies, including but not limited to management, administration, operations, quality and legal advice services of the various Group companies | **-** | 100% |
| Ezentis Argentina, S.A. | Habana 370. 1603 Villa Martelli. Buenos Aires, Argentina | Design, construction, installation and maintenance of telecommunication systems. The provision of services ancillary to such telecommunications. Design, construction, maintenance of low, medium and high voltage transformer lines and stations. Design, construction and maintenance of networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas, as well as sewerage and sanitation works. Consultancy, planning, construction, operation and maintenance of facilities and plants for deposits, treatment, use and final disposal of any solid, semi-solid, household, industrial, special, hazardous and any other type of waste; water and wastewater treatment, air purification and exhaust gas, as well as the marketing and distribution of all types of technologies for the protection of the environment. | - | 100% |

(thousands of euro)

| | | | | |
|---|---|---|---|---|
| Ezentis Chile, S.A. | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and railway signalling, ancillary activities in the construction and telecommunications sector, the provision of value-added services to these telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those described above | - | 99.2% |
| Ezentis Energía, SpA | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | Provision of consulting services, design, implementation and after-sales maintenance of turnkey solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology. | - | 99.7% |
| Ingeniería Celular Andina, S.A. | Avenida Néstor Gambetta, 576, Callao, 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 installations. Construction of Civil Works Technical advice | - | 99.999% |
| Teknimartek de Mexico, S.A. de C.V. | Mexico | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel El Salvador, S.A. | El Salvador | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel Guatemala, S.A. | Guatemala | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel Surinami, Ltd. | Suriname | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel Guayana, Ltd. | Guiana | 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 installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel PNG, Ltd. | Papua New Guinea | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |
| Calatel Vanuatu | Vanuatu | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 100% |

(thousands of euro)

| | | | | |
|---|---|---|---|---|
| Riegner & Cía, S.A.S. | Colombia | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 70% |
| Avanzit Tecnología, Ltda. | Av. Apoquindo, 3721 - piso13. Comuna de las Condes. Santiago de Chile (Chile) | All kinds of contracts related to wireless telecommunications equipment. | - | 100% |
| Calatel do Brasil Engenharía e Telecomunicaçoes, Ltda. | Avenida Rio Branco, nº 320, 10º andar, conjunto 103, São Paulo (Brazil) | Civil works, road works, service infrastructure works, Maintenance of civil works, Maintenance of road works. | - | 95% |
| Ezentis Tecnología Colombia, S.A.S. | Colombia | Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and infrastructures for radio communications, telephony and communications in general, as well as development and installation of advanced communications solutions. | - | 100% |

**Subsidiary of Excellence Field Factory, S.L.U.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Ezentis Redes Portugal, Unipessoal Lda. | Rua Guilherme Marconi, números 4,4-A, 4B e 4C, Serra da Amoreira, freguesia da Ramada (2620-448), concelho de Odivelas, Lisboa | a) Research and development, promotion, application, supply, maintenance and operation, in any form, of all types of telecommunications technologies, equipment and materials, energy, industry, public works and constructions, environment and security; b) Operation, maintenance, development and integration of information systems, telecommunications, security and control systems, independent or in integral telecommunications solutions and associated systems; c) Analysis, design, development and implementation of Information Systems; d) Design of telecommunications network engineering, own or third party, consultancy and management of documentation and administrative procedures for obtaining telecommunications licenses and exploitation by itself, or by leasing the networks to third parties; e) consultancy and civil engineering services; etc. | - | 100% |

**Subsidiary of Ezentis Chile, S.L.U.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Ezentis Chile, S.A. | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and railway signalling, ancillary activities in the construction and telecommunications sector, the provision of value-added services to these telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those described above | - | 0.79% |

**Subsidiary of Avanzit Instalaciones e Ingeniería, S.L.U.**

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

**Subsidiaries of Ezentis Argentina, S.A.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Raselo, S.A. | Lavalle 310 1° -C.A.B.A (Argentina) | Consulting, project, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunication systems (ii) networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, household, industrial, hazardous, pathogenic and any other type of waste; for the treatment of water and wastewater, the purification of air and exhaust gases. | - | 98.91% |
| Radiotrónica Construcciones, S.A. | Lavalle 310 1° -C.A.B.A (Argentina) | Civil works, road works, service infrastructure works, Maintenance of civil works, Maintenance of road works. | - | 95% |
| Servicios Mineros del Noa, S.A | Av. Asunción 1850, Salta (Argentina) | Its corporate purpose is to carry out the following activities on its own behalf and on behalf of third parties, or associated with third parties, exclusively in the Argentine Republic and for companies in the mining sector: A) Project for the construction, installation, auxiliary and maintenance of fixed and wireless telecommunication systems. B) Projects for the construction, installation and maintenance of industrial and administrative electrical installations in the broadest sense, including excavations and transformation platforms, signalling and alarms. C) Projects for the construction, installation and maintenance of installations, pipelines for water, gas and oil and all auxiliary equipment in its broadest sense. D) Provision and rental of energy plants E) Drilling for the extraction of groundwater. F) Operation, construction and services for underground mining. To this end, it has full legal capacity to acquire rights, incur obligations and perform acts that are not prohibited by law or by this Article. All operations included in the legal regime of financial institutions are excluded. | - | 51% |
| Ezentis Perú, S.A.C. | Avenida Argentina nº 3090, Callo, Lima (Peru) | The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and railway signalling, ancillary activities in the construction and telecommunications sector, the provision of value-added services to these telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those described above | - | 10% |

(thousands of euro)

**Subsidiary of Raselo, S.A.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Radiotrónica Construcciones, S.A. | Lavalle 310 1° - C.A.B.A (Argentina) | Civil works, road works, service infrastructure works, Maintenance of civil works, Maintenance of road works. | - | 5% |

**Subsidiary of Ezentis Energía, SpA**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Tecnet S.A. | Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile) | Provision of consulting services, design, implementation and after-sales maintenance of turnkey solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology. | - | 95% |

**Subsidiaries of Calatel Spain, S.L.U.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Ezentis Perú, S.A.C. | Avenida Argentina nº 3090, Callo, Lima (Peru) | The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, electrical component equipment, electrification, road and railway signalling, ancillary activities in the construction and telecommunications sector, the provision of value-added services to these telecommunications and the subscription, acquisition and sale of shares in companies that have similar or analogous activities to those described above | - | 90% |
| Calatel Costa Rica | Costa Rica | 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 installations. Construction of Civil Works Technical consulting | - | 65% |
| Calatel Tci, Ltd. | Turks and Caicos Islands | 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 installations. Construction of Civil Works Technical consulting | - | 100% |
| Calatel LLC | 6422 Collins Avenue, suite 504, Miami, Florida 33141 | 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 installations. Construction of Civil Works Technical advice | - | 50% |
| Calatel Honduras, S.A. | Honduras | Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of Civil Works Technical advice | - | 99.6 |

(thousands of euro)

**Subsidiary of Ezentis Brasil Instalaciones, S.L.U.**

| Company | Address | **Activity** | **% Voting Rights Controlled by the Parent Company** | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Ezentis Energía, S.A. | Avenida Embaixador Abelardo Bueno, 1 bloco 1, ala "c", salas 403 a410, Barra da Tijuca, Rio de Janeiro (Brazil) | Maintenance, development and control of electricity network infrastructures | - | 99.99% |
| Ezentis- Serviços, Engenharia e Instalação de Comunicações, S.A. | Rua São João 282, 1º Andar, Centro, 18147-000 Araçariguama, State of São Paulo (Brazil) | Construction and maintenance of mobile telecommunication stations and networks | - | 1% |

**Subsidiary of Ezentis Brasil Telecom, S.L.U.**

| Company | Address | **Activity** | **% Voting Rights Controlled by the Parent Company** | |
|---|---|---|---|---|
| | | | **Direct** | **Indirect** |
| Ezentis- Serviços, Engenharia e Instalação de Comunicações, S.A. | Rua São João 282, 1º Andar, Centro, 18147-000 Araçariguama, State of São Paulo (Brazil) | Construction and maintenance of mobile telecommunication stations and networks | - | 99% |
| Ezentis Energía, S.A. | Avenida Embaixador Abelardo Bueno, 1 bloco 1, ala "c", salas 403 a410, Barra da Tijuca, Rio de Janeiro (Brazil) | Maintenance, development and control of electricity network infrastructures | - | 0.01% |
| Seicom Redes de Telecomunicações e Serviçoes, Ltda | Sorocaba, State of São Paulo, na Rua Cabreúva, nº 447, Jardim Leocádia | Communications engineering, maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc. | - | 1% |

**Subsidiary Ezentis- Serviços, Engenharia e Instalação de Comunicações, S.A.**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Seicom Redes de Telecomunicações e Serviçoes, Ltda | Sorocaba, State of São Paulo, na Rua Cabreúva, nº 447, Jardim Leocádia | Communications engineering, maintenance of telecommunication systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc. | - | 99% |

**Subsidiaries of Calatel LLC**

| Company | Address | Activity | % Voting Rights Controlled by the Parent Company | |
|---|---|---|---|---|
| | | | Direct | Indirect |
| Calatel Costa Rica | Puerto Rico | 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 installations. Construction of Civil Works Technical advice | - | 100% |

(thousands of euro)

**ANNEX II**
**SUBSIDIARIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION OF THE GRUPO EZENTIS**

| | | | % Voting Rights | |
|---|---|---|---|---|
| | | | Controlled by the Parent Company | |
| **Company** | **Address** | **Activity** | **Direct** | **Indirect** |
| Avanzit Ena Sgt, S.A.U. (in liquidation) | Avda Leganés Km 1,700. 28924 Alcorcón (Madrid) | The execution of projects, electrical and mechanical installations, assemblies, purchase and sale of material, exploitation of patents and the execution of works of any type, in particular, earthworks, etc. | 66.36% | 32.01% |
| Comelta Distribución , S.L. | Torrelaguna, 79. 28043 (Madrid) | Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and apparatus and computer equipment, etc. | - | 100% |
| Circe Inmobiliaria | Torrelaguna, 79. 28043 (Madrid) | Purchase, sale, leasing, construction of movable and immovable property, as well as management of companies and any other lawful commercial activity that is a precedent or complement to the foregoing. | - | 100% |
| Comdist Portugal, Lda. | Torrelaguna, 79. 28043 (Madrid) | Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and apparatus and computer equipment, etc. | - | 100% |
| Escandia Inmobiliaria, S.L. | Torrelaguna, 79. 28043 (Madrid) | Purchase, sale, leasing, construction of movable and immovable property, as well as management of companies and any other lawful commercial activity that is a precedent or complement to the foregoing. | - | 100% |
| Freeway Electronics, S.A. | Torrelaguna, 79. 28043 (Madrid) | Manufacture, development, purchase and sale, leasing, distribution, transport and storage of computer, electronic and electrical equipment, programs and components. | - | 100% |
| Radiotrónica de Galicia, S.A. | Pol. Pocomaco Plot C-4 Nave 4. 15190 A Coruña | Execution and maintenance of electrical installations, construction of civil works, etc. | - | 100% |
| Radiotrónica Móviles Guatemala, S.A. | 14 calle3-51 zona 10 Edif. Murano Center. Office 1003 Guatemala 01010 | The execution and maintenance of telecommunication and computing systems, equipment and components. | 100% | - |
| Radiotrónica Móviles de México, S.A.de C.V. | Guaymas8, Despacho 210 Colonia Roma México D.F. (Mexico) | Services of design, planning and construction of infrastructure for cellular and fixed wireless telephony telecommunications and in general the maintenance, installation of systems, equipment and components of telecommunications for the emission, transmission and reception. | 100% | - |
| Radiotrónica do Brasil, Ltda.. | Avda. da Paz, 925 sala 1. Barrio Utinga. Saint Andre. Sao Paulo State (Brazil) | Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and infrastructures for radio communications, telephony and communications in general, as well as development and installation of advanced communications solutions. | - | 100% |
| Abradi Serviços, S.A. | Avda. da Paz, 925 sala 1. Barrio Utinga. Saint Andre. Sao Paulo State (Brazil) | Assembly, operation and maintenance of telephone, electrical, mechanical and industrial equipment. The prepration of studies and projects, as well as the provision of advisory services for assemblies, telephone, electrical, mechanical and industrial installations. | - | 100% |

(thousands of euro)

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

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

(thousands of euro)

**ANNEX III**
**JOINT VENTURES IN WHICH GROUP COMPANIES PARTICIPATE**

| Company | Address | % Voting Rights<br>Controlled by the Parent Company<br>Direct | <br><br>Indirect |
|---|---|---|---|
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U., Blom Sistemas Geoespaciales, S.L.U, Telefonica Soluciones de Informática y Comunicaciones de España, S.A.U. | C/ Federico Mompou, 5 ed. 2 Madrid | - | 55% |
| Joint Venture (UTE) Avanzit Infraestructuras y Servicios, S.A., Forcimsa, Alario. | C/ Federico Mompou, 5 ed. 2 Madrid | - | 45% |
| Joint Venture (UTE) Avanzit Infraestructuras y Servicios, S.A., Comsa, S.A. | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U., Indra Sistemas I | Av. Bruselas, 35 28108 Alcobendas (Madrid) | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U., Indra Sistemas II | Av. Bruselas, 35 28108 Alcobendas (Madrid) | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U., Indra Sistemas III | Av. Bruselas, 35 28108 Alcobendas (Madrid) | - | 18% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U., Everis Spain Outsourcing EPES | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - Nucleo | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - MCP sistemas | C/ Fernando Caro, 7 28027 Madrid | - | 33% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - Exceltic -Deimos Space- Nextel | C/ Federico Mompou, 5 ed. 2 Madrid | - | 16% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. – EMASCARO | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. – Amper | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - MAGTEL Sistemas | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L. | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L. 2 | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |
| Joint Venture (UTE) TELEFÓNICA SOLUCIONES DE INFORMATICA Y COMUNICACIONES DE ESPAÑA, S.A.U. - EZENTIS TECNOLOGÍA, S.L. UNIPERSONAL | Ronda de la Comunicación, s/n, edificio Norte 2, Distrito C - 28050 Madrid | - | 48% |
| Joint Venture (UTE) Avánzit Tecnologia, S.L.U. - Deimos | C/ Federico Mompou, 5 ed. 2 Madrid | - | 50% |

**ANNEX IV**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

**1) Group consolidation principles**

***Scope of consolidation***

Grupo Ezentis, S.A. has a Group formed by Grupo Ezentis, S.A., Parent Company, its SUBSIDIARIES, Associates and joint ventures ("the Group"). Annexes I , II and III to these notes contain additional information on the entities included in the scope of consolidation, companies not included in the scope of consolidation and joint ventures included in the scope of consolidation in 2018.

Holdings of less than 20% of the share capital in other entities over which it has no significant influence are considered financial investments.

For the purposes of preparing the consolidated annual financial statements, it is understood that a group exists when the parent company has one or more dependent entities, these being those over which the parent company has control, either directly or indirectly.

***SUBSIDIARIES***

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

To account for business combinations, the Group applies the acquisition method. The consideration transferred for the acquisition of a subsidiary relates to the fair value of the assets transferred, the liabilities incurred with the previous owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability arising from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group may elect to recognise any non-controlling interest in the acquiree at the fair value or at the proportionate share of the non-controlling interest of the recognised amounts of the acquirer's identifiable net assets.

If the business combination is carried out in stages, the book value at the acquisition date of the equity interest in the acquiree previously held by the acquirer is re-measured at fair value at the acquisition date; any gain or loss arising from this re-measurement is recognised in profit or loss for the year.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total consideration transferred, the recognised non-controlling interest and the previously held interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain acquisition, the difference is recognised directly in profit or loss.

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

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

***Transactions and Minority interests***

The Group records transactions with minority interests as transactions with the owners of the Group's equity. In the case of minority interest purchases, the difference between the consideration paid and the corresponding proportion of the book value of the subsidiary's net assets is recognised in equity. Gains or losses on the disposal of minority interests are also recognised in equity provided that control over the minority interest has not been lost.

***Disposals of Subsidiaries***

When the Group ceases to have control or significant influence, any interest retained in the entity is revalued at fair value and the higher book value of the investment is recognised on the income statement. Fair value is the initial book value for the purpose of subsequent recognition of the retained interest in the associate, joint venture or financial asset. Any amount previously recognised in other comprehensive income in relation to that entity is accounted for as if the Group had directly sold all related assets and liabilities. This could mean that amounts previously recognised in other comprehensive income are reclassified on the income statement.

***Associates***

Associates are all entities over which the Group exercises significant influence but does not have control. Significant influence is presumed to exist when the shareholding is between 20% and 50% of the voting rights or, if the shareholding is lower, there are facts and circumstances that demonstrate the exercise of significant influence. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced, but significant influence remains, only the proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss when appropriate.

The Group's share of profits or losses subsequent to the acquisition of its associates is recognised on the income statement and its share of movements in other comprehensive income subsequent to the acquisition is recognised in other comprehensive income. Accumulated post-acquisition movements are adjusted against the book value of the investment. When the Group's share of an associate's losses is equal to or greater than its share in the associate, including any other uninsured receivables, the Group does not recognise additional losses unless it has incurred obligations or made payments on behalf of the associate.

In a new acquisition of shares in the company accounted for by the equity method, the additional investment and the new goodwill (if any) are determined in the same way as the first investment and in the percentages of the equity corresponding to the investment.

Note 9 provides a breakdown of the identification data of the associates included in the scope of consolidation using the equity method.

***Joint Venture***

IFRS 11 applies to all joint ventures. Investments in joint ventures under IFRS 11 are classified as joint businesses or as joint ventures, depending on the contractual rights and obligations of each investor. The Group has evaluated the nature of their joint ventures and determined them to be joint ventures. Joint ventures are accounted for using the equity method (see Associates).

***Annual closing date***

In 2018 and 2017, the accounting close date for all the companies composing the Grupo Ezentis is 31 December.

***Changes in the scope of consolidation***

In 2018 there was a change in the scope of consolidation due to the acquisition of 100% of Sociedad Excellence Fields Factory, S.L. and the acquisition of the remaining 40% of Radiotrónica Construcciones, S.A. which was held by minority shareholders.

In 2017, the following significant changes took place in the scope of consolidation:

- On 30 June 2017, the Group acquired 100% of the shares and participation units of Comunicaciones y Sonido México, S.A. de C.V. (Mexico), Ingeniería Celular Panamericana, S.A. (Mexico), GTS Thaumat XXI, S.A. (Spain), Grupo Comunicaciones y Sonido, S.L. (Spain) and Ingeniería Celular Andina, S.A. (Peru). (Note 5)
- Sale of Cala Telecom Services Limited, Calatel Panamá, S.A. and GPON Services Trinidad Limited.

**2) Segment reporting**

Segment information is presented in a manner consistent with the internal information presented to the highest decision-making body (Board of Directors) (Note 23).

The accounting policies of the segments are the same as those applied and described in these notes to the consolidated annual financial statements.

**3) Foreign currency transactions**

***Functional and presentation currency***

The items included in the annual financial statements of each of the Group entities are valued using the currency of the principal economic environment in which the entity operates ("functional currency"). The consolidated annual financial statements are presented in euro, which is the functional currency of Grupo Ezentis, S.A. and the presentation currency of these consolidated annual financial statements.

***Transactions and balances***

Transactions in foreign currencies are converted to the functional currency using the exchange rate that is applicable when the transaction is executed. Gains and losses resulting from the settlement of these transactions and their conversion to the functional currency at the close of the accounting period are recognized in the profit and loss, unless deferred in net equity as a hedge of qualified cash flows or a hedge for qualified net investment.

Exchange rate gains and losses relating to dent and cash and cash equivalents are presented in the income statement under "financial income" or "financial expense". Other foreign exchange gains and losses are recognised on the income statement under "other foreign exchange gains/(losses) - net".

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

***Group companies***

The results and financial position of all Group entities that have a functional currency other than the presentation currency are translated to the presentation currency as follows:

- The assets and liabilities on each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
- Revenues and expenses on each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates existing at the dates of the transaction, in which case the revenues and expenses are translated at the date of the transactions);
- Equity items (except income statement) are translated at the historical exchange rate; and

- All resulting translation differences are recognised as a separate component of other comprehensive income.

In consolidation, exchange rate differences arising on the translation of any net investment in foreign operations, financial debt and other financial instruments designated as hedges of these investments are recognised in comprehensive income.

Adjustments to goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate. Translation differences arising are recognised in other comprehensive income.

**4 Tangible fixed assets**

Fixed assets for own use are stated at acquisition cost (revalued, where appropriate, with various legal provisions prior to the date of transition to IFRSs) less accumulated depreciation and any recognised impairment losses.

The costs of expanding, upgrading or improving fixed assets which increase their productivity, capacity or efficiency or prolong their useful life are capitalised as an increase in the cost of the asset.

Repairs that do not represent an extension of the useful life and maintenance expenses are charged against earnings in the year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their costs, or revalued amounts, up to the amount of their residual values over their estimated useful lives. The annual depreciation and amortisation charge for fixed assets is recognised in consolidated profit on the basis of the average years of estimated useful life of the various items on a straight-line basis, as detailed below:

| | **Estimated useful life** |
|---|---|
| Constructions | 33 to 50 |
| Technical facilities and machinery | 10 to 25 |
| Other facilities, tools, furniture and fixtures | 4 to 10 |
| Motor Vehicles | 5 to 8 |
| Computers and Other Fixed Assets | 4 to 5 |

The residual value and the useful life of the assets is revised, as necessary, on the date of each balance sheet. When the book value of an asset exceeds its estimated recoverable amount, its book value is immediately reduced to its recoverable amount.

Gains and losses on the sale of fixed assets are calculated by comparing the income obtained with the book value and are recognised on the income statement under "Other operating (expense)/income". The work carried out by the Company on its fixed assets is valued at production cost and is recorded as income on the income statement.

Tangible assets acquired under financial leases are recorded in the category of fixed assets to which the leased asset corresponds and are amortised over their expected useful lives using the same method as for assets owned.

The expenses incurred in the refurbishment of a building in which the Group operates, held under an operating lease, which represent specific improvements made to the building, are classified under this heading on the consolidated balance sheet according to their nature (technical installations). They are depreciated on the basis of the estimated useful life of these assets (10 years), which is less than the term of the lease to which they should be depreciated if the lease is shorter than their useful life.

**5) Intangible assets**

***Goodwill***

Goodwill represents the excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets of the subsidiary or associate acquired at the acquisition date. Goodwill related to acquisitions of subsidiaries is included in intangible assets. Goodwill relating to acquisitions of associates is included in investments in associates and is tested for impairment together with the total balance of the associate. Goodwill recognised separately is tested for impairment at least annually or when indications of impairment result and is measured at cost less accumulated impairment losses. Gains and losses on the sale of an entity include the book value of goodwill related to the entity sold.

Goodwill is allocated to Cash Generating Units (CGUs) for the purpose of testing for impairment losses. The allocation is made to Cash Generating Units (CGUs) or Groups of Cash Generating Units that are expected to benefit from the business combination in which the identified goodwill arises.

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

The methodology and main assumptions used to perform the impairment tests at CGU level are described in Note 6.

Goodwill impairment losses are recognised in the income statement under "Impairment and Gains or Losses on Disposals of Financial Instruments" and are not reversed in the future.

***Clients, contracts, non-compete agreements and brands***

The Clients, Contracts and Non-Compete Agreements" heading includes assets with defined useful lives identified in the processes for assigning the purchase price of the net assets relating to Ezentis Energía, S.A., Ezentis Engenharia, Grupo Networks Test and Tecnet. These assets consist of the valuation of:

- Contracts: corresponds to the maintenance and extension contracts for electrical networks that Ezentis Energía, S.A. holds. had signed with certain customers, mainly Light, which are amortised on a straight-line basis over their estimated useful life (5 years), to the framework contracts signed with Telefónica in Spain, Colombia and the USA which are amortised on a straight-line basis over the estimated useful life (4 years for the first and 6 years for the latter), the framework contract signed with CGE for the acquisition of Tecnet, which is amortised on a straight-line basis over the estimated useful life (5.7 years), and the fixed line network, FTTH and FLM contracts signed with various customers by Excellence Fields Factory, which are amortised using the straight-line method over the life of the contracts.

- Client portfolio: corresponds to the commercial relationship that Ezentis Engenharia maintains with its customers. This portfolio has a definite useful life and is amortised on a straight-line basis over its estimated useful life (15 years). It also corresponds to the client portfolio of the acquisition of Tecnet, which is amortised on a straight-line basis over the estimated useful life (3.2 years).
- Non-compete agreements signed with the sellers of the shares of Ezentis Energía, S.A. and Ezentis Engenharia. The contracts for the purchase and sale of the shares between the Group and the sellers of both companies include obligation clauses for the sellers, which grant certain contractual rights consisting of the value provided by the protection against future damages to income, profits or cash flows, in the event that the owners/sellers with greater knowledge decide to compete directly with the Company in the Brazilian market. These contracts have a defined useful life of 3 years for Ezentis Energía, S.A. and 4 years for Ezentis Engenharia and are amortised on a straight-line basis.
- Brand: corresponds to the value assigned to the Tecnet brand that is amortized on a straight-line basis over the estimated useful life (5.2 years).

At year-end, no impairment of these intangible assets had occurred.

***Other intangible assets***

The "Other Intangible Assets" caption consists of:

- Computer applications

The licenses for computer software acquired from third parties are capitalised at cost of acquisition plus the costs incurred to prepare them for the use of the specific program. These costs are amortised over their useful lives over a maximum period of 5 years.

Expenses related to the development or maintenance of computer programs are recognised as an expense when incurred. Costs directly related to the production of unique and identifiable software controlled by the Group and which are likely to generate financial benefits above costs for more than one year are recognized as intangible assets. The direct costs include the costs of the personnel developing the software and an adequate percentage of overhead.

Software development costs recognised as assets and are amortised on a straight-line basis over their estimated useful lives (not exceeding 5 years).

- Research and Development Expense

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

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

b) Management intends to complete the intangible asset in question, to use or sell it;

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

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

e) Adequate technical, financial or other resources are available to complete the development and to use or sell the intangible asset; and

f) It is possible to reliably measure the expenditure attributable to the intangible asset during its development.

Other development expenses are recorded as an expense in the year in which they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The amounts received as grants for research and development projects are applied to results in accordance with the criteria for recognition of research and development expenses on the income statement.

**6) Interest expense**

Interest costs incurred in the construction of any qualifying asset are capitalised over the period of time necessary to complete and prepare the asset for its intended use. In 2018 and 2017 the Group did not capitalise any such amount.

**7) Impairment losses on non-financial assets**

Assets with indefinite useful lives, e.g. goodwill, are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever an event or change in circumstances indicates that the book value may not be recoverable.

An impairment loss is recognised at the book value of the asset if the book value exceeds its recoverable amount. Recoverable amount is the higher of the fair value of an asset less costs to sell or value in use. In order to evaluate impairment losses, the assets are grouped on the lowest level in which there exists separate identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffer an impairment loss are reviewed for possible reversal of the loss at each reporting date.

Impairment losses on non-financial assets are recognised as an expense on the income statement under "Impairment and Gains or Losses on Disposals of Financial Instruments". Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates of its recoverable amount by increasing the asset's value up to the limit of the book value that the asset would have had had no impairment loss been recognised. The reversal of the impairment loss is immediately recognised as income on the consolidated income statement. In the case of goodwill, the write-downs made are not reversible.

**8) Non-current assets and disposal groups held for sale**

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

**9) Financial instruments**

(i) Recognition and classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, financial liability or equity instrument developed in IAS 32 "Financial Instruments: Presentation”.

Financial instruments are recognised when the Group becomes a party to the contract or legal transaction in accordance with the provisions of the contract or legal transaction.

For valuation purposes, the Group classifies financial instruments in the categories of financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading or mandatorily measured at fair value through profit or loss, financial assets and liabilities measured at amortised cost and financial assets measured at fair value through other comprehensive income, separating the equity instruments designated as such from the other financial assets. The Group classifies financial assets, other than those designated at fair value through profit or loss, and equity instruments designated at fair value through profit or loss, according to the business model and the characteristics of the contractual flows. The Group classifies financial liabilities as measured at amortised cost, except for those designated at fair value through profit or loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- It is acquired or incurred primarily for the purpose of selling or repurchasing it in the immediate future;

- Initial recognition is part of a portfolio of identified financial instruments that are managed jointly and for which there is evidence of a recent pattern of short-term profit;

- It is a derivative, except for a derivative that has been designated as a hedging instrument and meets the conditions to be effective and a derivative that is a financial guarantee contract or

- An obligation to deliver borrowed financial assets that are not held.

The Group classifies a financial asset at amortised cost if it is maintained within the framework of a business model whose objective is to hold financial assets to obtain contractual cash flows and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount (UPPI).

The Group classifies a financial asset at fair value with changes in other comprehensive income if it is maintained within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are UPPI.

The business model is determined by the Group's key personnel and at a level that reflects the way in which they jointly manage financial asset groups to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Financial assets that form part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual cash receipts over the life of the instrument. The Group manages the assets held in the portfolio to receive these specific contractual cash flows. To determine whether cash flows are obtained by receiving contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for those sales and expectations in relation to future sales activity. However, sales per se do not determine the business model and therefore cannot be considered in isolation. Instead, it is information on past sales and expectations of future sales that provides indicative data on how to achieve the Group's stated objective in terms of financial asset management and, more specifically, how cash flows are obtained. The Group considers information on past sales in the context of the reasons for these sales and the conditions that existed at that time compared to the current sales. For these purposes, the Group considers that trade debtors and accounts receivable which are to be assigned to third parties and which are not to be derecognised are maintained in this business model.

Although the objective of the Group's business model is to hold financial assets to receive contractual cash flows, this does not mean that the Group holds all the instruments until maturity. Therefore, the Group's business model is the maintenance of financial assets in order to receive contractual cash flows even when sales of these assets have taken place or are expected to take place in the future. The Group understands that this requirement has been met, provided that the sales are due to an increase in the credit risk of the financial assets. In the rest of the cases, at the individual and aggregate level, sales must be insignificant, even if they are frequent or infrequent, even if they are significant.

Financial assets that are part of a business model whose objective is to hold assets in order to receive contractual cash flows and sell them are managed to generate cash flows in the form of contractual collections and sell them to meet the Group's various needs. In this type of business model, key Group management personnel have decided that, in order to meet this objective, both the obtaining of contractual cash flows and the sale of financial assets are essential. To achieve this objective, the Group both obtains contractual cash flows and sells financial assets. Compared to the previous business model, in this business model, the Group usually makes sales of more frequent and higher value assets.

The contractual cash flows that are UPPI are consistent with a basic loan agreement. In a basic loan arrangement, the most significant elements of interest usually take into account the time value of money and credit risk. However, in such an arrangement, interest also includes consideration for other risks, such as liquidity risks and costs, such as the administrative costs of a basic loan associated with holding the financial asset for a specified period. In addition, interest may include a profit margin that is consistent with a basic loan agreement

The Group designates a financial asset initially at fair value through profit or loss if doing so eliminates or significantly reduces any inconsistencies in measurement or recognition that would otherwise arise if the measurement of the assets or liabilities or the recognition of the results of these assets or liabilities were made on different bases.

All other financial assets are classified at fair value through profit or loss.

Financial assets and liabilities for contingent consideration arising in a business combination are classified as financial assets and liabilities measured at fair value through profit or loss.

The Group designates a financial liability initially at fair value through profit or loss if doing so would eliminate or significantly reduce any inconsistencies in measurement or recognition that would otherwise arise, if the measurement of the assets or liabilities or the recognition of the results thereof were made on a different basis or if a group of financial liabilities or financial assets and financial liabilities were managed, and its performance is assessed, on the basis of fair value, in accordance with a documented risk management or investment strategy, and information relating to that group is provided internally on the same basis to key Group management personnel.

The Group classifies all other financial liabilities, except financial guarantee contracts, commitments to grant a loan at a lower than market interest rate and financial liabilities resulting from a transfer of financial assets that do not qualify for derecognition or that are accounted for using the continuing involvement approach, as financial liabilities at amortised cost

(ii) Compensation principles

A financial asset and a financial liability are offset only when the Group has the currently enforceable legal right to offset the recognised amounts and intends to settle for differences or to realise the asset and settle the liability simultaneously. In order for the Group to have the currently enforceable legal right, it must not be contingent on a future event and must be legally enforceable in the ordinary course of business, in the event of insolvency or judicially declared liquidation and in the event of non-payment.

(iii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense as incurred.

The fair value of a financial instrument at the initial stage is usually the transaction price, unless that price contains elements other than the instrument, in which case the Group determines the fair value of the instrument. If the Group determines that the fair value of an instrument differs from the transaction price, it recognises the difference in profit or loss to the extent that the value was obtained by reference to a quoted price in an active market of an identical asset or liability or was obtained from a valuation technique that used only observable data. In all other cases, the Group recognises the difference in profit or loss to the extent that it arises from a change in a factor that market participants would consider when determining the price of the asset or liability. (IFRS 7.28 a)

Subsequent to their initial recognition, they are recognized at fair value and the variations are recorded in profit or loss. Changes in fair value include the interest and dividend component. Fair value is not reduced by the transaction costs that may be incurred by its eventual sale or other disposal.

However, for financial liabilities designated at fair value through profit or loss, the Group recognises changes in fair value attributable to its own credit risk in other comprehensive income. Amounts deferred in other comprehensive income are not subsequently reclassified to the income statement.

The Group determines the change in fair value attributable to credit risk, initially calculating the internal rate of return at the beginning of the period using the fair value and contractual flows and discounting that rate it the reference interest rate, to determine the specific rate of the credit risk component, provided that the change in the reference interest rate is not significant and that there are no other factors that imply significant changes in fair value. At each closing date, the Group discounts the contractual flows at the rate determined as the sum of the reference rate at that date plus the specific rate of the credit risk component. The difference between the year-end fair value and the previous amount represents the change related to credit risk.

(iv) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

(v) financial assets at fair value through other comprehensive income

Financial assets at fair value through changes in other comprehensive income are initially recognised at fair value plus transaction costs directly attributable to the purchase.

After initial recognition, financial assets classified in this category are measured at fair value and the gain or loss is recognised in other comprehensive income, except for foreign exchange gains and losses. Amounts recognised in other comprehensive income are recognised in profit or loss when the financial assets are derecognised. However, interest calculated using the effective interest method is recognised in profit or loss.

As previously indicated, the Group has designated certain equity instruments as measured at fair value through changes in other comprehensive income. After initial recognition, equity instruments are measured at fair value and the gain or loss is recognised in other comprehensive income. Amounts recognised in other comprehensive income are not reclassified to income, although they are reclassified to reserves when the instruments are derecognised.

(vi) Financial assets measured at cost

Investments in equity instruments for which there is insufficient information to be valued or for which there is a wide range of valuations and the derivative instruments that are linked to them and that must be settled by delivery of these investments are valued at cost. However, if the Group has at its disposal at any time a reliable valuation of the asset or the contract, these are recognised at that time at fair value, recording the gains or losses in profit or loss or in other comprehensive income, if the instrument is designated at fair value through changes in other comprehensive income.

(vii) Reclassification of financial instruments

The Group reclassifies financial assets when it modifies the business model for their management. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset from the amortised cost category to fair value through profit or loss, it recognises the difference between fair value and book value in profit or loss. From that moment onwards, the Group does not record the interests of the financial asset separately.

If the Group reclassifies a financial asset in the fair value through profit or loss category to amortised cost, the fair value at the date of reclassification is taken to be the new gross book value for the purposes of applying the effective interest rate method and recording credit losses.

If the Group reclassifies a financial asset from the amortised cost category to fair value through changes in other comprehensive income, it recognises the difference between fair value and book value in other comprehensive income. The effective interest rate and the recording of expected credit losses are not adjusted for reclassification. However, the cumulative amount of expected credit losses is charged against other comprehensive income and is disclosed in the notes.

If the Group reclassifies a financial asset in the fair value category through changes in other comprehensive income at amortised cost, it is reclassified at fair value. The deferred amount in equity is adjusted from the book value of the asset. The effective interest rate and the recording of expected credit losses are not adjusted for reclassification.

If the Group reclassifies a financial asset from the fair value through profit or loss category to fair value through changes in other comprehensive income, the effective interest rate and expected credit losses are determined at the date of reclassification at fair value at that time.

If the Group reclassifies a financial asset from the fair value through changes in other comprehensive income category to fair value through changes in profit or loss, the amount deferred in equity is reclassified to earnings. From that moment onwards, the Group does not record the interests of the financial asset separately.

(viii) Impairment

The Group recognises a value adjustment for expected credit losses on financial assets measured at amortised cost, fair value with changes in other comprehensive income, finance lease receivables, contract assets, loan commitments and financial guarantees in profit or loss .

For financial assets measured at fair value through changes in other comprehensive income, the expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

As from 1 January 2018, at each closing date, the Group measures the value adjustment at an amount equal to the expected credit losses in the following twelve months, for financial assets for which credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has no longer increased significantly.

At each closing date, the Group assesses whether the credit risk of an instrument considered individually or a group of instruments considered collectively has increased significantly since initial recognition. For the collective evaluation, the Group has added the instruments in accordance with the shared risk characteristics.

In assessing whether, for an instrument or group of instruments, credit risk has increased significantly, the Group uses the change in the default risk that will occur over the expected life of the instrument, rather than the change in the amount of expected credit losses. Therefore, the Group evaluates the change in the risk of non-payment at each closing date compared to the initial recognition.

In assessing whether there is a significant increase in credit risk, the Group considers all forward-looking information to be reasonable and supported, specifically:

- Internal and external credit risk ratings;
- Current or expected adverse changes in the business, financial or economic conditions that could result in a significant change in the borrower's ability to meet its obligations;
- Current or expected significant changes in the borrower's operating profit or loss;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of a third party's collateral or credit enhancements;
- Macroeconomic information

The Group has determined the impairment of cash and cash equivalents for the expected credit losses over the next twelve months. The Group considers that cash and cash equivalents have a low credit risk in accordance with the credit ratings of the financial institutions in which the cash or deposits are deposited

(ix) Derecognition, modification and cancellation of financial assets

The Group applies derecognition criteria to a part of a financial asset or a part of a group of similar financial assets or to a financial asset or a group of similar financial assets.

Financial assets are derecognised when the right to receive cash flows associated with them have expired or they have been transferred and the Group has substantially transferred all the risks and benefits of ownership. Also, the derecognition of financial assets in circumstances in which the Group retains the contractual rights to receive the cash flows only occurs when contractual obligations have been assumed that determine the payment of those flows to one or more recipients and the following requirements are met:

- The payment of cash flows is subject to prior collection;
- The Group may not sell or pledge the financial asset; and

• Cash flows collected on behalf of possible recipients are remitted without significant delay and the Group is not able to reinvest the cash flows. This criterion is not applied to investments in cash or cash equivalents made by the Group during the settlement period between the collection date and the date of remission agreed with the eventual recipients, provided that the interest accrued is attributed to the eventual recipients.

The derecognition of a financial asset in its entirety implies the recognition of profit or loss for the difference between its book value and the sum of the consideration received, net of transaction costs, including the assets obtained or liabilities assumed and any deferred loss or gain in other comprehensive income, except for equity instruments designated at fair value through changes in other comprehensive income

(x) Interest and dividends

The Group recognises interest using the effective interest method, which is the discount rate that matches the carrying amount of a financial instrument with the estimated cash flows over the expected life of the instrument, based on its contractual terms and without considering expected credit losses, except for financial assets acquired or originated with incurred losses.

Interest is recognised on the gross book value of financial assets, except for financial assets acquired or originated with credit losses incurred and financial assets with credit impairment. For the former, the Group recognises interest at the effective interest rate adjusted for initial credit risk and for the latter, the Group recognises interest on the amortised cost.

Changes in estimated cash flows are discounted at the effective interest rate or the interest rate adjusted for the original credit risk and recognised in earnings.

(xi) Derecognition and modifications of financial liabilities

The Group derecognises a financial liability or part of a financial liability when it has met the obligation contained in the liability or is legally released from the principal liability contained in the liability either by virtue of legal proceedings or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as a cancellation of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different conditions.

The Group considers that the terms are substantially different if the present value of the cash flows discounted under the new terms, including any commission paid net of any commission received, and using the original effective interest rate as the discount rate, differs by at least 10 per cent from the discounted present value of the cash flows still remaining from the original financial liability.

If the exchange is recorded as a cancellation of the original financial liability, the costs or commissions are recognised in profit or loss as part of the gain or loss. Otherwise, the modified flows are discounted at the original effective interest rate, recognising any difference from the previous carrying amount in profit or loss. In addition, costs or fees adjust the carrying amount of the financial liability and are amortised using the amortised cost method over the remaining life of the modified liability.

The Group recognises the difference between the book value of the financial liability or part of it cancelled or transferred to a third party and the consideration paid, including any asset transferred other than the cash or liability assumed in profit or loss.

(xii) Financial debts

Financial liabilities are initially recognised at fair value less transaction costs incurred. Subsequently, the difference between the funds obtained, net of the costs necessary to obtain them, and the repayment value is recognised in the income statement over the life of the debt using the effective interest method.

Fees paid to obtain credit facilities are recognised as debt transaction costs whenever it is probable that part or all of the facility will be available. In this case, the commissions are deferred until the disposition occurs. To the extent that it is not probable that all or part of the credit facility will be available, the fee is capitalised as an advance payment for liquidity services and is amortised over the period to which the credit availability relates.

Interest-bearing bank loans are recognised at the amount received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis on the income statement using the effective interest method and are added to the book value of the instrument to the extent that they are not settled in the period in which they occur.

In the case of certain bank loans, there are conditions relating to compliance with financial ratios. Non-compliance could result in the loans being automatically called and would therefore be classified as current liabilities.

The Group receives zero-rate loans from government agencies to finance development projects. These loans are initially measured at fair value and the difference between this fair value and the amount received is recognised as interest rate subsidies under "Other Non-Current Liabilities". and
they are applied to the income statement in accordance with the criteria for recognition of development expenses on the income statement.

**10) Inventories**

This heading on the consolidated balance sheet includes the non-financial assets of the consolidated entities:

1. Held for sale in the ordinary course of their business,
2. Are in the process of production, construction or development for that purpose; or
3. They plan to consume them in the production process or in the provision of services.

Inventories are stated at the lower of cost or net realisable value. The cost of products in progress includes the costs of direct materials and, where appropriate, direct labour costs and manufacturing overhead incurred to date. The cost price is calculated using the weighted average cost. Net realisable value represents the estimated selling price less all estimated completion costs and the costs that will be incurred in the marketing, selling and distribution processes.

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

Impairment losses on inventories are recognised on the income statement under "consumption and other external expenses".

**11) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits at credit institutions, other highly liquid short-term investments with an original maturity of three months or less and also short-term financial investments with a maturity of more than three months that do not include restrictions or penalties for their disposal. Balances held in current accounts that are restricted at year-end used as surety or guarantees given to third parties in connection with commercial transactions are presented as other cash and cash equivalents if it is expected that these amounts will be available for disposal within no more than three months from year-end, if they do not comply with this condition they are presented as other current or non-current assets depending on the period of free disposal. (Note 12.d) On the balance sheet, bank overdrafts are classified as bank borrowings under current liabilities.

**12) Share capital**

Ordinary shares are classified as equity.

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

When any Group entity acquires shares of the Company (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to the holders of the Company's equity instruments until their cancellation, new issue or disposal. When these shares are subsequently reissued, any amount received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

The Group calculated earnings per share for 2018 and 2017. Information on diluted earnings per share is disclosed in Note 14g to these consolidated financial statements.

Basic earnings per share are calculated by dividing:

- the profit attributable to the shareholders of the company, excluding any service cost of equity other than ordinary shares

- and the weighted average number of ordinary shares outstanding during the period, adjusted for the incentive elements in ordinary shares issued during the period and excluding treasury shares.

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

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Capital increases related to non-monetary contributions by offsetting financial liabilities are recorded at the fair value of the offsetting credit 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 measured at fair value at the acquisition date in which the equity instruments are delivered as consideration for the net assets acquired.

**13) Subsidies**

Subsidies received from the Government are recognised at fair value when there is reasonable assurance that the subsidy will be collected, and the Group will comply with all established conditions.

Government grants related to costs are deferred and recognised on the income statement for the period necessary to correlate them with the costs they are intended to offset.

Government grants related to the acquisition of fixed assets are included under non-current liabilities as government grants and credited to the income statement on a straight-line basis over the useful life of the related assets.

The amounts received as grants for research and development projects are applied to the income statement in accordance with the recognition criterion on the income statement of research and development expenses.

**14) Trade accounts payable**

Trade accounts payable are payment obligations for goods or services purchased from suppliers in the ordinary course of business.

Trade accounts payable are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method when they mature in more than one year and their financial effect is significant.

**15) Provisions**

When preparing the consolidated financial statements, the Parent’ Companies directors make a distinction between:

1. Provisions: credit balances covering present obligations at the consolidated balance sheet date arising from past events that could give rise to losses for the entities; specific as to their nature, but uncertain as to their amount and/or timing; and

2. Contingent liabilities: possible obligations arising from past events, the materialisation of which is conditional on the occurrence or non-occurrence of one or more future events beyond the control of Group management.

The Group's consolidated financial statements include all material provisions with respect to which it is considered that the probability that the obligation will have to be met is greater than otherwise. Contingent liabilities are not recognised on the consolidated balance sheet but are reported in accordance with the requirements of IAS 37 (Notes 18 and 21).

**16) Classification of balances as current and non-current**

Balances are classified on the basis of their maturities, current liabilities being those maturing in less than twelve months from the balance sheet date and non-current liabilities maturing in more than twelve months.

**17) Corporate tax**

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

Current tax expense is calculated on the basis of laws passed or about to be passed at the balance sheet date in the countries in which the Company's subsidiaries and associates operate and in which they generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized, in accordance with the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the consolidated financial statements. However, deferred taxes are not accounted for if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, which, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) approved or about to be approved at the balance sheet date and which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

In accordance with International Accounting Standard 12 "Income Tax" , deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, the Group considers the following aspects when assessing the possibility of taxable profits against which unused tax losses or credits can be utilised:

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

- Whether it is probable that the Group will have taxable profits before the right to offset unused tax losses or credits lapses;

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

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

To the extent that it is not probable those taxable profits will be available against which to charge unused tax losses or unused tax credits, deferred tax assets are not recognised.

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries and associates, except when the Group can control the date on which the temporary differences are reversed and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and deferred tax liabilities arise from income tax relating to the same tax authority, which is levied on the same entity or taxable person, or different entities or taxable persons, that intend to settle current tax assets and liabilities on a net basis.

**18) Employee benefits**

**Unemployment compensation**

Compensation for dismissals are paid to employees when the Company decides to rescind the employment contract prior to the normal age of retirement or when the employee voluntarily accepts dismissal in exchange for such benefits. The Group recognises these benefits on the earliest of the following dates: (b) when the entity recognises the costs of a restructuring within the scope of IAS 37 and this results in the payment of unemployment benefits. When an offer is made to encourage the voluntary resignation of employees, unemployment benefits are valued on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid within the first following 12 months after the date of the balance sheet are discounted to the net present value.

**Profit-sharing plans and bonuses**

The Group recognises a bonus liability and expense based on a formula that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Group funds a provision when it is contractually required to do so or when previous practices create an implicit obligation.

**19) Share-based incentives**

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

- including market performance conditions (for example, the entity's share price)
- excluding the impact of vesting conditions that are non-market service or performance conditions (e.g. profitability, sales growth targets and the remaining period of the employee's obligation to remain with the entity for a specified period), and
- including the impact of any non-vesting condition (e.g. an obligation for employees to save or hold shares for a specified period of time).

Total expense is recognised during the vesting period, which is the period during which all the conditions specified for the vesting of the bonus have to be satisfied. At the end of each period, the entity revises its estimates of the number of shares it expects to consolidate on the basis of non-market conditions of service and irrevocability. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with the corresponding adjustment to equity.

**20) Recognition of income and expense**

**General**

Income and expense are accounted for using accrual accounting. Monies are accounted for when the underlying transaction is carried out, that is when earned or spent and not when received or paid.

Revenue is recognised at the fair value of the consideration receivable and represents the amounts receivable for goods delivered and services rendered in the ordinary course of the Group's business.

**Contracts for construction works and installations and provision of services**

Revenue from construction contracts and installations with a short execution period is recognised in each year as the difference between production (value at selling price of the work executed during that period) and the costs incurred during the year, since a reliable estimate can be made of the result of the construction contract at the balance sheet date. This statement is usually measured by the proportion of the contract costs incurred in the work performed at that date to the total estimated contract costs, unless that proportion is not representative of the stage of completion. Variations in the contract, claims and incentive payments are included to the extent that they have been agreed with the customer. When it is not possible to make a reliable estimate of the outcome of a contract, only the revenue arising from that contract is recognised up to the limit of the recoverable costs incurred. Contract costs should be recognised as an expense in the period in which they are incurred. When total contract costs are likely to exceed total contract revenue, the expected loss is recognised as an expense immediately.

Every month the costs incurred in each project are re-estimated, the hours dedicated are assigned, the associated indirect costs are distributed and the direct costs assignable to the period are calculated. At the end of each month, the total costs of each project, the corresponding profit margin and the degree of progress are calculated, adjusting for any differences that may arise in the same month.

The difference, if any, between the amount of completed work recorded in the accounts and that of work certified up to the balance sheet date is recorded in the "Clients, Work Completed Pending Invoicing" account under the "Debtors" caption on the consolidated balance sheet. The amounts relating to the other amounts certified in advance for various concepts are recorded under the “Customer Advances” account of the "Trade and other payables" heading on the consolidated balance sheet.

**21) Leases**

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

**Finance leases**

Therefore, finance leases are deemed to be those in which the risks and rewards of ownership of the leased asset are transferred to the lessee, who usually has the option of acquiring the asset at the end of the contract under the conditions agreed upon when the transaction was entered into.

Financial income and expenses arising from these contracts are credited and charged, respectively, to the consolidated income statement in such a way that return remains constant over the life of the contracts.

**Operating leases**

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

**22) Consolidated cash flow statement**

The following terms are used in the consolidated cash flow statement with the meanings specified:

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

2. Operating activities: the typical activities of the consolidated group, and other activities that are not considered to represent investing or financing.

3. Investment activities: the acquisition and sale or disposal by other means 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 equity and liabilities that do not form a part of the operating activities.

### 23) Related parties

The Group's transactions with related parties are carried out at market prices, related parties being understood to be those defined by IAS 24.

(thousands of euro)

**ANNEX V**

**Metrics and indicators included in these consolidated annual financial statements and in the consolidated directors' report not contained in EU-IFRSs**

These are financial metrics not contemplated or included as such in EU-IFRS, which we consider to be indicators that measure, among other aspects, the Group's performance.

In this regard, it should be noted that the Group has included these financial metrics or indicators as complementary indicators to measure its performance. In this regard, the Group considers that these metrics are significant since they do not include elements that have, among other considerations, a lower relationship with the recurring and future performance of the Group and which, therefore, highlight trends in our business that might otherwise not be evident when they are based solely on the financial indicators or metrics contemplated in EU-IFRSs.

***EBITDA:***

i) Definition/Conciliation: The Group defines EBITDA as the consolidated operating profit for the year before taxes (excluding the profit from discontinued operations), before deducting interest, commissions, discounts and other financial payments by any member of the Group and without including the financial expenses provided for, adding expenses attributable to amortisation, depreciation and impairment of assets, before other results considered to be of an exceptional nature, before deducting any costs associated with the transaction of the financing itself, after deducting the result associated with minority interests, excluding the participation in the result of associates, before taking into account the gains or losses recognised because of changes in the fair value of derivative instruments or the revaluation of any other asset and before taking into account any impact arising from pension plans and share option plans.

| | 2018 | 2017 |
|---|---|---|
| **Year-end profit (Loss)** | **(14,697)** | **(6,780)** |
| Income tax expense | 17,862 | 3,010 |
| Participation in the Associates gains or (losses) | - | 1 |
| Financial results | (31,612) | (26,643) |
| Amortisation and depreciation | (12,945) | (10,670) |
| Impairment and gains or (losses) on disposals of non-current assets | - | (163) |
| Variation of provisions | 416 | (1,525) |
| Other income or (expense) | (16,185) | (5,806) |
| Year-end profit or (loss) from discontinued operations net of tax | (2,373) | - |
| **EBITDA** | **30,140** | **35,016** |

ii) Explanation of use: financial indicator used to measure the approximation to the operating result and determine the productive profitability.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.

***OPERATING INCOME:***

i) Definition/Conciliation: The revenue figure corresponds to the sum of the items of the Net Revenue Amount, the variation in work executed pending invoicing, the work carried out by the company for its assets and other operating income

| Thousands of euro | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Operating Income** | | |
| Net turnover | 436,985 | 394,689 |
| Other operating income | 1,451 | 1,997 |
| Works performed by the Group on fixed assets | 1,931 | 2,249 |
| **Total** | **440,367** | **398,935** |

ii) Explanation of use: a financial indicator used to measure the total operating income generated in a financial year.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.

**RATIO OF FINANCIAL EXPENSE (base 12 months) / DEBT WITH FINANCIAL COST:**

i) Definition/Conciliation: This is the ratio calculated by dividing financial and similar Expenses (base 12 months) with Debts with financial cost.

| Thousands of euro | 31//12/2018 | 31//12/2017 |
|---|---|---|
| Debts with credit institutions | 121,930 | 92,693 |
| Other financial liabilities | 6,883 | 9,731 |
| **Total debts with financial cost** | **128,813** | **102,424** |
| Financial expenses | (40,435) | (27,198) |
| **Annualised financial expense/ Debts with financial cost** | **31.4%** | **26.6%** |

ii) Explanation of use: financial indicator that reflects the level of financial expenses generated over the total debts with financial cost.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.

***LEVERAGE INDEX:***

i) Definition/Conciliation: The leverage ratio is calculated by dividing net financial debt by net financial debt + net equity

| | Thousands of euro | |
|---|---|---|
| | At 31 December | |
| | **2018** | **2017** |
| Debts with credit institutions | 120,948 | 92,693 |
| Other financial liabilities | 6,883 | 9,731 |

| | | |
|---|---|---|
| Cash and cash equivalents and current financial assets | (23,508) | (11,632) |
| **Net Debt** | **104,323** | **90,792** |
| Net Equity | 32,038 | 31,621 |
| **Total capital employed in the business** | **136,361** | **122,413** |
| Leverage index | 76.5% | 74.2% |

ii) Explanation of use: It is a financial indicator that the Company uses to measure the indebtedness of the company and the repayment capacity of its financial debt.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.

***WORKING CAPITAL:***

i) Definition/Conciliation: Current Assets minus Current Liabilities.

| **Thousands of euro** | **2018** | **2017** |
|---|---|---|
| Current assets | 189,411 | 150,884 |
| Current liabilities | 175,021 | 130,512 |
| **Working Capital** | 14,390 | 20,372 |

ii) Explanation of use: this is a financial indicator that reflects the Group's ability to meet its immediate payment commitments.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.

***CONTRACT PORTFOLIO:***

i) Definition: It is the amount of cumulative contracting minus sales executed plus/minus exchange rate adjustments and renegotiation of contracts, among others. It is the amount of the sale pending until the end of the contract.
Contracting is the total price of the contracts won/awarded over a period.

ii) Explanation of use: this is an indicator of the future evolution of the Group's business.

iii) Coherence of the criteria used: There has been no change in criteria with respect to those used in the previous year.


# Consolidated Management Report

# Grupo Ezentis, S.A. and Subsidiaries

January - December 2018

March 2019

# INDEX

# 1. – KEY FIGURES

The turnover of Grupo Ezentis in 2018 amounted to EUR 440.4 million, an increase of 10.4% (+41.4 million) compared to 2017. The positive interannual variation is based on organic growth, the achievement and start-up of new contracts (contracting in the year of EUR 577.5 million, EUR 302.9 million in 2017), as well as inorganic, the results of this period have been included in the results relating to the Excellence Field Factory (EFF), incorporated in the scope of consolidation since June 2018. Considering the new annualised scope, the revenue figure would be EUR 487.3 million in 2018, an increase of 22.1% over 2017.

The entry into the consolidation of the Excellence Field Factory Group (EFF), whereby Ericsson becomes the reference shareholder of Ezentis, allows the euro-based business to be strengthened, rebalancing the basket of currencies, access to new operators in Telecom activity in Spain and Portugal and new opportunities deriving from a commercial agreement with Ericsson for the Iberian market, with duration until 2021. In addition, the value of the tax credits existing in Spain was raised by incorporating a company with a solid profit path.

During the year there was a significant depreciation of currencies in the Latin American markets in which the Group is present, especially the Argentinian peso and Brazilian real. In addition, Argentina experienced a situation of economic weakness in 2018, with a slowdown in lending by customers, consideration of the country as a hyperinflationary economy and an increase in interest rates of up to 80%.

In 2018, the Group continued to execute its strategy of focusing on key businesses and regions, achieving, among other milestones, entry into the fixed and mobile telephony network market in Spain. The Group ended 2018 by strengthening its position as a reference supplier in O&M with a global and diversified presence by sector (Telecommunications 76.4%, Electricity 19.4% and Others 4.2%) and by country, as detailed in chapter 2 of this report.

EBITDA (Earnings before interest, tax, depreciation and non-recurring items) for the Group stood at EUR 30.1 million at the end of 2018, a decrease of 13.9% compared to 2017, reflecting the impact of the economic situation in Argentina and the devaluation of Latin American currencies. The EBITDA margin stood at 6.8% (8.8% in 2017).

In November 2018, the Group entered into an agreement to refinance its corporate debt, the main objectives of which are to adapt the financial structure to the needs of businesses and operations and to obtain a significant reduction in the financial cost of structural debt. Thus, a loan agreement has been signed with a syndicate formed by a group of financial institutions and several funds managed and/or advised by Muzinich, for an amount of EUR 90 million. The various costs of formalising this financing contract amounted to EUR 4.9 million, of which 4.7 million had yet to be amortised at 31 December 2018. This financing allows a notable reduction in the cost of structural debt, with an average interest rate of 4.75% compared to the previous 9%.

As a result of this agreement, the financing contract with Highbridge has been cancelled, and unamortised draw downs, unpaid accrued interest and cancellation costs have been paid.

The consolidated financial result for 2018 was EUR -31.6 million compared to EUR -26.3 million for 2017. The non-recurrent impacts of the year correspond to the cancellation costs of the Highbridge financing (EUR -6.5 million, of which the most significant amount does not involve a cash outflow since it corresponds to the cancellation of costs recorded by the amortised cost method) and to the exceptional increase in interest rates in Argentina during 2018 due to the country's macroeconomic situation (EUR -4.3 million).

Grupo Ezentis net financial debt at 31 December 2018 amounted to EUR 108.0 million (EUR 87.7 million at 31 December 2017), 3.0 times EBITDA in 2018 (2.5 times EBITDA in 2017). Debt growth corresponds to new financing and bilateral lines for the Group's organic growth.

The Group's net profit at 31 December 2018 stood at EUR -14.7 million, mainly due to non-recurring expenses related to the adjustment to employment due to the emergence of synergies, amounting to EUR -10.3 million, due to the impairment of assets, mainly in Argentina, amounting to EUR -11.3 million, as well as expenses associated with refinancing, amounting to EUR -6.5 million.

The Contract Portfolio at the close of 2018 amounted to EUR 791.0 million (1.7 times 2018 revenues), compared to EUR 775.3 million in 2017 (1.9 times 2017 revenues). The Portfolio consists mainly of multi-year contracts lasting between 3 and 5 years with the main operators in the sectors of activity in which Ezentis operates in Europe and Latin America. Backlog in the year, both for contract renewals and new contracts, was EUR 577.5 million (EUR 302.9 million in 2017).

Operating cash flow generated during 2018 stood at EUR 28.4 million (an increase of 58% with respect to 2017), reflecting the Group's focus on cash generation. The conversion ratio from EBITDA to operating cash is 80% of EBITDA, despite the negative evolution of currencies.

The Company's and the Group's objectives for the coming years with capital management are to safeguard the capacity to manage projects and fulfil contracts and thus seek the greatest profitability for shareholders. The Company's strategy continues to have an impact on the geographical diversification, development and expansion of its activity in Spain and other countries

## 2. – BREAKDOWN BY COUNTRY

Grupo Ezentis operates in Brazil, Chile, Argentina, Peru, Spain, Colombia and Mexico[1]. As a continuation of the strategy of focusing investment on key markets, in June 2018 the Group acquired the company Excellence Field Factory (EFF) from Ericsson, so the figures for this activity are included in the results for the year from the date of acquisition.

The breakdown of Grupo Ezentis revenues by country is as follows:

Income (in thousands of euro)

| | 2018 | 2017 | % Chg. |
|---|---|---|---|
| Brazil | 134,680 | 133,943 | |
| Chile | 91,974 | 99,209 | |
| Spain | 121,342 | 36,755 | |
| Argentina | 33,543 | 71,910 | |
| Peru | 41,889 | 40,806 | |
| Colombia | 9,538 | 10,300 | |
| Mexico | 11,973 | 5,682 | |
| Caribbean | - | 4,202 | |
| Others | -4,572 | -3,872 | |
| **Total[2]** | **440,367** | **398,935** | **10.39 %** |

(1) Since 30 June 2017, Ezentis has been present in Mexico due to the inclusion of CYS Mexico and Ingeniería Celular Panamericana in the Group's scope of consolidation. In December 2017, the Group divested its operations in Central America and the Caribbean and, therefore, the figures for this activity are not included in 2018 results.

(2) The revenue figure corresponds to the sum of the items of the Net Income, the variation in inventories of finished products and products in progress, the work carried out by the company for its assets and other operating income.

## 2.1 BRAZIL

In 2018, revenues from Brazil totalled EUR 134,7 million compared to 133.9 million in 2017, as a result of the start-up of new contracts awarded in the last months of 2017 and in the first months of 2018, in the energy and telecommunications activities. At constant exchange rates they would amount to EUR 161.6 million, up 20.3% over 2017.

Among others, contracts include the award of a contract by the telecommunications operator TIM, a Brazilian subsidiary of Telecom Italia, for subscriber service, broadband and construction of an external fibre optic network in the metropolitan regions of Rio de Janeiro and Salvador de Bahia for EUR 54.9 million and a duration of three years, as well as the award of a contract with the electricity distributor Light for the construction and maintenance of the electricity network in Rio de Janeiro for EUR 30 million and a duration of three years.

## 2.2 CHILE

Chile achieved revenues of EUR 91.9 million in 2018 compared to EUR 99.2 million in 2017, a decrease of -7.29%. At a constant exchange rate, the variation with respect to 2017 would be -3.6%.

Among others, contracts in Chile include the award of a contract by the telecommunications operator Entel for the installation of customer services in the field of copper access technology, GPON optical fibre, wireless and satellite, for EUR 22.7 million, and the contract with the electricity distributor Saesa for the provision of operation, maintenance and work on distribution networks and services over energised lines, for EUR 23 million and a duration of five years.

## 2.3 ARGENTINA

Argentina's revenues at the end of December 2018 amounted to EUR 33.5 million compared to EUR 71.9 million in 2017, a decrease of -53.3%. The contribution of the Argentine operation to the group was affected by the depreciation of the Argentine peso throughout the year and by the consideration of Argentina as a hyperinflationary economy. Ezentis Argentina's revenues for 2018 at constant exchange rates would have increased by 9.4% compared to 2017.

## 2.4 PERU

In 2018, Peru's total revenues reached EUR 41.9 million, compared to EUR 40.8 million in 2017. This 2.6% increase was impacted by the negative evolution of the exchange rate against the euro. At constant exchange rates, Peru's revenues in 2018 would have been EUR 44.1 million, 7.3% more than in 2017.

## 2.5 SPAIN

Spain continues to grow in line with its revenues, which in 2018 amounted to EUR 121.3 million, compared to EUR 36.8 million in the same period in 2017. Revenue in 2018 includes the revenue generated (EUR 87.6 million) by Excellence Field Factory, S.L. (EFF), since its inclusion in the Group's scope of consolidation in June 2018.

In the contracting section, we would highlight the signing of two contracts with Telefónica for the provision of fixed network loop services, with duration up to 2022 (including a two-year extension) and construction of the fibre optic network. In addition, an agreement has been signed until 2021 for the provision of design, planning, deployment, installation and maintenance services for fixed network infrastructures and field maintenance for mobile networks, with the entry of new clients, such as Más Móvil until 2020 and Orange with a renewable annual contract.

## 2.6 COLOMBIA,

In 2018, Ezentis Colombia's revenues amounted to EUR 9.5 million, -7.4% less than in 2017.

Considering a constant exchange rate, sales for 2018 would be EUR 9.9 million, -3.5% lower than in 2017.

## 2.7 MEXICO

The Group's operations in Mexico included in the scope of consolidation in July 2017, generated revenues of EUR 11.9 million, 110.71% more than in 2017. At a constant exchange rate, the variation with respect to 2017 would be 123.9%.

In 2018, the contract for preventive and corrective maintenance of sites, rooms and the fibre optic network in four regions of the country was renewed and extended. Ezentis was present in regions 7 and 9, and with the new contract increases its presence to regions 6 and 8, thus covering half the country, including Mexico City, for a duration of three years.

## 3. – BREAKDOWN BY ACTIVITY

Grupo Ezentis is organised operationally in the following activities:

- Telecommunications (76.4% of sales in 2017).
- Electricity (19.4% of sales in 2017).
- Others (4.2% of sales in 2017).

The breakdown of Grupo Ezentis revenues by country is as follows:

| In thousands of Euro | 2018 | 2017 | % Chg. |
|---|---|---|---|
| Telecommunications | 336,242 | 277,807 | 21.03 % |
| Electricity | 85,300 | 98,704 | -13.58 % |
| Others (*) | 18,826 | 22,424 | -16.05 % |
| Total | 440,367 | 398,935 | 10.39 % |

(*) Includes: Water, Oil, Gas and others

Revenues from telecommunications activities have both an organic origin, thanks to the implementation of new contracts awarded in the last few months of 2017, and an inorganic origin, due to the incorporation in June 2018 of the company Excellence Field Factory, S.L. (EFF), which contributed EUR 87.6 million in the period, partly offset by the negative evolution of Latin American currencies.

In the energy business, the decrease is mainly due to the impact of currency devaluation, especially in Argentina.

Finally, under "Other", there was a -16% decrease in revenues, mainly due to Argentina, which decreased EUR 3 million, impacted by the devaluation of the exchange rate.

# 4. – FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

The Group's results at 2018 year-end, compared with the same period the previous year, are as follows (EU-IFRS Thousands of Euro):

| Thousands of euro | 2018 | 2017 |
|---|---|---|
| Income | 440,367 | 398,935 |
| EBITDA | 30,139 | 35,016 |
| *EBITDA/Income* | *6.8 %* | *8.8 %* |
| Depreciation and Provisions | (10,402) | (10,140) |
| Amortisation PPA | (2,127) | (2,219) |
| EBIT | 17,610 | 22,658 |
| *% EBIT/Income* | *4.0 %* | *5.7 %* |
| Financial income and expense | (31,456) | (25,608) |
| Variation in financial instruments | 32 | (290) |
| Exchange rate differences | (188) | (745) |
| Non-recurring income (loss) | (16,185) | (5,805) |
| Minority interests, discontinued and non-strategic holdings | (2,372) | 79 |
| Pre-tax profit or (loss) | (32,559) | (9,710) |
| Taxation | *17,862* | *3,010* |
| Net Profit | (14,697) | (6,701) |

The exchange differences totalled EUR 440.4 million, in comparison to the EUR 398.9 million recorded in the previous year. This increase is driven by organic growth based on the acquisition of new contracts (contracting in the year of EUR 577.5 million, EUR 302.9 million in 2017), as well as the incorporation of Excellence Field Factory (EFF) into the Group's scope of consolidation in June 2018.

Operating profit before interest, tax, depreciation and amortization and non-recurring items (EBITDA) for the year amounted to EUR 30.1 million, compared to EUR 35.0 million the previous year.

Operating profit (EBIT) stood at EUR 17.6 million compared to EUR 22.7 million obtained during 2017.

The consolidated financial result for 2018 was EUR -31.6 million compared to EUR -26.3 million for 2017. The non-recurrent impacts of the year correspond to the costs of cancelling the Highbridge financing (EUR -6.5 million) and to the exceptional increase in interest rates in Argentina in 2018 due to the country's macroeconomic situation (EUR -4.9 million).

The Group's net profit at 31 December 2018 stood at EUR -14.7 million, mainly due to non-recurring expenses related to the adjustment to employment due to the emergence of synergies, amounting to EUR -10.3 million, due to the impairment of assets, mainly in Argentina, amounting to EUR -11.3 million, as well as expenses associated with refinancing, amounting to EUR -6.5 million.

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

| *Thousands of Euro* | Dec 2018 | Dec 2017 |
|---|---|---|
| Assets | | |
| Non-current assets | 133,053 | 128,628 |
| Tangible fixed assets | 31,093 | 20,906 |
| Intangible fixed assets | 50,946 | 46,294 |
| Real estate investments: | 0 | 0 |
| Long-term investments in group companies and associates | 56 | 82 |
| Long-term financial investments | 17,151 | 48,741 |
| Deferred tax assets | 33,807 | 12,606 |
| Current assets | 189,411 | 150,886 |
| Assets held for the sale | 6,750 | 0 |
| Inventory | 20,425 | 10,982 |
| Trade debtors and other accounts receivable | 138,728 | 128,270 |
| Other current assets | 4,431 | 3,727 |
| Cash and Cash Equivalents. | 19,077 | 7,906 |
| TOTAL | 322,464 | 279,514 |

| | Dec 2018 | Dec 2017 |
|---|---|---|
| Liabilities | | |
| Net Equity | 32,038 | 31,621 |
| Non-current liabilities | 115,405 | 117,382 |
| Debts with credit institutions | 95,941 | 77,164 |
| Other financial liabilities | 4,754 | 4,035 |
| Provisions | 6,534 | 31,013 |
| Deferred tax liabilities | 8,015 | 4,951 |
| Subsidies | 161 | 219 |
| Current liabilities | 175,021 | 130,511 |
| Liabilities linked with assets held for the sale | 3,346 | 0 |
| Debts with credit institutions | 25,989 | 15,529 |
| Other financial liabilities | 2,129 | 5,696 |
| Trade creditors | 130,530 | 97,634 |
| Provisions | 3,596 | 1,977 |
| Liabilities through current tax | 9,431 | 9,675 |
| TOTAL | 322,464 | 279,514 |

The main changes in the balance sheet relate to the inclusion in the scope of consolidation of Excellence Field Factory (EFF), mentioned above, and the reclassification of non-strategic assets as available for sale.

## 5. – ACCOUNTING POLICIES

Pursuant to the new accounting pronouncements in IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Customer Contracts) issued by the International Accounting Standards Board (IASB) applicable as from January 2018, Grupo Ezentis has adapted its accounting policies to reflect the correct adoption of these standards in its financial statements for the year ended 31 December 2018.

The new impairment model requires recognition of impairment provisions based on expected credit losses rather than just incurred credit losses which is the case under IAS 39. This applies to financial assets classified at amortised cost, debt instruments measured at fair value with changes in other comprehensive income, contract assets under IFRS 15 *Revenue from customer contracts,* lease receivables, loan commitments and certain financial guarantee contracts. The Group considers that its provisions for impairment will not be affected by the new model.

In relation to IFRS 15 (Revenue from customer contracts), which will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts, the Group shows the assets and liabilities associated with each customer contract on the financial statements.

Most of the revenues generated by the Group relate to the execution of contracts for the provision of operation and maintenance services in the area of telecommunications and energy infrastructure and services, the execution periods of which are short term, and we therefore understand that the application of IFRS 15 does not have a significant impact on the Group's recognition of income.

The application of IFRS 15 has also involved the identification of separate performance obligations in relation to customer contracts, which may affect the timing of revenue recognition in the future.

With respect to IFRS 16 (Leases), which is expected to be adopted as from 1 January 2019, the group has analysed the impacts that may be applicable to it and will proceed to modify its accounting policies to adequately reflect the requirements of the International Accounting Standards Board (IASB) in its Financial Statements.

## 6. – 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 risk inherent to the businesses in which it operates.

Grupo Ezentis has a Comprehensive Risk Management System through which it identifies, evaluates, prioritises and manages the Group's relevant risks in a systematic manner, with uniform criteria and establishing them within the established risk tolerance levels.

This system is constantly updated, works in an comprehensive and continuous manner, and is the result of the consolidation at the corporate level of the steps taken by each of the business units, country or company that form or have been part of Grupo Ezentis throughout the year 2018.

According to 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 Company's main risks, especially 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 responsible for supervising the internal control systems and periodically guaranteeing the risk management system, so that the main risks are properly identified, managed and disclosed, as well as periodically reviewing the risk control and management policy and proposing its modification and updating to the Board of Directors.

The development of this responsibility for Supervision of the Risk management system is carried out through the Group's Internal Audit Lead, supported by the risk managers or owners 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 various risks arising from its own businesses, as well as to specific financial risks that have been identified in the Comprehensive Risk Management System.

The risk categories considered in Grupo Ezentis Comprehensive Risk Management System, in accordance with the COSO International Methodology, as well as the main risks to which the Group is exposed at 31 December 2018, are as follows:

I) Strategic Risks:

- Risk of lower prices for the renewal of contracts with customers and an increase in the level of quality of service. The group performs a tender for each new of a detailed financial evaluation, so as to place the expected profitability of the business at risk. It also carries out a continuous search for greater efficiency in the Group's relevant processes, as well as a review of the unit costs charged to the activity, with the aim of reducing costs and increasing the profitability of contracts.

- Risk of loss of key customers due to consolidation of competitors. The risk is in the loss of clients due to the consolidation of service providers that develop greater competitive advantages. The Group makes a strategic commercial effort with our customers to diversify the business by geographical areas and new activities. Likewise, special emphasis is placed on investing in safety as a key element of competitiveness before clients.

- Risk of change in the mix of services required by our clients. A change in the type of services requested, with projects of longer duration, may require more funding of working capital. The Group has an adequate long-term debt structure, complemented by short and medium-term loans and lines of credit to finance the value chain and improve cash flows.

ii) Compliance/Reporting Risks:

- Risks arising from non-compliance with existing regulations in the countries, in which the group operates, especially tax, legal and labour regulations. An internal legal, human resources and tax department supervises compliance with the legislation in force in each country where the Group has a presence, as well as external advisers for those specific matters that may be required. In addition, there is a corporate tax policy, tax risk management and control procedures and tax risk matrices in all the Group's subsidiaries.

There is also a continuous monitoring of open labour contingencies by the internal lawyers of each country. We also have the advice of external lawyers who are experts in labour matters and who supervise compliance with current labour legislation.

iii) Financial Risks:

- Exchange rate risk. Whenever possible, the Group attempts to match the cash flows referenced to the same currency, as well as the amounts and maturity of assets and liabilities arising from transactions denominated in currencies other than the euro. In addition, following the acquisition of EFF, the Group's exposure to currencies other than the euro was reduced, as 33% of revenues are generated in Spain.

- Risk of fluctuations in interest rates and inflation rates. The Group maintains an active policy of interest rate risk management, with constant monitoring of the market. Financial debts and other creditors, as well as our clients' contracts, are tied to a market interest rate and official inflation rates. The Group has arranged interest rate hedging instruments that reduce exposure of structural debt to changes in Euribor. These instruments meet the characteristics to be considered effective hedges in accordance with International Financial Reporting Standards.

- Risk of difficulty in accessing sources of financing to undertake new organic or inorganic growth projects, as well as to finance operating activity. The Group determines cash and financing requirements using various budgetary and monitoring tools for working capital management. At the close of 2018, the group refinanced its corporate debt through the signing of a new loan agreement maturing in six years, which allows for a significant reduction in financial cost.

At 31 December 2018, the Group had a working capital of EUR 14.4 million (EUR 20.3 million at year-end 2017). Cash and cash equivalents amounted to EUR 19.07 million, an increase of EUR 11.17 million compared to the previous year.

iv) Operational risks:

- Occupational safety risk of personnel. Given the high volume of workers in the operation and the characteristics of the operation, this is always a risk present in the Group, which is given the highest priority. We have specialised risk prevention personnel for the energy and telecommunications industries, as well as policies, safe work procedures, safety protocols, and risk prevention activities to mitigate it.

- Inadequate management of the revenue cycle (invoicing and collection). This is one of the key processes identified in the IFRS control systems, and specific procedures and controls have been implemented for the efficient management of the certified work/invoicing/collection cycle. In addition, periodic local controls have been intensified for exhaustive monitoring of the work in progress, as well as invoicing and collection from customers.

- Delay in the payment of suppliers that may affect the corporate image. The Group adapts the payment conditions to its suppliers with those of its customers, in order to synchronise the cash generation cycle. It also facilitates the opening of confirming lines to suppliers in order to facilitate their access to means of financing. Weekly monitoring of each company's local treasury is carried out to manage liquidity and payments to suppliers. The average payment period to suppliers in 2018 was 111 days. As discussed in Chapter 1 of this report, the Group recently concluded a corporate debt refinancing agreement that will reduce this average payment period.

## 7. – SUBSEQUENT EVENTS

There have been no significant events after to the close of 2018.

## 8. – PURCHASE OF TREASURY SHARES

At 31 December 2018 Grupo Ezentis, S.A. had a total of 707,549 shares. The transactions carried out in 2018 were as follows:

| | |
|---|---|
| Purchases: | 993.303 shares |
| Sales: | 302.302 shares |

## 9. – RESEARCH AND DEVELOPMENT ACTIVITIES

The Group maintains a permanent commitment to innovation and technological development in all its business areas, which enables continuous improvement in operations, quality and safety of service, improving its competitive position.

## 10. – USE OF FINANCIAL INSTRUMENTS BY THE GROUP

In 2018, the Group arranged currency hedges to cover the risk of the loss of value of Latin American currencies in the cash flows sent from subsidiaries. These hedges were cancelled in November 2018 following the repayment of the previous corporate debt and the strengthening of the euro business through the acquisition of EFF.

In November 2018, interest rate hedges (fixed-rate/variable-rate swaps) were arranged to hedge the Euribor risk in the new structural financing, which significantly mitigate exposure to potential interest rate hikes over the life of the financing.

The Group designated the options cancelled in 2018 as hedges of net investment in a foreign operation. In addition, interest rate hedges meet the requirements to be considered effective hedging instruments. The gain or loss on the hedging instrument (because of its intrinsic component) determined to be an effective hedge of the net investment is recognised in equity and is included with the exchange differences arising from the foreign exchange translation of the hedged businesses abroad. The ineffective portion is recognised directly in profit or loss. The differences in value of the timing component of the hedging instrument are recognised directly in profit or loss for the year.

## 11. – CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. prepared the Annual Corporate Governance Report for 2017 on 21 March 2018.

## 12. – CAPITAL STRUCTURE

Pursuant to Article 5 of the Company's Articles of Association, the share capital of Grupo Ezentis, S.A. at 31 December 2018 consisted of 331,172,000 shares with a par value of 0.30 euro each, all of the same class and series, fully subscribed and paid in. The shares represented in book entry format are indivisible.

On 23 April 2018, the resolution to increase share capital, approved at the Extraordinary General Meeting of shareholders of Grupo Ezentis, S.A., was registered in the Mercantile Registry of Seville, for EUR 2,999,999.25, through the issue of 4,347,825 new shares with a par value of 0.30 euro and an issue premium of 0.39 euro per share, subscribed and paid in Logística Corporativa, S.A., Vórtice Holding 2000, S.A. and Corinpat, S.A.

On 7 June 2018, the resolution to increase share capital, approved by the Extraordinary General Shareholders' Meeting of Grupo Ezentis on 14 May 2018, was registered in the Mercantile Registry of Seville, through credit compensation, for a capital increase amounting to EUR 19,499,991.68, through the issue of 31,914,880 shares with a par value of 0.30 euro and a share premium of 0.311 euro per share, subscribed and paid in by Ericsson España, S.A.

## 13. – RESTRICTION ON TRANSFERABILITY OF SHARES

Within the framework of the transaction with Ericsson España, S.A., commitments were assumed that condition the transfer of the shares owned thereby:

- The Seller shall have the right at any time to sell, transfer or dispose of any Ezentis Shares which on the Closing Date exceed 10% of the share capital of Grupo Ezentis;
- The Seller will refrain from selling or transferring or otherwise disposing of Ezentis Shares representing between 5% and 10% of the share capital of Grupo Ezentis on the Closing Date until 1 January 2019;
- The Seller shall refrain from selling or transferring or otherwise disposing of Ezentis Shares corresponding to 5% of the share capital of Grupo Ezentis on the Closing Date until 24 months after the Closing Date.

For the avoidance of doubt, (a) the Seller shall be entitled to pledge the Ezentis Shares as security for financing incurred in the conduct of its business activities, which shall not be considered disposal for the purposes of this Clause, and (b) it may not transfer any Ezentis Shares as a loan of shares.

## 14. – SIGNIFICANT DIRECT OR INDIRECT

Significant direct or indirect shareholdings in the share capital, excluding the directors as of 31 December 2018, which are listed on the CNMV website, are:

| Shareholder | Direct holdings | % Direct Ownership | Indirect Ownership | % InDirect Ownership | % 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 Asset Management, S.A., SGIIC | 0 | 0 | 8,041,018 | 3.412 | 3.412 |
| Santander Small Caps España, FI | 8,041,018 | 3.412 | 0 | 0 | 3.412 |
| Telefonaktiebolaget L.M. Ericsson | 0 | 0 | 31,914,880 | 9.637 | 9.637 |

The members of the Board of Directors of the Parent Company who hold holding share voting rights are as follows:

| Name Or company name of the director | Direct Ownership | Indirect Ownership | Total Shares | % of capital |
|---|---|---|---|---|
| Mr. Guillermo José Fernández Vidal | 606,631 | 0 | 606,631 | 0.183 |
| Mr. Enrique Sánchez de León García | 176,462 | 0 | 176,462 | 0.053 |
| Mr. Fernando González Sánchez | 433,537 | 0 | 433,537 | 0.131 |
| Mr. Carlos Mariñas Lage | 899,483 | 0 | 899,483 | 0.272 |
| Mr. Pedro María Azcárate Palacios | 0 | 0 | 0 | 0.000 |
| Ms Ana María Sánchez Tejeda | 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 |
| Mr. Alfonso Alonso Durán | 0 | 0 | 0 | 0.000 |
| TOTALS | 2,116,113 | 0 | 2,116,113 | 0.639 |

## 15. – RESTRICTION ON VOTING RIGHTS

Restrictions on the exercise of voting rights are common to any corporation, and there are no specific restrictions on this right in the bylaws.

Article 527 of the Revised Text of the Spanish Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, stipulates that the clauses in the bylaws or articles of association of listed companies that, directly or indirectly, set the maximum number of votes that may be cast by a single shareholder, companies belonging to the same group or those acting in concert with the foregoing shall cease to have effect when, following a takeover bid, the offerer has reached a percentage equal to or greater than 70 per cent of the capital carrying voting rights, unless the said offerer is not subject to equivalent neutralisation measures or has not adopted them. The bylaws of Grupo Ezentis, S.A. do not contain any clause limiting the maximum number of votes that may be cast by the same shareholder or companies belonging to the same group.

## 16. – SHAREHOLDER AGREEMENTS

Grupo Ezentis, S.A. reported by means of a significant event published on 31 December 2018 (registration number 273465), in compliance with article 531 of the Spanish Companies Act, that it had been notified of the termination, on the same date, of the syndication contract signed on 30 May 2016, published by means of a significant event on 14 June 2016 (registration number 239706).

## 17. - APPLICABLE STANDARDS

They are included in the Articles of Association and in the Regulations of the Board of Directors.

Consequently, the appointment of the members of the Board of Directors corresponds to the General Meeting of Shareholders, in accordance with the provisions of the Corporations Act and the Articles of Association. In the event of vacancies, the Board may co-opt from among the shareholders the persons who will occupy the vacancy until the first General Meeting is held.

The persons who propose themselves for the position of director must meet the requirements established at all times by the legal provisions in force and the Articles of Association, in addition to having recognised honour, solvency, competence, experience, qualification and availability for the performance of the position.

Directors cannot be company directors who are incapacitated, prohibited or incompatible in accordance with the legal provisions in force, the Articles of Association and the Regulations of the Board of Directors. Proposals for the appointment or re-election of directors submitted by the Board to the General Shareholders' Meeting, as well as provisional appointments by co-optation, must be preceded by the corresponding report of the Appointments and Remuneration Committee.

They may be re-elected indefinitely, once or more times, for periods of equal duration. Once the term has expired, the appointment will expire when the next General Meeting has been held or the legal period for holding the Ordinary General Meeting has elapsed.

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

Directors shall cease to hold office when the period for which they were appointed has elapsed or when so resolved by the General Shareholders' Meeting using the powers conferred on it by law and the Articles of Association. The Board of Directors may also propose the removal of a director to the General Shareholders' Meeting.

The modification of the Articles of Association is the exclusive competence of the General Meeting of Shareholders. The same requires the concurrence of the following requirements established in the Capital Companies Act and in the Articles of Association:

- The directors or, as the case may be, the shareholders making the proposal should submit a written report justifying the proposal.

- The notice of call should clearly state the points to be modified.

- The notice of call should state the right of all shareholders to examine the full text of the proposed amendment and of the report thereon at the registered office, and to request the free delivery or dispatch of such documents.

- The resolution should be adopted by the Shareholders in General Meeting in accordance with the provisions of article 201.2 of the Capital Companies Act.

- In any case, the agreement shall be recorded in a public deed which shall be registered in the corresponding Mercantile Registry and published in the Official Gazette of the Mercantile Registry.

## 18.- POWERS OF MEMBERS OF THE BOARD OF DIRECTORS, AND IN PARTICULAR THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING

The Ordinary General Meeting of Shareholders held on 29 June 2018 resolved to authorise the Board of Directors to derivatively acquire treasury shares, directly or through Group companies, in accordance with current legislation. The maximum number of shares to be acquired shall not exceed the legally established limit, provided that the other applicable legal requirements can also be complied with. Acquisitions may not be made at a price 5% higher or lower than that resulting from the weighted average price on the day on which the purchase is made. The duration of this authorization shall be eighteen (18) months from the date of this General Meeting.

In accordance with the provisions of article 30 of the Articles of Association and 24 of the Regulations of the Board of Directors, the Chairman of the Board of Directors shall in all cases be the maximum representative of the Company and shall exercise the leadership of the Board of Directors and in the exercise of her or his office, in addition to the powers corresponding thereto by Law and by the Articles of Association.

In addition, Mr. Fernando González Sánchez has delegated all the powers of the Board of Directors, except those that cannot be delegated. On 6 November 2018, he was appointed Chief Executive Officer with broad powers of representation, direction and management of the Company.

## 19. – SIGNIFICANT AGREEMENTS WITH CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

There are no significant agreements of this nature.

## 20. – AGREEMENTS WITH DIRECTORS, MANAGEMENT AND EMPLOYEES WHO HAVE INDEMNITIES

The contracts of the directors and senior executives held by Grupo Ezentis, S.A. do not currently contain any indemnity clauses except as indicated below for the Chairman, Mr. Guillermo Fernández Vidal, and the Chief Executive Officer, Mr. Fernando González Sánchez. The contracts of certain senior managers contain notice clauses and post-contractual non-compete clauses that in no case exceed the annuity.

Mr. Guillermo Fernández Vidal is entitled to compensation equivalent to three gross monthly payments of the fixed remuneration in force at the time of the termination, in certain cases of termination of the contract, including unilateral withdrawal without cause by Ezentis, unfair dismissal, Ezentis's breach of its contractual obligations or a change of control of Ezentis. In the event that Mr. Guillermo Fernández Vidal decides to unilaterally withdraw from his contract, he must give at least three months' notice, unless he compensates the lack of notice, in whole or in part, with compensation equivalent to the fixed remuneration in force, in proportion to the part of the notice not given.

The CEO is awarded compensation for two years, including fixed and variable salary, in certain cases of termination of the contract, among which are the unilateral withdrawal without invocation of cause by Ezentis, unfair dismissal, revocation of essential faculties for the exercise of his position, the failure of Ezentis to comply with its contractual obligations or a change of control of Ezentis.

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

Lastly, in the event that the Chief Executive Officer decides to unilaterally withdraw from his contract, he must give at least three months' notice, unless he compensates the lack of notice with a part of the fixed remuneration in force, proportional to the part of the notice not complied with.

The contracts of the employees linked to Grupo Ezentis, S.A. through a common employment relationship do not contain any indemnity clauses and, therefore, in the event of termination of the employment relationship, general employment regulations will apply.

## 21. – PERSONNEL INFORMATION

The average number of persons employed during 2018, distributed by professional category, is as follows:

| | Men | Women |
|---|---|---|
| Senior management | 12 | 0 |
| Executives / advanced degree holders | 122 | 19 |
| Middle Managers / regular degree holders | 742 | 124 |
| Construction Personnel / Technicians / Operators | 9,184 | 569 |
| Structure Staff / Administration Staff | 677 | 544 |
| | 10,737 | 1,256 |

## 22. – STATEMENT OF NON-FINANCIAL INFORMATION

### INTRODUCTION

The transposition into Spanish law of Directive 2014/95/EU by means of Royal Decree-Law 18/2017 of 24 November meant a new legal requirement for reporting by public interest entities (PIE) of more than 500 employees with respect to 2017.

Royal Decree-Law 18/2017 was validated by Congress and has been in force throughout 2018. However, during this year, the Congress processed a bill that introduced new provisions in this area. This project was finally approved on 28 December 2018, giving rise to the new Law 11/2018 of 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Act (Royal Legislative Decree 1/2010), and Law 22/2015, Audit Accounts, on non-financial information and diversity. Although the new law entered into force on

30 December 2018, its provisions "shall apply for financial years beginning on or after 1 January 2018".

In anticipation of the entry into force of non-financial reporting requirements, some years ago Grupo Ezentis, S.A. began to develop, on a voluntary basis, the aspects of Corporate Social Responsibility that were being managed in the company by the different departments. During this time, Ezentis has carried out several Materiality Analysis exercises involving management and all stakeholders, has defined its first CSR Master Plan (2017-2020) as a strategic framework to be followed, has complied with current legal requirements regarding non-financial reporting and, in short, has laid the foundations for a company project consistent with the sensitivities of the environment in which it operates and the different stakeholders with which it interacts.

For the sake of greater transparency and homogeneity in the communication of the performance of organizations, Law 11/2018, mentioned above, refers to the indicators on which companies must report if they are material to their activity. Conversely, it does not specify the following of any specific reporting standard. For this reason, and in exercising the freedom to choose a reporting framework, Grupo Ezentis has taken the decision to report its performance in non-financial matters, once again, in accordance with the guidelines established in the *Global Reporting Initiative (GRI)* Guide in its SRS version.

The information contained in this chapter refers to Grupo Ezentis and its subsidiaries and has been prepared in accordance with the requirements established in Law 11/2018, although this information will be further developed in the Corporate Social Responsibility Report 2018 which will be published in the first half of 2019.

## 1. BUSINESS MODEL

Business environment

The core business of Grupo Ezentis focuses mainly on the operation and maintenance (O&M) of telecommunications and energy infrastructures in Spain and Latin America, representing almost 96% of the services developed by the company. In addition, the company also develops construction and engineering (C&E) projects. Other businesses, such as the development of IT solutions for network management, the operation and maintenance of water and oil & gas pipelines, make up the rest of Grupo Ezentis project portfolio.

Within its O&M activities for telecommunications and energy infrastructure, the offer consists of the following services:

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

- Fixed external network
- Mobile telephone towers
- Fixed and mobile internal plant
- Customer Service
- Network Operations for Undertakings
- Operation Support Systems (OSS)

Energy: services for transmission, distribution and deployment networks:

- Distribution and transmission networks
- Substations and transformation platforms
- Commercial services
- Digital transformation of the network

Organisation and structure

The multinational presence of Grupo Ezentis means that its organisational structure is geographically segregated. Each country is headed by a General Director/Manager and its subsidiary companies are managed under their own Boards of Directors.

Grupo Ezentis, S.A. is the parent company of Grupo Ezentis and its subsidiaries located in Spain and Latin America; therefore, its activity only corresponds to corporate services and portfolio activity. The Corporate areas and the Board of Directors of Grupo Ezentis, S.A. define the common guidelines and business strategies applicable to all the Group's subsidiaries, while there is a certain margin for adaptation to local needs.

Markets in which it operates

In 2018, Grupo Ezentis had a presence in 7 countries: Spain, Brazil, Chile, Peru, Colombia, Argentina and Mexico. Following an agreement with the multinational company Ericsson, in 2019 Grupo Ezentis is expected to start its telecommunications O&M services in Portugal.

Objectives and strategies

Our activity is subordinated to the direction marked by our Mission and Vision, and to the implementation of Values applicable to our daily work, as defined in our Code of Ethics and Conduct.

To achieve our strategic and business objectives we are firmly committed to ethical principles, personal safety and the quality of our services, as well as to directing our activity towards the sustainability of the company, in the broadest sense of the term.

Our main objective in the short term is to strengthen the services in which we are already working, improving every day so that our customers continue to trust in our professionals. The growth of previous years has been organic and inorganic in equal parts, however, for 2019 an increase in turnover in current contracts and activities is expected as well as greater efficiency in the margins thereof.

## Main factors and trends

| MEGA-TRENDS | IMPLICATIONS | OPPORTUNITIES FOR EZENTIS |
|---|---|---|
| Safety and occupational health | The proper management of safety and health at work is gaining relevance in companies for its proven relationship with improving the competitiveness of organizations and the complexity of the workplace. | ▪ For Ezentis, occupational health is essential and strategic within its business model.<br>▪ The Spanish Strategy for Health and Safety at Work 2015-2020 was approved by the Council of Ministers on April 24. |
| Economic development of emerging countries | Emerging Latin American market in growing demand for telecommunications and energy infrastructures | ▪ Within the energy sector, an increase in infrastructure construction is expected in Colombia and Peru, where 2% and 7.1% still have no access to electricity.<br>▪ In the telecom sector, fiber optic networks are being introduced and wireless telecommunication stations are being upgraded |
| Smart Grid and distributed generation | ▪ Distributors and users will choose smart networks because of their efficiency and security<br>▪ Increased power grids security and energy theft in countries. | ▪ The emergence of smart grids associated with both the development of new energy transmission power lines and the need to develop and install smart meters permanently connected to the Internet is a great opportunity for the company |
| New communication technologies and 5G | Mobile and fixed broadband access will likely grow at a double-digit rate in the next ten years, fostered by connected devices | ▪ The development of the 5G network represents the next challenge in the telecommunications sector to which companies operating in Spain will face soon.<br>▪ The Government of Spain has announced that it will enable the 3.5 GHz band so that operators can carry out tests. |
| Cibersecurity and Data Protection | Technology evolution brought new security threats have been developed in the digital world and logical systems, which is why data protection contained in these systems is becoming increasingly important. | ▪ **The Organic Law for the Protection of Personal Data and the Guarantee of Digital Rights approved in Spain.** The new regulation, which adapts Spanish law to the model established by the General Data Protection Regulation (GDPR), introduces new features through the development of matters contained in it. |
| Energy efficiency | Regulators are incorporating EE into public policies as one of the most relevant aspects of the country's energy policies | ▪ **Directive (EU) 2018/844** amending Directives 2010/31 / EU on the energy efficiency of buildings, and Directive 2012/27 / EU on energy efficiency.<br>▪ Bills on the subject in Argentina and Chile<br>▪ **Peru** is one of the most advanced countries in the matter since in 2010 it has a General Directorate of Energy Efficiency. |
| Sustainable mobility | Restricted areas for polluting vehicles with the consequent need to renew the companies fleet in order to provide the services | ▪ The development of electric vehicles in cities can involve the installation of new low voltage electrical networks and charging points<br>▪ Business benefits derived from having fleets of vehicles that respect the environment<br>▪ Circulation restrictions to conventional fuel vehicles (For example, Madrid City Council). |
| Climate change and and energy transition | Following COP 21, a boost to renewable energies is expected to replace conventional energy mix | ▪ European Strategy for adaptation to climate change (2013)<br>▪ Proposed law of Climate Change and Energy Transition (June 29, 2018, Spain)<br>▪ **Mexico** passed the Energy Transition Law in 2015, which includes obligations on clean energy |

## 2. RISK MANAGEMENT

As described above in the chapter on risk exposure of this management report, Grupo Ezentis has an Integrated Risk Management System aligned with reference standards (COSO, ISO 31000) through which it identifies, evaluates, prioritises and manages the Group's relevant risks and whose maximum responsibility lies with the Group's Board of Directors.

The implementation of our Risk Management System is based on the following principles:

- To consider any threat that an event, action or omission which may prevent Grupo Ezentis from achieving its objectives, executing its strategies successfully, carrying out its operations correctly or losing opportunities as a Risk.
- Establish the mechanisms for adequate Risk Management, considering their identification, evaluation, response, follow-up and reporting.
- Promote and implement the strategy, culture, resources and processes that constitute Integral Risk Management, which will be reviewed periodically to adapt it to the situation of the Organisation and its environment.
- To assign, among the different levels of the Organisation, the responsibility for identifying, analysing, evaluating and supervising the Risk Management System.
- Favour the establishment and implementation of guidelines, limits and mechanisms that contribute Risk Management being carried out in accordance within the Risk Appetite accepted by Grupo Ezentis.
- Promote, encourage and disseminate, through training and communication, the Risk Management System, ensuring the dissemination of this Policy, along with the documentation that develops it.

The Risk Management System is updated periodically, operates on an integral and continuous basis, and is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies, which form or have formed part of the company throughout 2018.

The company periodically classifies and prioritises the risks it faces that may affect the company's sustainability.

From the analysis carried out, the risks are classified into four possible categories:

| | |
|---|---|
| Strategic Risks | Risks that impact on the objectives established at the highest level and related to the establishment of the mission and vision of the Company. These risks, if materialized, compromise the achievement of strategic objectives. |
| Compliance Risks | Risks that affect compliance by the Company with all those laws and internal or external regulations that apply to it (filing and payment of taxes, compliance with the personal data protection law, etc.). |
| Financial Risks | Risks associated with financial markets, the generation and management of the treasury. These include those related to liquidity, management of working capital, access to financial markets, exchange rate and interest rate, among others. |
| Operational risks | Risks directly related to the effectiveness and efficiency of operations, including those that impact on objectives related to performance and profitability (system failures, anomalies in processes, etc.). |

The main risks to which the Group has been exposed during 2018 in each of the above categories, as well as the different mitigating measures, have been described in chapter 3 of this Management Report, as well as in section E of the Annual Corporate Governance Report.

In addition, an exercise has been carried out to check that non-financial matters that have resulted as material are aligned with the Company's 2018 Risk Map.

On the other hand, an analysis has also been carried out on the control mechanisms for non-financial information, with the result that the 4 main mechanisms on which the Company has relied during 2018 are:

- Internal Control over Financial Reporting System (IFRS)
- Budget control
- Ethics Committee and Compliance Officer
- Crime Prevention Model (Spain)
- Internal Control on non-financial information

## 3. POLICIES APPICABLE IN GRUPO EZENTIS

Grupo Ezentis has numerous Policies and Procedures applicable to all subsidiaries and investees.

Some examples are:

- Code of Ethics and Conduct
- Regulations of the Board of Directors
- Director Candidate Selection Policy
- Corporate Social Responsibility policy
- Integrated Policy on Occupational Health and Safety, Quality and the Environment
- Integrated Remuneration Policy
- Communications Policy and Involvement with Shareholders, Institutional Investors and Voting Advisers
- Manual of Accounting Criteria and Policies
- Corporate Tax policy
- Information Security Policy.
- Information Privacy Policy.

In order to better disseminate all the policies in force and applicable in each of the countries in which we operate, a project was launched in 2018 to give greater coverage and visibility to all the Group's companies.

This is a sharepoint-based platform that all Group employees are expected to be able to access and consult current internal regulations.

The result of these policies may be inferred in each of the company's management areas described in this report.

Diversity Policy on the Board of Directors

At 31 December 2018, the Board of Directors of Grupo Ezentis, S.A. was made up of 50% independent directors and 40% women from a gender perspective. All Board members have extensive professional experience, as well as training and skills more than sufficient for the responsibilities assumed, from fields related to Economic and Business Sciences to more scientific profiles in telecommunications, computer science, industry and pharmacy. All of this shows that at Ezentis diversity is a factor that is taken into account in the highest decision-making body, although for the time being there is no formal Diversity Policy on the Board of Directors.

The elements related to the diversity of the Board can be verified in the following public documents:

1. Director Candidate Selection Policy
2. Annual Corporate Governance Report
3. Articles of Association of the Group
4. Regulations of the Board of Directors
5. Corporate Governance System

None of these documents mention a limitation of age or disability of directors, which shows that there is no discriminatory criterion in this regard. Conversely, the Director Candidate Selection Policy does mention other aspects of diversity. Below are two quotes from the Director Candidate Selection Policy:

"*The Policy will endeavour to comply with the provisions of the Code of Good Governance of Listed Companies with regard to the number of female representative directors on the Board of Directors which in 2020 will continue to represent at least 30% of the total number of members of the Board of Directors,50% independent*".

"*The process of selecting directors will seek to ensure that the composition of the Board of Directors achieves an appropriate balance of profiles, knowledge, aptitudes, trajectories and experiences, which brings diverse points of view to the debate on the issues and enriches the decision-making process*".

## 4. ANALYSIS OF MATERIALITY AND RELIABILITY OF INFORMATION

Grupo Ezentis regularly performs Materiality Analysis of its non-financial matters in order to:

1. Involve our Stakeholders in the process and be aware of their expectations.
2. Dedicate the necessary efforts and resources to those matters that are most relevant to the Company.
3. Establish priorities in the definition of specific actions in each management area (2017-2020 CSR Master Plan).
4. Define the contents of external reports of non-financial information based on management and performance in each area.

In its Materiality Analysis, Grupo Ezentis considers environmental, social and governance aspects from both an external and an internal perspective.

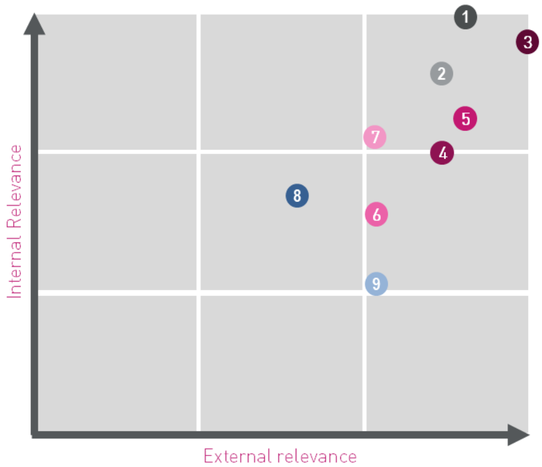
In the external phase, the opinion of all the Stakeholders with whom Ezentis interacts in the development of its activity (customers, suppliers, subcontractors, employees, shareholders and trade unions) has been considered; the analysis of public documents from prescribers such as Forética, World Economic Forum and Global Compact has also been included, and a review of public information from comparable companies has been carried out. In the internal phase, a sample of the Company's highest executives participated.

All this has resulted in the following materiality matrix:

**Material issues**

1. Business ethics, transparency and compliance
2. Corporate governance and risk management
3. Occupational safety
4. Attraction, development and retention of talent
5. Human and labor rights
6. Socioeconomic impacts in the local community
7. Relationship with clients and users
8. Supply Chain
9. Climate change and energy efficiency

**Materiality matrix**



As can be seen in the matrix, the issues that deserve the most attention from Grupo Ezentis are:

- Occupational Safety
- Business Ethics, Transparency and Compliance
- Corporate governance and risk management
- Human and labour rights

The intermediate relevance bock includes:

- Attracting, developing and retaining talent
- Relationship with customers and users

Lastly, the aspects which, although not very relevant today, we have observed have grown with respect to the previous materiality analysis:

- Supply chain
- Socio-economic impacts on the local community
- Climate change and energy efficiency

On these latter issues, although not material at this time for Grupo Ezentis, we consider them to be a clear trend and therefore information will be included in this Non-Financial Reporting Statement chapter. We also apply the criterion of materiality to the rest of the content required by Law 11/2018 of 28 December. All aspects that do not apply or are not material will be accompanied by an explanation.

With respect to the reliability of the information in the Non-Financial Information Statement, it should be mentioned that it has been subject to external verification by an independent third party.

Our commitment is based on continuous improvement of internal control and completeness of information, progressively increasing the maturity of information and implementing the culture of reporting non-financial information in the organization.

## 5. INFORMATION ON ENVIRONMENTAL ISSUES

Ezentis, as a company whose business model is based on the construction, operation and maintenance of infrastructure, must take special care whenever it interacts with the natural environment.

The operational centres of Ezentis can generally be classified under:

- Fieldwork consisting of an administrative office, a warehouse and a parking area for vehicles.
- Administrative offices: Located in the main cities of the geographies where the company develops its activities.

Although in the materiality matrix the environmental issues are not among the most relevant for the company, Ezentis is aware of the importance of managing environmental efficiency in achieving two key challenges for the company:

- Improve production processes and, therefore, contribute to greater profitability in the costs associated with operations.
- To demonstrate the organisation's commitment to environmental sustainability in each and every one of its activities, in line with the increasingly demanding regulatory requirements and the growing importance for customers and end users.

The continuous 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 soon obtaining the Certification of their system in accordance with ISO 14001:2015. For example, the company Excellence Field Factory (EFF), acquired in Spain in 2018, then began the certification process for its Integrated Quality, Environment and Occupational Safety Policy, which has recently been successfully completed.

As regards provisions and guarantees to cover environmental risks, it should be mentioned that Grupo Ezentis activity is not likely to cause serious environmental damage, which is why it does not have this type of specific resources intended to prevent or mitigate possible damage. However, it is important to mention that our actions are governed by the principle of precaution and prevention of environmental risks, in accordance with both our own guidelines and the requirements of our clients.

## 5.1 Sustainable use of resources

In line with the key environmental challenges mentioned above, at Grupo Ezentis we work under the premise of efficiency in the use of resources, understanding that reasonableness in consumption helps environmental and economic sustainability.

Consumption of raw materials

As we are not a manufacturing company, Grupo Ezentis does not consume a significant amount of raw materials. In our activity it is normal that the materials that are used in the services are property of our clients, the company acting as a depositary and being in charge of its appropriate management.

Water consumption

Given that the activity of Grupo Ezentis does not involve an intensive consumption of water, it can be considered that this matter is not currently a material one.

Energy consumption

The main sources of energy consumption in Grupo Ezentis are of non-renewable origin and correspond mainly to the fuel consumption of its fleet of vehicles and energy consumption in offices:

| Energy consumption (GJ) | 2018 |
|---|---|
| Electricity consumption | 11,452 |
| Vehicle fleet consumption | 500,174 |
| Consumption of other fuels in the office | 47,072 |
| **Total** | **558,698** |

An important aspect in the field of operational systems implemented in the company is the control and management of the fleet of vehicles and its fuel consumption.

At present, the Group has a register of information on each vehicle in use, such as the geographical location using GPS tools, or refuelling using a company card. This information, together with the fact that the Supervisors of the team are free in some cases to design the most efficient service route in distances and times, favours the reduction of fuel consumption and, therefore, emissions into the atmosphere.

On the other hand, this application also helps to identify vehicles that require more maintenance due to their age or accumulated faults, so that they can be included in the vehicle replacement plan. As a general rule, older vehicles generate more emissions into the atmosphere as they do not incorporate the efficiency improvements of the latest generation models, so this cost saving measure is also an environmental advantage. The Group is constantly renewing its oldest vehicles, as well as for environmental reasons, it is required in many of the contracts with its customers.

As detailed in this section, to date Grupo Ezentis has dedicated its efforts to the search for energy efficiency in the areas in which it has an impact. As for the use of renewable energies, this is an aspect that is in the process of being studied in order to identify the renewable sources that best adapt to the needs of the company.

## 5.2 Pollution.

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

Consequently, the main environmental impact deriving from Ezentis' activity as a whole has to do with the transport of vehicles, whose fuel consumption, in its different types, accounts for more than 90% of the energy consumption of the entire organisation in 2018.

In 2018, the company carried out the third year of calculation of the emissions derived from its activity. The completeness of the information has increased compared to last year as all the Group's business trips (plane and train) and the data from the recently acquired EFF in Spain have been incorporated into the carbon footprint. Both factors have a significant impact. For this reason, the calculation of emissions is considered to be evolving and not comparable at the moment.

Distribution of GHG emissions by scope

| Emissions[1] (Ton $CO_{2eq}$) | 2018 |
|---|---|
| Scope 1 | 7,477 |
| Scope 2 | 949 |
| Scope 3 | 29,471 |
| **Total** | **37,897** |

- Direct emissions, Scope 1, are calculated from the consumption of fuel in offices and the consumption associated with the company's own fleet of vehicles.
- Scope 2 indirect emissions derive from electricity consumption in offices and warehouses.
- Scope 3 indirect emissions are mainly generated by non-ownership vehicles (rental, leasing, etc.) and business travel (air and rail).

In 2019, a homogeneous Carbon Footprint Calculation Procedure common to all subsidiaries is expected to be drawn up and disseminated to try to cover all significant energy sources in order to subsequently establish consumption reduction and emissions compensation plans.

Other aspects related to noise emission or light pollution are not applicable in the case of Grupo Ezentis since its activities are not likely to generate this type of nuisance in the towns or places where we provide our services.

## 5.3 Climate Change

For Ezentis, the perception and opinion of investors is key to its strategy of growth and international expansion. For this reason, the Company responds to all information requirements that demonstrate its transparent management, and not only in strictly financial matters.

An example of this is the completion, for the third consecutive time, of the *Carbon Disclosure Project (CDP)* questionnaire on Climate Change, one of the instruments that investors use as a reference in their decisions.

In addition, we are committed to meeting the Sustainable Development Goals (SDGs). Specifically, SDG 13 (Climate Action) is present in our CSR

[1]Source: UK Government Conversion Factors for greenhouse gas (GHG) reporting (2018); $CO_2$ Emissions From Fuel Combustion 2018, (International Energy Agency); https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-446710.pdf

Master Plan (2017-2020) and will form part of one of the strategic pillars of the Company's future Social Action Policy.

## 5.4 Protection of biodiversity

The activities carried out by Grupo Ezentis do not have a significant impact on the natural environment due to the fact that most of the services are not carried out in areas of special protection. Although the protection of biodiversity is currently a non-material issue for Grupo Ezentis, a detailed analysis of services outside urban areas will be carried out for subsequent years, with a view to taking action if necessary.

## 5.5 Circular economy and waste prevention and management

Issues related to waste management do not appear in our Materiality Analysis with special relevance, so we understand that it is not currently material for the company. This said, it is worth mentioning that our services include the correct disposal and management of the waste that may be generated.

## 6. INFORMATION ON SOCIAL AND PERSONNEL ISSUES

As a services company, Ezentis' business model is strongly based on its human capital. Information related to personnel areas is set out below:

### 6.1 Employment

Ezentis is a company that is constantly growing and for that, it needs to have the best people. For this reason, the organisation strives in the processes of recruiting to attract the profiles that best fit the needs of the business and also tries to promote permanent employment in the best possible conditions. Each employee sees himself as an end, a contribution of added value to the client and the organisation as a whole, and therefore the loss of talent is an aspect on the agenda of all team leaders.

Employees broken down by country, age, gender and occupational category

| Number of employees at 31 December by country | 2018 | | |
|---|---|---|---|
| | Male | Female | TOTAL |
| Argentina | 487 | 35 | **522** |
| Brazil | 4,674 | 419 | **5,093** |
| Chile | 2,570 | 246 | **2,816** |
| Colombia | 697 | 161 | **858** |
| Spain | 1,425 | 219 | **1,644** |
| Mexico* | 221 | 42 | **263** |
| Peru | 1,475 | 177 | **1,652** |
| **TOTAL** | **11,549** | **1,299** | **12,848** |

*The figure for Mexico includes own employees and subcontractors.

| Number of employees at 31 December by age | 2018 | | |
|---|---|---|---|
| | Male | Female | TOTAL |
| 30 years | 3,076 | 449 | **3,525** |
| 31-45 years | 5,743 | 646 | **6,389** |
| 46-55 years | 2,032 | 163 | **2,195** |
| 55 years | 698 | 41 | **739** |
| **TOTAL** | **11,549** | **1,299** | **12,848** |

| Number of employees at 31 December by occupational category | 2018<br>Male | <br>Female | <br>TOTAL |
|---|---|---|---|
| Senior management | 10 | 0 | **10** |
| Executives / advanced degree holders | 152 | 23 | **175** |
| Middle Management /T.S/M | 682 | 83 | **765** |
| Construction Personnel/Technicians/Operators | 9,939 | 597 | **10,536** |
| Structural Staff / Administration Staff | 766 | 596 | **1,362** |
| **TOTAL** | **11,549** | **1,299** | **12,848** |

Average annual number of permanent and temporary contracts: by gender, age and professional category

| Type of employment contract by gender | 2018<br>Male | <br>Female | <br>TOTAL |
|---|---|---|---|
| Permanent | 8,947 | 936 | **9,883** |
| Temporary* | 2,602 | 363 | **2,965** |
| **TOTAL** | **11,549** | **1,299** | **12,848** |

*Temporary does not include fellows, internships, or interns

| Type of employment contract by age | 2018<br>Permanent | <br>Temporary* | <br>TOTAL |
|---|---|---|---|
| 30 years | 2,325 | 1,200 | **3,525** |
| 31-45 years | 5,072 | 1,317 | **6,389** |
| 46-55 years | 1,866 | 329 | **2,195** |
| 55 years | 620 | 119 | **739** |
| **TOTAL** | **9,883** | **2,965** | **12,848** |

*Temporary does not include fellows, internships, or interns

| Type of employment contract by occupational category | 2018<br>Permanent | <br>Temporary* | <br>TOTAL |
|---|---|---|---|
| Senior management | 10 | 0 | **10** |
| Executives / advanced degree holders | 158 | 17 | **175** |
| Middle Management /T.S/M | 660 | 105 | **765** |
| Construction Personnel/Technicians/Operators | 8,021 | 2,515 | **10,536** |
| Structural Staff / Administration Staff | 1,034 | 328 | **1,362** |
| **TOTAL** | **9,883** | **2,965** | **12,848** |

*Temporary does not include fellows, internships, or interns

In this year it has not been possible to differentiate between part-time and full-time. We will try to obtain this information in the following reporting years.

Dismissals by gender, age and occupational classification

| Number of dismissals by age | 2018<br>Male | Female | TOTAL |
|---|---|---|---|
| 30 years | 643 | 84 | 727 |
| 31-45 years | 899 | 76 | 975 |
| 46-55 years | 282 | 31 | 313 |
| 55 years | 110 | 6 | 116 |
| **TOTAL** | **1,934** | **197** | **2,131** |

| Number of dismissals by professional category | 2018<br>Male | Femal e | TOTAL |
|---|---|---|---|
| Executives | 26 | 3 | 29 |
| Middle management | 108 | 9 | 117 |
| Technical and Administrative | 590 | 56 | 646 |
| Operators | 1,210 | 129 | 1,339 |
| **TOTAL** | **1,934** | **197** | **2,131** |

Remuneration and salary differences

- Remuneration of directors

The Board of Directors of Grupo Ezentis is composed of 3 executive directors and 7 non-executive directors, of which 3 are men and 4 are women. The average monetary remuneration received by the executive directors during 2018 is as follows:

| Remuneration of directors (2018) | Male | Female |
|---|---|---|
| Average remuneration of executive directors (thousands of €) | **254** | **-** |

On the other hand, the average monetary remuneration received by the non-executive directors corresponds to allowances paid to the directors in 2018 for attending the meetings of the Board of Directors and its Committees according to the position held in each case.

| Remuneration of directors (2018) | Male | Female |
|---|---|---|
| Average remuneration of non-executive directors (thousands of €) | **144** | **92** |

- Senior Management Remuneration

The average remuneration received by the Senior Management during 2018 is as follows:

| Senior Management Remuneration (2018) | Male | Female |
|---|---|---|
| Average remuneration of senior managers (thousands of €) | **272** | **-** |

- Employee Remuneration

At Grupo Ezentis we are committed to equality and equity in salaries, and one of the Company's objectives is the correct distribution of salaries among our employees, thus minimising the salary gap that may exist by professional categories, ages and gender.

In order to be able to report information on remunerations and to make it comparable by country, professional category, age and gender, the Human Resources area is working to be able to provide this information next year in a comparative manner with the level of disaggregation, exhaustiveness and reliability required.

Labour disconnection policies

Because most of Grupo Ezentis workforce works in specific shifts, rest time is always respected. Unless an emergency occurs, workers are not required or contacted outside working hours. In addition, in the comments received from employees during the materiality process, work-related stress does not figure among the aspects that most concern them. All this makes us think that for the moment it is not necessary for us to carry out an exhaustive implementation of labour disconnection policies.

People with disabilities

Diversity is a concept that encompasses multiple variables in Grupo Ezentis. We consider that a diverse workforce is made up of different nationalities, ages, abilities, gender, etc. Therefore, for us, our employees with disabilities are employees on the same level as the rest and are another way of showing the positive aspects of diversity.

| Employees with a disability contract | 2018 |
|---|---|
| Employees with disability contract (no.) | **37** |

## 6.2 Organisation of work

Organisation of work day:

The organisation of working time is adapted to the activities developed by the workers. The Operations areas work, usually in shift roles, with the objective of giving continuity to the telecommunications and energy services. The administrative and office staff, however, have the appropriate schedule to the work week from Monday to Friday. A comparison of working hours shows that the existing range between all countries and staff activities is between 40 and 48 hours per week with corresponding rest days, according to the legislation in each country.

Absenteeism

Irrespective of the differences in criteria and definition of absenteeism in each of the countries, it has been determined that the overall calculation of the absence of workers from Grupo Ezentis workplaces. This data does not include holiday periods, family care leave, study leave or paternity/maternity leave.

| Absenteeism | 2018 |
|---|---|
| Absence hours* (hours) | **755,182** |

*Does not include EFF data.

Measures aimed at work – family conciliation

At Grupo Ezentis, we ensure that our employees' complaints are dealt with and, therefore, in addition to offering legal guarantees such as reduced working hours for the care of children or the elderly - in countries where this is applicable - the company offers flexible working hours so that workers can reconcile their daily work with their personal lives, where the needs of the service so allow.

In 2018, a teleworking system was implemented in Ezentis Tecnología (Spain) whereby more than 60 people currently work in a teleworking mode two days a week.

We are confident that efficient management and fluent communication in each department are the best tools to achieve the greatest possible conciliation.

### 6.3 Health and Safety

Health and safety conditions

Occupational Health and Safety is an area to which Ezentis is firmly committed. So much so that within the values that guide the company's activity, it is included verbatim: "There is nothing more important than the safety of our employees, customers, subcontractors and the communities where we do our work, transmitting this principle of action throughout the organisation.

In its more than 50 years of business history, the company has demonstrated that Safety is the top priority in the development of its activities, complying with the standards applicable in each geographic area where the Group is present. The company provides workers with the best personal safety equipment necessary for the performance of their duties, training sessions are held on the risks to which they are exposed, and a detailed analysis of each incident is carried out to prevent its repetition in the future.

At Ezentis we believe that all accidents, illnesses and work-related injuries can be avoided. We believe in the prevention of risks and with it, in the systematic and permanent work to achieve the avoidance of injuries and illnesses.

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

The exposure of our field team - technicians - to risks such as driving vehicles, working at heights, working in the presence of voltage (energy), working in confined spaces and/or moving equipment, as well as to operator errors, are elements or factors that can cause injuries during the course of the work, and this is why we are committed to achieving an accident-free work environment and a Safety Culture based on commitment, teamwork, leadership and participation.

Continuing the Group's permanent commitment to safety, the company's senior management has undertaken an action plan based on several pillars:

- Establishment of a 2018-2020 Safety, Health and Quality Plan, with the appointment of an HSEQ Corporate Officer and Country Managers in this area in 1Q 2018.

- Permanent inclusion of HSEQ aspects in the daily agenda of each Management Committee.
- Functional restructuring of HSEQ roles and responsibilities.
- Carrying out a Safety Culture Diagnosis (Dupont Dynamic Assessment) with the world-renowned consulting firm, DUPONT.

As far as Safety Management Systems are concerned, Ezentis is certified in the OHSAS 18001 standard in all activities carried out in Chile (Tecnet), Colombia, Spain and Peru, and plans to extend these certifications to the rest of the company's organisations, starting the implementation of ISO 45001 in Brazil and Argentina.

With regard to IT systems, Ezentis has an application that allows, for example, security inspections and behavioural observations, control and follow-up of training sessions and talks received by workers, incident reporting and the status of Personal Protective Equipment (PPE), among other tools. The objective is to know at all times the state of the conditions and safety actions that must be fulfilled in each job in the development of their tasks. This monitoring and control process allow us to ensure the correct execution of prevention controls and mitigation measures, while the analysis of the information has allowed us to identify compliance and deviations, advancing in the continuous improvement of defined controls and the reduction of incidents related to critical risks.

| Occupational[2] Health and Safety Indicators (global data*) | 2018 |
|---|---|
| Net Frequency Index | 13.17 |
| Severity Index | 0.90 |
| Index of Occupational Diseases | 0.21 |

* The inclusion of the gender breakdown in future years will be assessed.

## 6.4 Company Relations

In all countries where Grupo Ezentis is active, there is a close and direct relationship with workers' representation through trade unions.

Workers' Committees are the main tool for dialogue and communication of the needs, expectations and claims of workers.

[2] Calculation formulas:
Frequency Index (Net) = (No. of accidents with high-consequences or fatalities /Total no. of hours worked) * 1,000,0000
Severity rate = (Total no. of lost days/Total no. of hours worked) * 1,000
Index of Occupational Diseases = (No. of Occupational Diseases / No. of Total Hours Worked) * 1,000,000

In most countries there are Collective Bargaining Agreements in the sector to which workers are attached. Otherwise, the rights of workers are governed by the relevant Workers' Statute. This is the case of, for example, Colombia, Mexico and Peru.

| Employees protected by collective bargaining agreements (%) | 2018 |
| --- | --- |
| Average number of employees covered by collective bargaining agreements (%) | 76.2 % |

*Average number of employees in countries with collective bargaining agreements.

Aspects related to Health and Safety conditions in workplaces are not aspects that are usually included in collective bargaining agreements in our sector, although there are some cases, such as Brazil, where clauses are included in collective bargaining agreements that require the company to provide medical assistance and reinforces the importance of the use of personal protection equipment.

Regardless of this circumstance, and given that Occupational Safety is a clear priority in Grupo Ezentis, company management has determined that Occupational Safety issues are dealt with in detail in:

1. Health and Safety Committees; Made up of representatives of the company and the workers. They are conformed by legal requirement in force in each country and meet on a bimonthly basis
2. Steering Committee: Weekly meetings in each country, made up of the CEOs and business directors, in which start with news related to Occupational Health and Safety.

## 6.5 Training

Talent management in Ezentis aims to ensure that all employees have the knowledge they need to carry out their work and provide them with the resources to be able to carry it out as effectively and efficiently as possible.

Each country identifies training needs and develops a training plan adapted to the requirements of the clients and services being provided. For example, in Colombia prepares the Annual Training Plan, which is segmented by projects, customer profiles and requests, additionally it is structured to impart strong competencies (operational) and soft competencies (structural personnel / administrative profile).

| Training provided by employee category (hours): | 2018 |
|---|---|
| Executives | 162 |
| Middle management | 6,699 |
| Technical and Administrative | 140,014 |
| Operators | 244,545 |
| **TOTAL** | **391,420** |

## 6.6 Universal accessibility

All Grupo Ezentis workplaces are prepared for access by employees, customers, suppliers requiring special needs or having reduced mobility. Likewise, the jobs are adapted to the needs of the employees who so require.

## 6.7 Equality

In each and every one of the areas in which the company's activity is carried out, from selection to promotion, including wage policy, training, working and employment conditions, occupational health, the organisation of working time and reconciliation, the principle of equal opportunities between women and men is assumed, paying special attention to indirect discrimination, which is understood as "the situation in which an apparently neutral provision, criterion or practice puts a person of one sex at a particular disadvantage with respect to persons of the other sex".

Companies in Spain with more than 250 employees have an Equality Plan as established in Organic Law 3/2007, of 22 March, for the effective equality of women and men. This is applicable in 2018 to the companies Networks Test, S.A and Ezentis Tecnología, S.A. The integration of the company Excellence Field Factory in the middle of the year made it impossible to implement this measure, which will be implemented throughout 2019. The company Networks Test also has a Protocol for the Prevention of Harassment. In the case of Ezentis Technology, this document is in the process of being prepared.

Proof of the commitment to diversity and equal opportunities is that 40% of the Board of Directors is made up of women, and Ezentis is one of the few listed companies that complies in this respect with the Good Governance recommendations of the CNMV.

| Presence of the woman in Ezentis at 31 December | 2018 |
|---|---|
| Women on the workforce (%) | 10% |
| Women on the Board of Directors (%) | 40 % |

## 7. INFORMATION ON RESPECT FOR HUMAN RIGHTS

Ezentis is a company present in several geographies whose values and standards of conduct are universally understood and applied. Therefore, in October 2014, the Board of Directors of Grupo Ezentis approved the first Code of Ethics and Conduct (hereinafter, the Code) with the aim of ensuring professional, ethical and responsible behaviour of all employees and other parties bound by it (suppliers, customers, shareholders, investors...), in the development of the company's activities and in the performance of its functions.

Under the Code, Ezentis and the people to whom it applies are committed to complying with and enforcing the law, to promoting ethical behaviour consistent with corporate values and to subscribing to all points including the United Nations Universal Declaration of Human Rights and International Labour Organization Conventions.

Within the framework of the growing development of corporate social responsibility and compliance with rules of good corporate governance in the company, in July 2017 the Code[3] was renewed with the aim of creating a business culture based on the integrity of its behaviour and in coherence with the corporate image that it is intended to project to society and the business environment.

Section 6 of the Code includes details of a number of specific standards of conduct covering aspects of ethical behaviour such as respect for the rule of law, human rights and public freedoms, and support for equal opportunities and non-discrimination.

Since the Code was drawn up, the organisation has promoted the communication and dissemination of these values to all its members by means of regular talks and meetings with the different people in charge of the areas, and by sending the document to all its employees. In line with the above, Ezentis carries out training sessions on the Code of Ethics and Conduct through an on-line platform in all the geographies where it is present. A more comprehensive campaign is carried out every six months (July and December) to include employees who joined the Group during this period.

<u>Complaints of human rights violations</u>

[3] https://www.ezentis.com/media/2018/07/Codigo-de-Etica-y-de-Conducta-Aprobado-en-CdA.pdf

With regard to possible deviations from the Standards of Conduct in 2018, the company has received only one internal human rights complaint through the usual channels established for this purpose.
The Ethics Committee initiated the corresponding investigation process in coordination with the Human Resources area and it was finally proven that the denouncement of the salary gap was inappropriate because the employees (men and women) had different roles and responsibilities.

## 8. INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY

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

1. Duty of loyalty and conflict of interest
2. Measures against bribery and corruption
3. Gifts and Entertainment
4. Money laundering and payment irregularities
5. Financial Records

In addition, the organisation has a Crime[4] Prevention Model, in accordance with the modification of the Spanish Criminal Code, which is reviewed annually, and which describes the measures for the prevention and control of those operations and/or actions susceptible of being considered as a crime. 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's companies in Spain. For this reason, a global *Compliance Officer* was appointed in the organisation, who has responsibility for the supervision and management of compliance issues.

Although this Protocol applies only to activities carried out in Spanish territory, work is being done to replicate the model in the rest of the geographies where we are present, adapted to their local regulatory requirements in this regard.
In addition to the internal dissemination of the Code of Ethics and Conduct, the company provides all employees with a Whistleblower Channel through which they can report possible breaches, anonymously if desired, whose treatment is absolutely confidential and limited to the members of the Ethics Committee.

[4] https://www.ezentis.com/media/2018/07/Protocolo-de-Prevencion-de-Delitos-de-Grupo-Ezentis-SA.pdf

The Ethics Committee is the body designated to follow up and resolve complaints received by e-mail (canaldedenuncias@ezentis.com) or by post (Apto Correos 14867 - 28080 Madrid). It meets regularly and is comprised 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 from the receipt of a complaint of behaviour contrary to the Code of Ethics through its resolution (Ethical Channel Procedure and Ethics Committee Rules).

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

Both the Code of Ethics and Conduct and the Crime Prevention Model contain, among other aspects, express mention of the crimes of corruption, bribery and money laundering.

In 2018, the company made no contributions to foundations or non-profit organisations.

# 9. LOCAL SOCIETY ISSUES

## 9.1 The company's commitment to sustainable development

Grupo Ezentis, through its presence on 2 continents and in 7 countries, has an undeniable impact on the societies in which it operates.
In terms of employment, there was an average increase of 18%, with growth in Spain (+87%) and Brazil (+28%) being particularly noteworthy.

These data have become particularly important since their local economies and job-creation capacity have recently been affected by a deep economic and social crisis.

In addition, partnership actions with social organizations and/or public entities are closely linked to the generation of employment and to increasing the employability of young people, women and groups with difficulty integrating into the labour market.

- In Brazil, for example, we collaborate with technical education centres (SENAI) in order to offer a first job to recent graduates and partnership with public agencies such as: SINE ("Sitio Nacional de empleos" / National Job Site) portal made available by the government for announcement of job vacancies and PAT ("Puesto de Atención al Trabajador" / Worker service site).

- In Chile there are agreements with technical colleges that train professionals in the area of telecommunications and energy, who perform their professional practices in our company, promoting future employability once they finish their academic studies.

- Ezentis Colombia has worked hand in hand with institutions such as SENA (National Learning Service) to comply with the Regulation of Apprenticeship, linking apprentices by means of an apprenticeship contract. As an added value, the most outstanding apprentices have been employment linked, thus generating employment and providing opportunities as the first labour link.

Another aspect of creating impact is the generation of local economy through the purchase of goods and services from companies located in the same country in which our activity is located in each case (local purchasing). The figures speak for themselves, and about 99% of our suppliers are local. Specifically, the global contribution in local purchases exceeded €173.5 million in 2018, 132% more than in 2017.

Ezentis understands its social contribution through 4 main pillars on which it has a direct capacity for action: Health and safety of people - Access to education - Improving employability - Environmental sustainability. These lines of action make up the Corporate Social Action policy that is being drawn up and will govern actions and dialogue with local communities.

## 9.2 Subcontracting and suppliers

Ezentis has a close relationship with its subcontractors, a fundamental part of the development of our activities. After all, these are employees who carry out their daily activities in conjunction with our own workforce, which is why we consider the same behavioural requirements and operating guidelines to apply. Without carrying out audits or detailed monitoring of social and environmental aspects in contracts with suppliers and subcontractors, the contracts establish compliance with labour obligations and working conditions, such as health and safety conditions.

We believe that the extension of our social and environmental policies and procedures is a key issue for better control of our entire value chain. The impact is no longer measured only in internal terms within the organization, but also through interactions with other elements such as suppliers and subcontractors.

### 9.3 Clients & Final users

Grupo Ezentis is a B2B company, that is to say, our client in no case corresponds to the final user. This gives us the particularity of considering separately customers and users/consumers.

In the first case, a fluid relationship is maintained and their satisfaction with our services is periodically analysed. In the case of end users, the only direct capacity for dialogue is through channels enabled in the company to receive communications (email and social network profiles). From the Communication area, incidents and comments received through these channels are recorded and transferred to the Operational areas.

One of the aspects foreseen in our CSR Master Plan (2017-2020) consists of the standardisation of criteria in the elaboration of customer satisfaction surveys, since currently there are different simultaneous models and it does not allow us to obtain a common performance and follow-up metric.

### 9.4 Tax information

<u>Profit obtained by country</u>
The information related to this aspect is included in the Consolidated Annual Financial Statements, Note 19.

<u>Corporate income tax paid</u>
The information related to this aspect is included in the Consolidated Annual Financial Statements, Note 19.

<u>Public subsidies received</u>
In 2018, Grupo Ezentis did not receive any public subsidies.

Annex I: GRI Content Index

| Information Required by the Non-Financial Information Act | Reference GRI indicators | Statement of Non-Financial Information |
|---|---|---|
| **Business Model** | | |
| Brief description of the group's business model (business environment and organisation) | 102-2 Activities, brands, products and services<br>102-7 Scale of the organisation | Page 23-24 |
| Markets in which it operates | 102-3 Location of headquarters<br>102-4 Location of operations<br>102-6 Markets served | Page 23-24 |
| Objective and strategies of the organisation | - | Page 24 |
| Main factors and trends that may affect future performance. | 102-15 Key impacts, risks and opportunities | Page 25 |
| **General** | | |
| A description of the group's policies with respect to these matters, including the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts and for verification and control, including what measures have been taken. | 103-2 The management approach and its components | Page 28-29 |
| The results of these policies, including relevant non-financial key performance indicators that allow progress to be monitored and evaluated and that favour comparability between undertakings and sectors, in accordance with the national, European or international reference frameworks used for each subject. | 103-2 The management approach and its components<br>103-3 Evaluation of the management approach<br>102-15 Key impacts, risks and opportunities | Page 28-29 |
| The main risks related to those issues related to the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects on those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each area. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium and long term. | 102-15 Key impacts, risks and opportunities | Page 26-27 |
| Mention in the report of the national, European or international reporting framework used for the selection of non-financial key performance indicators included in each of the sections. | 102-54 Claims of reporting in accordance with the GRI Standards | Page 23 |

| ENVIRONMENTAL CONCERNS | | |
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| **General information** | | |
| On current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety | - | Page 31-35 |
| On environmental assessment or certification procedures | - | Page 31 |
| On the resources dedicated to the prevention of environmental risks | - | Page 32 |
| On the application of the precautionary principle | 102-11 Precautionary principle or approach | Page 32 |
| On the amount of provisions and guarantee for environmental risks | - | Page 32 |
| **Pollution** | | |
| The significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces. | 305-1 Direct (Scope 1) GHG emissions<br>305-2 Energy indirect (Scope 2) GHG emissions | Page 34-35 |
| Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to that end. | 305-5 Reduction of GHG emission | Page 34-35 |
| **Circular economy and waste prevention and management** | | |
| Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste; actions to combat food waste | 301-1 Materials used by weight or volume. | Page 35 |
| **Sustainable use of resources** | | |
| Water consumption and water supply according to local constraints | 303-1 Interaction with water as a shared resource | Page 33 |
| Consumption of raw materials and measures taken to improve the efficiency of their use | 301-1 Materials used by weight or volume. | Page 32 |
| Direct and indirect energy consumption | 302-1 Energy consumption within the organisation | Page 33 |
| Measures taken to improve energy efficiency | 302-4 Reduction of energy consumption | Page 33-35 |
| Use of renewable energies | 302-1 Energy consumption within the organisation | Page 33-35 |
| **Climate Change** | | |
| Measures taken to adapt to the consequences of climate change | - | Page 35 |
| **Protection of biodiversity** | | |
| Measures taken to preserve or restore biodiversity | - | Page 35 |
| Impacts caused by activities or operations in protected areas | 304-2 Significant impacts of activities, products and | Page 35 |

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| | services on biodiversity | |

| INFORMATION ON SOCIAL AND PERSONNEL ISSUES | | |
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| **Employment** | | |
| Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.) | 102-8 Information on employees and other workers<br>405-1 Diversity of governance bodies and employees | Page 36 |
| Total number and distribution of employment contract modalities, annual average of part-time contracts by gender, age and professional classification. | 102-8 Information on employees and other workers | Page 39 |
| Number of dismissals by gender, age and occupational classification | 401-1 New employee hires and employee turnover | Page 38 |
| The average remuneration and its evolution broken down by gender, age, and professional classification or equal value | 102-38 Annual total compensation ratio<br>102-39 Percentage increase in annual total compensation ratio | Page 38-39 |
| Salary gap, remuneration equal or average jobs in the company | 405-2 Ratio of basic salary and remuneration of women to men | Page 38-39 |
| The average remuneration of directors and executives, including variable remuneration, per diems, indemnities, payment to long-term savings pension systems and any other perception broken down by gender. | 201-3 Defined benefit plan obligations and other retirement plans | Page 39 |
| Implantation of labour disconnection policies | 405-1 Diversity of governance bodies and employees | Page 39 |
| **Organisation of work** | | |
| Organisation of work day: | - | Page 40 |
| Number of hours of absenteeism | 403-2 Hazard identification, risk assessment and incident investigation | Page 40 |
| Measures aimed at facilitating enjoyment of conciliation and encouraging the co-responsible exercise of these by both parents | 401-3 Parental leave | Page 40 |
| **Health and Safety** | | |
| Conditions for Health & Safety at work | 403-3 Occupational health services | Page 41-42 |
| Accidents at work, in particular their frequency and severity, as well as occupational diseases; broken down by gender | 403-2 Hazard identification, risk assessment and incident investigation | Page 42 |

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| Percentage of employees covered by collective bargaining agreements by country | 102-41 Collective bargaining agreements | Page 42-43 |
| The balance of collective bargaining agreements, particularly in the field of occupational health and safety | 403-4 Worker participation, consultation and communication on occupational health and safety | Page 42-43 |
| **Training** | | |
| The policies implemented in the field of training | 404-2 Programs for upgrading employee skills and transition assistance programs | Page 43 |
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| Universal accessibility for persons with disabilities | - | Page 44 |
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| RESPECT FOR HUMAN RIGHTS. | | |
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| Application of due diligence procedures for human rights; prevention of the risks of violations of human rights; and, where appropriate, measures to mitigate, manage and redress any abuses committed. | 102-16 Values, principles, standards and norms of behaviour.<br>102-17 Mechanisms for advice and concerns about ethics | Page 45-46 |

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| | 410-1 Security personnel trained in human rights procedures or policies<br>412-1 Operations that have been subject to human rights reviews or impact assessments<br>412-3 Significant investment agreements and significant contracts that include human rights clauses or that underwent human rights screening | |
| Complaints of human rights violations | 406-1 Incidents of discrimination and corrective action taken. | Page 45-46 |
| Promotion of and compliance with the provisions of the International Labour Organization conventions relating to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour. | - | Page 45-46 |

| THE FIGHT AGAINST CORRUPTION AND BRIBERY | | |
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| Measures taken to prevent corruption and bribery | 102-16 Values, principles, standards and norms of behaviour.<br><br>102-17 Mechanisms for advice and concerns about ethics<br><br>205-1 Operations assessed for risks related to corruption.<br><br>205-2 Communication and training about anti-corruption policies and procedures<br><br>205-3 Confirmed incidents of corruption and action | Page 46-47 |

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| | taken. | |
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| **Subcontracting and suppliers** | | |
| The inclusion in the purchasing policy of social, gender equality and environmental issues | 308-1 New suppliers that were screened using environmental criteria<br>414-1 New suppliers that were screened using social standards | Page 48 |
| Consideration in relations with suppliers and sub-contractors of their social and environmental responsibility | 308-1 New suppliers that were screened using environmental criteria<br>414-1 New suppliers that were screened using social standards | Page 48 |
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| **Tax information** | | |
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