

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

Interim Summarised Consolidated Financial Statements
and Interim Consolidated Directors' Report for the six-month period
ended 30 June 2011
(prepared in accordance with IAS 34 "Interim Financial Reporting")

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES**SUMMARISED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011 and 31 DECEMBER 2010**
(Thousand euro)

ASSETS	Note	30.06. 2011	31.12.2010
Non-current assets		168 578	232 148
Intangible assets	8	6 752	6 458
Goodwill	7	28 911	88 567
Property, plant and equipment	6	40 453	40 298
Investment properties	9	14 353	14 531
Investments in associated companies	11	41 144	46 807
Non-current financial assets	12	36 965	35 487
Current assets		177 691	209 500
Non-current assets classified as available for sale	10	2 955	4 025
Inventories		6 431	11 575
Receivables	13	126 912	145 523
Trade receivables for sales and services rendered		73 238	92 734
Trade receivables, completed work pending invoicing		39 575	40 249
Sundry receivables		5 761	6 445
Current tax assets	17	8 338	6 095
Other current assets	13	20 309	19 008
Cash and cash equivalents	13	21 084	29 369
Total assets		346 269	441 648

The Notes form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

SUMMARISED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011 and 31 DECEMBER 2010
(Thousand euro)

	<u>Note</u>	<u>30.06.2011</u>	<u>31.12.2010</u>
EQUITY			
Equity attributed to the parent company	14	(45 484)	33 633
Share capital		168 430	158 703
Share premium		70 142	69 169
Other reserves		(192 446)	(57 126)
Treasury shares		(61)	-
Profit attributable to parent company		(88 728)	(135 320)
Accumulated differences on exchange		(1 672)	(300)
Hedging operations		(1 149)	(1 493)
Non-controlling shareholding	14	2 290	1 923
Total equity		(43 194)	35 556
Non-current liabilities		104 618	108 991
Provisions	16	34 305	33 325
Non-current financial liabilities	15	69 042	75 060
Other non-current liab.		1 271	606
Current liabilities		284 845	297 101
Liabilities associated with non-current assets classified as held for sale	10	6 235	6 225
Current financial liabilities	15	79 133	89 936
Trade and other payables		179 247	192 030
Suppliers		127 894	88 098
Other payables		2 515	64 546
Accrued wages and salaries		10 953	5 164
Current tax liability	17	12 899	10 633
Other payables to public institutions	17	12 362	7 895
Advance payments from customers		12 624	15 694
Provisions for other liabilities and charges	16	20 230	8 910
Total liabilities		389 463	406 092
Total equity and liabilities		346 269	441 648

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GRUPO EZENTIS, S.A. AND SUBSIDIARIES

INTERIM SUMMARISED CONSOLIDATED INCOME STATEMENT

(Thousand euro)

	<u>Note</u>	Six-month period ended 30 June	
		2011	2010 (*)
Operating income	21	137 448	85 351
Net revenue		132 021	83 612
Other operating revenue		1 939	466
Work carried out for the Group's own assets		437	-
Increase in inventories of finished products and work in progress		3 051	1 273
Operating expenses		(215 365)	(87 733)
Raw materials and other consumables	21	(70 145)	(39 545)
Personnel expenses	21	(47 572)	(35 403)
Non-current asset depreciation and amortization	6 and 8	(2 070)	(868)
Change in trade provisions		(691)	-
Other operating expenses	21	(19 378)	(11 254)
Impairment and gains/(loss) on fixed asset disposals	7	(59 656)	39
Expenses for the restructuring of Grupo Ezentis and other operating expenses	21	(15 853)	(702)
Consolidated operating profit		(77 917)	(2 382)
Financial income and expense			
Other interest and similar income		434	59
Financial and similar expenses		(6 069)	(2 069)
Net exchange differences		(4)	261
Loss from companies consolidated using equity method		(96)	-
Impairment and gains/(loss) on disposals financial instruments		(3 409)	-
Financial income/(expense)		(9 144)	(1 749)
Consolidated result before income tax		(87 061)	(4 131)
Corporate income tax		(1 333)	(474)
Consolidated profit for the period		(88 394)	(4 605)
Attributable to:			
Minority shareholdings		334	245
Parent company shareholders		(88 728)	(4 850)
Consolidated profit for the period		(88 394)	(4 605)
Basic earnings/(loss) per share	20	(0.2735)	(0.0175)
Diluted earnings/(loss) per share	20	(0.2735)	(0.0175)

(*) Figures not subjected to audit or limited review

The Notes form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

INTERIM SUMMARISED CONSOLIDATED OVERALL INCOME STATEMENT
(Thousand euro)

	Six-month period ended 30 June	
	2011	2010 (*)
Consolidated profit for the period	(88 394)	(4 605)
Other net profits recognised directly in equity:		-
Cash flow hedges:	491	-
Differences on exchange:	(1 372)	642
Tax effect	(147)	-
Overall profit for the year	(89 422)	(3 963)
Attributable to:		
Parent company shareholders	(89 756)	(4 208)
Minority shareholdings	334	245

(*) Figures not subjected to audit or limited review

The Notes form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand euro)

	Attributable to the Parent Company's shareholders							Non-controlling Equity shareholdings (Note 14)	Total equity	
	Share capital (Note 14)	Share premium (Note 14)	Other reserves (Note 14)	Treasury shares (Note 14)	Profits attributable to parent company shareholders (Note 14)	Differences on exchange (Note 14)	Hedging operations			
Balance at 01.01.11	158 703	69 169	(57 126)	-	(135 320)	(300)	(1 493)	33 633	1 923	35 556
Overall profit/(loss) for the year					(88 728)	(1 372)	344	(89 756)	334	(89 422)
Transactions with shareholders										
Share capital increases (Note 14)	9 727	973						10 700		10 700
Reduction of equity due to business combinations (Note 23)										
Other changes in equity				(61)				(61)	33	(28)
Transfer to accumulated results			(135 320)		135 320			-		-
Total movements in equity	9 727	973	(135 320)	(61)	46 592	(1 372)	344	(79 117)	367	(78 750)
Balance at 30.06.11	168 430	70 142	(192 446)	(61)	(88 728)	(1 672)	(1 149)	(45 484)	2 290	(43 194)

The Notes and Appendices I through VI form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES (Formerly AVANZIT GROUP)

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand euro)

	Attributable to the Parent Company's shareholders						Equity	Non-controlling shareholding	Total equity
	Share capital	Share premium	Other reserves	Profits attributable to parent company shareholders	Differences on exchange	Hedging operations			
Balance at 01.01.10	136 922	62 528	(8 611)	(47 721)	40	-	143 158	1 624	144 782
Overall profit/(loss) for the year	-	-	-	(135 320)	(340)	(1 493)	(137 153)	324	(136 829)
Transactions with shareholders									
Share capital increases (Note 14)	21 781	15 112	-	-	-	-	36 893	-	36 893
Reduction of equity due to business combinations (Note 27)	-	(8 471)	-	-	-	-	(8 471)	-	(8 471)
Other changes in equity	-	-	(794)	-	-	-	(794)	(25)	(819)
Transfer to accumulated results	-	-	(47 721)	47 721	-	-	-	-	-
Total movements in equity	21 781	6 641	(48 515)	(87 599)	(340)	(1 493)	(109 525)	299	(109 226)
Balance at 31.12.10	158 703	69 169	(57 126)	(135 320)	(300)	(1 493)	33 633	1 923	35 556

The Notes form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

INTERIM SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

(Thousand euro)

	Note	30.06.2011	30.06.2010 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)		2 412	(16 113)
1. Operating profit/(loss)		(87 061)	(4 131)
2. Adjustments to results:		83 340	(1 614)
Asset amortization/depreciation	6 and 8	2 070	868
Impairment adjustments	7 and 21	73 598	-
Change in provisions	16	691	-
Attribution of subsidies		(186)	-
Financial income		(434)	-
Financial expense		6 069	-
Differences on exchange:		4	-
Change in the fair value of financial instruments		3 409	-
Other income and expenses		(1 881)	(2 482)
3. Changes in working capital:		6 064	(10 499)
Inventories		5 144	-
Trade and other receivables	13	18 611	-
Other current financial assets	13	(1 301)	-
Trade payables and other current liabilities		(14 583)	-
Other non-current assets and liabilities	15	(1 807)	(10 499)
4. Other cash flows from operating activities:		69	131
Other collections (payments) relating to operating activities (+/-)		69	131
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)		(2 491)	(8 703)
1. Payments for investments (-)		(2 491)	(8 703)
a) Property, plant and equipment, intangible assets and investment properties (-)	6, 8 and 9	(1 013)	(4 547)
b) Other financial assets (-)	12	(1 478)	(4 156)
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)		(8 206)	21 304
1. Collections and payments for equity instruments		-	4 915
a) Issue (+)		-	4 915
2. Payments made and received for financial liability instruments.		(2 571)	16 389
a) Issue (+)	15	6 083	16 389
b) Repayments made and received and depreciation (-)	15	(8 654)	-
3. Cash flows from financing activities		(5 635)	-
a) Payment of interest (-)		(6 069)	-
b) Other collections (payments) relating to operating activities (+/-)		434	-
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(8 285)	(3 512)
F) Cash and cash equivalents at the start of the year	13	29 369	9 299
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E + F)	13	21 084	5 787

(*) Figures not subjected to audit or limited review

The Notes form an integral part of these interim summarised consolidated financial statements

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM SUMMARISED FINANCIAL STATEMENTS AT 30 JUNE 2011

1. General information

a) Incorporation of the Parent Company, corporate purpose and structure.

Grupo Ezentis, S.A. (hereinafter the Parent Company), bearing the name of Avanzit, S.A. until May 2010 and previously named Radiotrónica, S.A., and its subsidiaries and associates (together the Group), was incorporated in 1959.

Grupo Ezentis, S.A. is the Group's Parent Company and is domiciled at Calle Acústica Nº 24-5, Edificio Puerta de Indias, 41015 Seville, Spain, and the Group's Parent Company is registered with the Seville Mercantile Registry.

The Parent Company and its subsidiaries that carry out its business in Spain and abroad have the following corporate purpose:

1. The execution and maintenance of telecommunications systems, equipment and components to broadcast, transmit and receive any type of information between parties, whether consisting of signals, sound or images through mechanical, electrical, magnetic and optical means, as well as the rendering of added value services relating to such telecommunications.
2. The execution and maintenance of high, low and medium tension electrical installations in general, electronic installations, electrified installations, signal, beacon and lighting systems, security and fire alarm systems, for ports, airports, railways and roadways.
3. The complete construction, repair and maintenance of civil works, hydroelectric works, buildings, sewer systems, paving and water supply and waste treatment systems.
4. The contracting for services and works with the national, provincial, municipal or any other government or corporations and, in general, any public or private entity.
5. The preparation and writing of technical works, construction management, quality control, the performance of studies and reports, and technical advisory services of any kind relating to its corporate purpose.
6. Shareholdings in companies that have similar or identical purposes as those indicated above.

At the date the interim summarised consolidated financial information for Grupo Ezentis, S.A. and Subsidiaries was approved all of the Parent Company's shares were listed on the Spanish stock markets in Madrid and Bilbao.

These interim summarised consolidated financial statements have been prepared and approved by the Board of Directors at a meeting held on 29 August 2011.

These interim summarised consolidated financial statements at 31 June 2011 have been subjected to a limited review and the scope of that review is less than that of an audit. For the purposes of the comparison of information in some breakdowns, information at 30 June 2010 has been included and that information has not been audited or reviewed. The Directors of the Group's Parent Company requested that limited review in consideration of good practices and based on the need to publish the quarterly financial report as required by Article 35 of Law 24/1988 (28 July) on the Stock Market, as enabled by Royal Decree 1362/2007 (19 October).

In this respect the figures presented in the interim summarised consolidated income statement at 30 June 2011 includes the figures for the consolidated sub-group Sedesa, included in the business combination that took place during the second half of 2010. The main figures in Sedesa Group's income statement are as follows:

	<u>Thousand euro</u>
	<u>30.06.2011</u>
Revenues	43 316
Operating profit	(7 537)
Profit before income tax	(9 558)
Profit for the period	(9 418)

b) Information relating to the suspension of payments by the Parent Company and other Group subsidiaries.

The consolidated annual accounts for 2010 approved by Shareholders at a General Meeting held on 28 July 2011 present past information relating to the suspension of payments in 2002 involving the Parent Company and its subsidiaries Avánzit Telecom, S.L.U., Avánzit Tecnología, S.L.U. and Avánzit Ena SGT, S.A.U.

In March 2011 the relevant authorities declared the creditor agreement reached with Avánzit Tecnología S.L.U. on 30 March 2004 has been satisfied. In 2011 the Group eliminated €774 thousand relating to the liability recognised under Other current financial liabilities in this respect, since the conditions to eliminate the obligation recorded at the end of 2010 have been met. This income is presented under the heading Other operating income in the interim summarised consolidated income statement at 30 June 2011.

In 2011 will comply with the payments relating to the fifth instalment established by the agreement of the creditors of Grupo Ezentis, S.A and Avánzit Tecnología S.L.U. During the first six months of 2011 payments totalling €448 thousand with respect to the Company Grupo Ezentis, S.A and €267 thousand with respect to Avánzit Tecnología, S.L.U. These companies have issued a press release reporting to their creditors that they must get into contact with the respective companies before 30 October 2011 to collect the amounts owed.

Note 15 of the interim summarised consolidated financial information lists the creditor balances at 30 June 2011 and 31 December 2010 and 2009 with respect to the suspension of payments by the aforementioned group companies.

The Directors of the Group's Parent Company believe that during the second half of 2011 the declaration of compliance with the creditor agreement for the Parent Company and Avanzit Tecnología, S.L.U. will be requested from the competent authorities.

c) Information relating to the early proposed creditors' agreement in accordance with the provisions of Article 5.3 of Law 22/2003 on Bankruptcy regarding to the subsidiaries of Grupo Asedes Capital S.L.U. and Ezentis Infraestructuras S.A.U.

On 3 June 2011, the Boards of Directors of the subsidiaries Asedes Capital, S.L.U. and Ezentis Infraestructuras, S.A.U. approved the pre-bankruptcy procedure established by Article 5.3 of the bankruptcy Act to negotiate with their creditors a proposal to make an early payment that will allow the activities of both companies to be maintained and consolidated their viability.

Under this structure, which may last up to four months as from 3 June 2011, the Boards of Directors of those companies intend to protect the interest of and the equal treatment of the creditors of these subsidiaries and to consolidate their viability.

The companies have been negotiating a debt re-financing agreement with its financial creditors that will allow its obligations to be brought into line with the provisions of the Group's 2011-2015 strategic plan. The financial institutions have shown an interest to participate in this process and the consideration is that the negotiations were expected to successfully conclude. However, at a meeting held on 27 May 2011, financial institutions, despite the fact that they confirmed their willingness to refinance the debt the ruled out the possibility of providing new sources of financing.

The Directors of both companies have already started to take action that will, among other things, reduce costs, improve efficiency and strengthen the international business in order to consolidated the viability of these companies. However, as a result of the new circumstances based on the events of 27 May 2011, the Parent Company's Directors held a meeting on 20 and 21 June 2011 and decided to adopt the strategy set out in its 2011-2015 business plan to the new circumstances (Note 2.d).

At 30 June 2011 at the date on which the interim consolidated financial statements were approved, the subsidiaries Asedes Capital S.L.U., and Ezentis Infraestructuras S.A.U. continue to be in the pre-bankruptcy proceedings, attempting to reach an agreement with creditors regarding the terms of an early proposal for an agreement that will resolve the insolvency situation. At this time it seems reasonable to assume that both companies will file bankruptcy applications within the four-month deadline as from the date the initial report was filed.

The Business Plan 2011-2015 will be adapted to the viability strategy for the infrastructure area based on the final solution that is obtained for the Subsidiaries Asedes Capital S.L.U., and Ezentis Infraestructuras S.A.U.

2. Basis of presentation

a) Basis of presentation

The Annual Accounts for Grupo Ezentis, S.A. for 2010 were approved by shareholders at a general meeting held on 28 July 2011.

These interim summarised consolidated financial statements for the six-month period ended 30 June 2011 have been prepared by the Directors of the Parent Company in accordance with the provisions of IAS 34 "Interim financial reporting" and must be read together with the consolidated annual accounts for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

As a result, it has not been necessary to repeat or update certain notes or estimated included in the consolidated annual accounts for 2010. Instead, the accompanying explanatory notes include a description of any events or changes that are significant to the explanation of the changes in the financial situation and the results of operations, overall profit and loss, changes in equity and the Group's consolidated cash flows at 31 December 2010, the date of the aforementioned consolidated annual accounts, up until 30 June 2011.

The figures set out in the interim summarised consolidated financial statements are shown in thousand euro, unless otherwise stated.

b) Consolidation principles

The consolidation principles taken into consideration in the interim summarized consolidated financial statements are consistent with those applied in the consolidated annual accounts for the year ended 31 December 2010, which are indicated in Notes 2.2 of those consolidated annual accounts.

c) Changes in the scope of consolidation and business combinations

During the first six months of 2011, the Group has started the process of reorganizing the international holding company in order to rationalize and simplify its international structure to strengthen the profitability of foreign businesses and access to new sources of financing. This reorganization will concentrate the international subsidiaries into a single Spanish holding company (Calatel Andalucía S.L.U.). Under this reorganization the subsidiaries Calatel Ltd, Avanzit Technologie Maroc, S.A., Avanzit Tecnología Limitada, Consorcio RDTC, S.A., Avanzit Tecnología S.A. and Radiotrónica Argentina, S.A. have become the property of the company Sociedad Calatel Andalucía, S.L.U, which is domiciled in Seville, Spain.

All of the transactions relating to the corporate restructuring involve operations between Group companies, and have no effect on the change in the scope of consolidation.

In addition, during the six-month period ended 30 June 2011 the Group has acquired 100% of the shares in the companies Ezentis Epito, KFT and Sedesa Eastern Europe, S.L. During the first six months of 2011 Grupo Sedesa has created the following joint ventures:

- U.T.E. Edar Villanueva-El Toboso, with a 25% stake.
- U.T.E. Aparcamiento Riosa (Soria), with a 60% stake.
- U.T.E. Edar Peñíscola, with a 40% stake.

d) Going concern

At 30 June 2011 the Group's working liabilities exceed working assets by €107,154 thousand (€87,601 thousand at 31 December 2010). During the first six months of 2011, the Group has incurred significant losses and the Directors of the Group's Parent Company consider that this is mainly due to the value adjustments applied to several assets, such as goodwill, totalling €59,656 thousand, the restructuring process underway at the Group, as losses at some business units such as Grupo Elfer and Grupo Sedesa and the charging of financial expenses. The increase in negative working capital is mainly due to the financial payables balances and other payables due at 30 June 2011 totalling €61,284 thousand that have not been paid by the Group, as may be observed in Note 5.2. In addition, at 30 June the Group records approximately €5,000 thousand in current financial liabilities that at 31 December 2010 had a maturity date exceeding one year and are presented under non-current financial liabilities. These two events, in contrast to the reduction of the payables and cash balance between 30 June 2011 and the end of 2010, are the origin of the decline in working capital.

However, the interim summarized consolidated financial information has been prepared on a going concern basis.

During the first six months of 2011 the Directors of the Group's Parent Company and Management, have worked with maximum intensity and efforts from different points of view in order to meet the objectives of the Business Plan 2011-2015. Among other things, work has been performed with respect to the possibility of bringing in new partners (both at the group level and at the level of Ezentis Infraestructuras), agreements with investment funds, restructuring financial debt or selling certain non-strategic assets. The situation of financial markets and the low level of new project contracts in some areas of the Group (especially infrastructures), resulting from the decline in the market in which they operate have not allowed a final agreement to be reached although Directors continue working in the same direction and continue to negotiate in all of the aforementioned fields.

The lack of agreement with financial institutions was the main issue that led the governing bodies of Ezentis Infraestructuras S.A.U. and Asedes Capital, S.L.U. to file pre-bankruptcy papers at 3 June 2011. In addition, the Directors of the Group's Company, at a Board of Directors meeting held on 20 and 21 June 2011 decided to adapt the Business Plan 2011-2015 (specifically the infrastructure area) to current reality, due to the adverse economic situation, which has given rise to a severe decline in contracts and production.

The viability strategy for the companies Ezentis Infraestructuras, S.A.U., and Asedes Capital, S.L.U., which form part of the infrastructure area, consists of:

- **The reorientation of the infrastructure business:** limiting activities in Spain to a minimum based on the execution of the current work portfolio, focusing activities on those that have been maintained and are profitable. A scenario of no new projects in Spain over the coming years is assumed.
- **Development and concentration of the international business:** focus on sales activities in the international area and the possible opening of new international subsidiaries.
- **Resizing of the companies:** Employee adjustment plan and the closing of offices. In this respect, at 30 June 2011 current liabilities presented a provision totalling €2,253 thousand relating to a layoff process being carried out by the company Ezentis Infraestructuras, S.A.U. At the date that the interim financial information was prepared, the payments made against the provisions recorded for the layout program at Ezentis Infraestructura, S.A.U totals €1,604 thousand. The rest is expected to be paid before 31 December 2011.
- **Divestment of non-strategic assets**
- **Supplier payment plans:** based on a creditor write-down.

Based on existing expectations of the future application and adaptation of the strategic plan 2011-2015, and considering the actions mentioned above, the Directors consider it adequate to apply the going concern principle when preparing this interim summarised financial information for 2011.

In addition, at 30 June 2011 the equity of the Group's Parent Company totalled €92,573 thousand and the Company's share capital at that date was €168,430 thousand. This situation mainly originated during the first six months of 2011 due to the impairment loss affecting the investments in the equity of Group companies as a result of the imbalance between the Company's capital and equity. In this respect, Article 327 of the Spanish Companies Act stipulates that in the case of public limited liability company, the reduction of capital is mandatory when losses have decreased equity to less than two-thirds its capital and one financial year has elapsed without the equity having been recovered.

e) Seasonality:

Given the activities in which the companies pertaining to Ezentis Group are engaged, the Group's transactions do not have any significant seasonality. For this reason no specific breakdowns are included in these explanatory notes to the interim summarised financial statements for the six-month period ended 30 June 2011.

3. Accounting policies

Except for the issues mentioned below, the accounting policies applied are uniform with respect to those applied in the previous financial year. In addition, those rules, modifications and interpretations that enter into force in 2011 (described in Note 2.1.1 of the consolidated annual accounts for the year ended 31 December 2010) have been taken into account effective 1 January 2011.

However, and as is established in IAS 34, corporate income tax has been estimated using the tax rate that is expected to be applicable to the total projected profits for the year, i.e. the effective average annual tax rate applicable to profits before taxes during the interim period.

3.1 New standards and modifications to IFRS/IFRIC applicable to the years commencing as from 1 January 2011 and which the Group has applied since 1 January 2011:

- Amendment of IAS 24, "*Related party disclosures*".
- Amendment of IAS 32, "*Classification of emission rights*".
- Amendment of IFRS 1, "*Limited exemption from the requirement to disclose comparative information in accordance with IFRS, applicable to first-time adopters of IFRS*".
- Amendment of IFRIC 14, "*Prepayments when there is an obligation to maintain a minimum level of financing*".
- IFRIC 19, "*Offset of financial liabilities with equity instruments*".
- Improvement project 2010 :
 - IFRS 1 "*First-time adoption of IFRS*".
 - IFRS 3 "*Business combinations*".
 - IFRS 7, "*Financial instruments: Disclosures*".
 - IAS 1 "*Presentation of financial statements*".
 - IAS 27 "*Consolidated and separate financial statements*".
 - IAS 34 "*Interim financial information*".
 - IFRIC 13, "*Customer loyalty programs*".

The application of the preceding standards, amendments and interpretations did not give rise to any significant impact on the interim summarised consolidated financial statements.

None of the standards that enter into force after 1 January 2011, approved but not yet adopted by the European Union, have not been adopted early.

3.2 Standards, amendments and interpretations applied to existing standards that have not been adopted by the European Union at the date the interim financial information was prepared:

At the date these interim summarised consolidated financial statements were signed, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations indicated below. These standards, revisions and interpretations are mandatory for all financial years commencing as from 2012, although they have not been adopted early by the Group.

- IFRS 9, "*Financial instruments*".
- IFRS 7 (Revised) "*Disclosures – Transfers of financial assets*".
- IAS 12 – (Revised) "*Deferred taxes: Recovery of the underlying assets*".
- IFRS 1 (Revised) "*Severe hyperinflation and the elimination of set dates applicable to first-time adopters*".
- IFRS 10, "*Consolidated financial instruments*".
- IFRS 11 "*Joint Arrangements*".
- IFRS 12 "*Disclosure of interests in other entities*".
- IAS 27 (Revised) "*Separate financial statements*".
- IAS 28 (Revised) "*Investments in associates and joint ventures*".
- IFRS 13 "*Fair value measurement*".
- IAS 1 (Revised), "*Presentation of financial statements*".
- IAS 19 (Revised) "*Employee benefits*".

4. 4.- Accounting estimates and judgments made when preparing the interim summarised consolidated financial statements.

The preparation of these interim financial statements requires management to apply judgment, estimates and assumptions that affect the application of the accounting policies on the amounts presented under assets and liabilities and revenues and expenses. Actual results may differ from these estimates.

When preparing these interim summarised consolidated financial statements the important judgments used by management to apply the Group's accounting policies and the key sources of uncertainty within these estimates are the same as those applied in the consolidated annual accounts for the year ended 31 December 2010, with the exception of the changes in the estimates to calculate the provision for corporate income tax (see Note 3).

Basically, these estimates made based on the best information available, refer to:

- Corporate income tax.
- Useful lives of property, plant and equipment and intangible assets.
- Goodwill
- Investments in associates
- Receivables and financial assets
- Provisions
- Revenue recognition

5. Financial risk management

5.1 Financial risk factors

The Group's activities are exposed to several financial risks: market risk (including exchange rate risk, price risk and interest rate risk). The primary risks coincide with those described in the consolidated annual accounts for 2010.

The interim summarised consolidated financial statements do not include all of the information and breakdowns regarding financial risk management that are mandatory for the annual accounts and therefore they should be read together with the Group's annual accounts for the year ended 31 December 2010.

There have been no changes in the Risk Management Department or in any risk management policy since the end of last year.

The general deterioration of the macroeconomic environment and the difficulties to obtain new sources of financing have had a significant impact on the basic figures for some business units, in particular the infrastructure unit. In this respect, and considered to be the main risk at 30 June 2011, liquidity risk is broken down and explained below.

5.2 Liquidity risk

As is indicated in Note 3.1 of the consolidated annual accounts for 2010 for Grupo Ezentis, S.A., the Group calculates cash requirements using two basic tools:

- Medium and long-term financial plans.
- A cash budget with a 12-month horizon, broken down by month and updated monthly, prepared based on the cash budgets for each area.
- One-month cash budget broken down by week and updated weekly.

As may be observed in Note 2d, at 30 June 2011 the Group presented negative working capital totalling €107,154 thousand (€87,601 thousand at the end of 2010).

Furthermore, as is indicated in Notes 1c and 2d the subsidiaries Ezentis Infraestructuras S.A.U and Asedes Capital, S.L.U. are involved in pre-bankruptcy proceedings since they do not have sufficient liquidity to ensure compliance with their payment commitments.

At 30 June 2011, available liquidity totals €19,638 thousand (€28,074 thousand at the end of 2010).

The breakdown of the maturity of current liabilities at 30 June 2011 is analysed below:

Current financial liabilities:

Thousand euro at 30 June 2011						
	Matured	July/ September 2011	October/ December 2011	January/ March 2012	April/ June 2012	Total
Trade and other payables	40 441	102 404	25 004	9 071	2 327	179 247
Liabilities associated with assets held for sale	219	111	111	111	110	662
Bank borrowings	11 331	5 598	15 560	10 586	9 225	52 300
Financial derivatives	18	169	169	170	143	669
Other financial liabilities	9 275	10 472	75	964	5 378	26 164
	61 284	118 754	40 919	20 902	17 183	259 042

Non-current financial liabilities:

Thousand euro at 30 June 2011						
	2012	2013	2014	2015	2016 and later	Total
Liabilities associated with assets held for sale	247	500	508	517	3 801	5 573
Bank borrowings	6 529	13 805	13 081	11 669	18 852	63 936
Financial derivatives	270	540	292	-	-	1 102
Other financial liabilities	2 211	1 555	211	-	27	4 004
	9 257	16 400	14 092	12 186	22 680	74 615

A breakdown of current and non-current financial liabilities relating to the companies Ezentis Infraestructuras, S.A.U. and Asedes Capital, S.L.U., which are in pre-bankruptcy proceedings, is set out below.

Current financial liabilities:

Thousand euro at 30 June 2011						
	Matured	July/ September 2011	October/ December 2011	January/ March 2012	April/ June 2012	Total
Trade and other payables	19 196	46 270	24 599	9 071	2 158	101 294
Bank borrowings	9 179	3 417	4 590	2 479	2 698	22 363
Financial derivatives	-	32	32	32	6	102
Other financial liabilities	-	-	-	-	341	341
	28 375	49 719	29 221	11 582	5 203	124 100

Non-current financial liabilities:

Thousand euro at 30 June 2011						
	2012	2013	2014	2015	2016 and later	Total

Trade and other payables	-	-	-	-	-	-
Bank borrowings	2 546	5 182	5 303	5 057	9 359	27 447
Financial derivatives	-	-	-	-	-	-
Other financial liabilities	659	807	203	-	12	1 681
	<u>3 205</u>	<u>5 989</u>	<u>5 506</u>	<u>5 057</u>	<u>9 371</u>	<u>29 128</u>

The amounts presented above do not include the balances held by these companies with Group companies due to being eliminated in the consolidated figures.

6. Property, plant and equipment

A summary of the items under Property, plant and equipment at 30 June 2011 and 31 December 2010 (carrying values) is set out below:

	Thousand euro	
	30.06.2011	31.12.2010
Land and buildings	3 446	3 464
Plant and machinery	31 669	32 183
Fixtures, fitting, tools and equipment	2 057	2 239
Vehicles	1 454	188
Computer equipment and other assets	1 827	2 224
	<u>40 453</u>	<u>40 298</u>

During the first six months of 2011 and 2010 Property, plant and equipment totalling €1,984 thousand and €3,979 thousand, respectively, was acquired.

During the first six months of 2011 and 2010 there have been no impairment losses affecting property, plant and equipment.

The depreciation of property, plant and equipment for the first six-months of 2011 and 2010 totals €1,529 thousand and €682 thousand, respectively.

During the first six months of 2011 and 2010 there have been no significant disposals of property, plant and equipment.

At 30 June 2011 mortgage guarantees affect property owned by the Group totalling €1,078 thousand (€1,088 thousand at the end of 2010). In addition, in order to guarantee loans the energy supply contracts concluded with electric companies are related to the photovoltaic plant installed in Villena (Alicante) have been pledged. The group has pledged its shareholding in the companies Moraleja Parque Fotovoltaico I, S.L.U. and Moraleja Solar I, S.L.U. to secure a loan.

Property, plant and equipment includes assets acquired under finance leases totalling €25,492 thousand (€28,143 thousand at the end of 2010).

At 30 June 2011 and 2010 the Group does not have any firm commitments to acquire property, plant and equipment.

7. Goodwill

During the first six-months of 2011 no additions were recorded under Goodwill. Information relating to goodwill at 30 June 2011 and 31 December 2010 is presented below:

CGU	Segment	Thousand euro	
		30.06.11	31.12.10

Calatel Group	Telecommunications and Industrial Services	28 911	28 911
Elfer Group	Infrastructure	-	6 723
Sedesa Group	Infrastructure	-	52 933
Total		28 911	88 567

The impairment policies and analysis applied by the Directors of the Group's Parent Company to goodwill have not changed with respect to the end of 2010.

During the first six months of 2011 the Group has not generated goodwill as a result of business combinations and goodwill totalling €59,656 thousand has become impaired, and this impairment is presented as consolidated operating expense in the interim income statement.

In this respect, at 30 June 2011 Management and the Directors of the Group's Parent Company have evaluated the recoverability of goodwill, identifying impairment affecting the goodwill for Elfer Group and Sedesa Group. The Cash Generating Units to which this goodwill was assigned present liquidity and cash generation difficulties.

The market situation has given rise to a decline in the volume of business and the contracts concluded by Sedesa Group over the first six months of 2011. This decline in activity and the absence of agreements with financial institutions have had a serious negative impact on the liquidity of Sedesa Group.

At 30 June 2011 and at the date on which the interim consolidated financial statements were approved, the subsidiaries Asedes Capital S.L.U., and Ezentis Infraestructuras S.A.U. were in the pre-bankruptcy proceedings, and negotiations have commenced with the main creditors regarding the terms of an early proposal for an agreement that will resolve the insolvency situation (Note 1-c). Given the crisis situation in the infrastructure sector in Spain the companies are analyzing possible formulas that will allow them to maintain and reorient their activities towards international business. Given this situation, the Directors of the Group's Parent Company consider that there is uncertainty regarding the viability strategy for these companies and the generation of cash flows in future years and therefore they have decided to fully impair the goodwill assigned to this Cash Generating Unit.

The expectations set out in the Business Plan 2011-2015 relating to the goodwill assigned to the Cash Generating Unit Elfer Group have not been met. During the first six months of 2011, Elfer Group did not obtain new contracts to support sufficient future cash flows necessary to recover the goodwill. Together with the crisis situation in the infrastructure sector in Spain, this has led to the need to impair this goodwill totalling €6,723 thousand in 2011.

8. Other intangible assets

During the first six months of 2011 and 2010 intangible assets totalling €766 thousand and €568 thousand, respectively, were acquired.

During the first six months of 2011 and 2010 there have been no impairment losses affecting intangible assets.

The amortisation of intangible assets during the first six-months of 2011 and 2010 totals €472 thousand and €186 thousand, respectively.

During the first six months of 2011 and 2010 there have been no significant disposals of intangible assets.

At 30 June 2011 the concession held by the Group with respect to a parking lot in the municipality of Nules totalling €3,215 thousand (€3,261 thousand at the end of 2010), is mortgaged to secure the financing received.

At 30 June 2011 and 2010 the Group does not have any firm commitments to acquire intangible assets.

9. Investment properties

At 30 June 2011 and 31 December 2010 all investment properties relate to assets acquired through business combinations involving Sedesa Group. During the first six months of 2011 no investment properties have been acquired.

During the first six months of 2011 impairment losses totalling €108 thousand have been incurred on investment properties. This measurement has been provided by appraisals carried out by independent experts.

There are mortgage guarantees on investments owned by the Group with a carrying value of €677 thousand, as well as guarantees to comply with the deferral of payables to public institutions regarding assets owned by the Group with a carrying value of €5,756 thousand.

On 20 May 2011 the Court of First Instance 7 in Paterna placed a lien on investment properties owned by the Group with a carrying value at 30 June 2011 of €932 thousand, in favour of Banco Popular.

Investment properties includes assets acquired under finance leases totalling €6,793 thousand (€6,851 thousand at the end of 2010).

At 30 June 2011 the Group does not have any firm commitments to acquire investment properties.

10. Non-current assets and liabilities held for sale:

At 31 December 2010 the Group had classified a Bombardier aircraft, acquired through a business combination involving Sedesa Group, as an asset held for sale. This aircraft had not been sold at 30 June 2011 or at the date on which the interim financial statements were approved. The carrying value at 30 June 2011 totals €2,955 thousand (€4,025 thousand at the end of 2010).

This property, plant and equipment presented as non-current assets held for sale did not depreciate during the first six months of 2011. The change in the amount is due to measurement adjustments resulting from appraisals carried out by independent experts, giving rise to impairment totalling €1,070 thousand which is presented in consolidated profit and loss at 30 June 2011.

The amount pending payment on the mortgage covering the aircraft at 30 June 2011 total €6,235 thousand, of which €240 thousand relate to instalments that have fallen due, €422 thousand instalments due within one year and €5,573 thousand to instalments that fall due in more than one year. In turn, this asset secures a fine arising from tax violations relating to the Vehicle Tax imposed on the Company by the Tax Authorities.

Neither the assets nor the associated liabilities held for sale represent a significant line of business and therefore they have not been considered to be discontinued operations.

11. Investments in associates

Movement recorded under this consolidated balance sheet heading during the six-month period ended 30 June 2011 is as follows:

	Thousand euro	
	30.06.2011	31.12.2010
Cost:		
Beginning balances	103 641	93 496
Additions due to business combinations (Sedesa)		10 892
Other changes in the scope of consolidation		(6)
Additions	94	13
Disposals	(3 556)	(376)
Other	124	(378)
Ending balances	100 303	103 641
Impairment provisions:		
Beginning balances	(56 834)	(56 500)

Appropriation for the year	(2 229)	(61)
Companies consolidated under the equity method	(96)	(273)
Ending balances	<u>(59 159)</u>	<u>(56 834)</u>

Net investments consolidated under the equity method:

Beginning balances	46 807	36 996
Ending balances	<u>41 144</u>	<u>46 807</u>

In 2010 the Group's Parent Company concluded an agreement with TSS Luxembourg I, S.A.R.L. covering the sale of 9,715,026 shares in Vértice 360°, representing 3.62% of the company's share capital for a price of €2,150,227 (€0.2213 per share) and a repurchase option ending on 29 March 2011. The price of the repurchase option is €0.2213 per share plus 0.6% interest per month. If Ezentis Group does not exercise the option by the indicated date it must pay the counterparty the difference between the total value of the option (€0.2265 per share) and the average listed price over 30 days preceding the maturity date, if less than the value of the option.

Since the conditions established for the transfer of the risk deriving from the contract had not been met at the end of 2010, the Group did not eliminate the value of the corresponding asset. Consequently, at that date the Group recognised a liability totalling €2,375 thousand relating to the value of the contract, which includes the effect of measuring the options at their listed price, for a total of €228 thousand.

At 29 March 2011 the repurchase option for the shares sold in 2010 to TSS Luxembourg I, S.A.R.L expired. Since Ezentis Group did not exercise that option the definitive elimination of the corresponding asset and associated liability has been recorded, the amounts of which at 31 December 2010 totalled €3,556 thousand and €2,375 thousand, respectively, and a loss on the disposal of equity instruments totalling €1,161 thousand was also recognized.

At 30 June 2011 the stake held by Grupo Ezentis, S.A in Vértice 360° totalled 28.61%, , represented by 88,653,009 shares. The listed price for each share in Vértice at 30 June 2011 total €0.20 per share (€0.206 per share at the end of 2010), and the measurement of the shareholding held by the Group in Vértice 360° was recognised on a value-in-use basis and no indication of impairment was identified at 30 June 2011.

During the first six months of 2011 the Group eliminated a provision in the amount of €89 thousand relating to the shareholding in Vértice 360°, which is amount of the profits obtained by Grupo Vertice 360 proportionally calculated based on the stake held by Grupo Ezentis, S.A., in the Parent Company of Grupo Vértice 360°.

After the June 2011 and 31 December 2010 the Group holds 33.46% of the share capital of Gerocentros del Mediterráneo, S.L. This investment is valued at €6,500 thousand at 30 June 2011 (€8,914 thousand at the end of 2010).

During the first six months of 2011 a provision was recorded for the impairment of the shareholding in Gerocentros totalling €2,229 thousand as a result of the current market situation in the sector in which the Company operates. Over the past few months the Group has received offers from third parties for amounts not less than the figure recognized in the consolidated accounts at 30 June 2011.

At 30 June 2011, even though the intention and the decision taken by the Directors is to dispose of the shareholding in Gerocentros, since it is considered to be non-strategic for the Group and would represent a cash value of approximately €6,500 thousand, as well as the release of the guarantees that have been provided, the Directors do not present they shareholding as non-current assets held for sale since the shares are pledged and their sale is subject to the condition that the guarantees be released by the creditors that finance investee company.

At 30 June 2011 and 31 December 2010 to Group companies secure credit facilities granted by financial institutions to the associated company Gerocentros del Mediterráneo, S.L. with a maximum total limit of approximately €30 million. This transaction is secured through the pledge of the shares in the company Gerocentros del Mediterráneo, S.L.

The Group's stake in the results of its main Associates and its share in the assets (including goodwill and liabilities) are as follows:

							Thousand euro
Name	País de constitución	Assets	Liabilities	Revenues	Profit/ (Loss)	% shareholding	Net value of the investment
June 2011							
Vértice 360º	Spain	266 766	114 213	73 510	311	28.7%	32 950
Gerocentros del Mediterráneo	Spain	143 074	108 914	19 754	(554)	33.46%	6 500
Autovía del Camp del Turia	Spain	3 994	-	-	(6)	35%	1 400
Other							294
		413 834	223 127	93 264	(249)		41 144
December 2010							
Vértice 360º	Spain	265 325	112 499	111 252	711	31.75	36 206
Gerocentros del Mediterráneo	Spain	139 160	104 460	40 968	(1 422)	33.46	8 914
Autovía del Camp del Turia	Spain	4 076	76	92	-	35.00	1 400
Other							287
		408 561	217 035	152 312	(711)		46 807

12. Non-current financial assets

As was the case at the end of 2010, non-current financial assets are primarily made up of the balance in the favour of the Parent Company consisting of a deposit with the granting entity deriving from the contract covering the assignment of loans without recourse concluded on 27 December 2001 with BNP Paribas regarding the sale of a receivable from Teleconsorcio and its consortium ((Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation), totalling USD25 million, concluded on 27 December 2001. This deposit accrued interest at a rate indexed to the LIBOR. As a result of the Parent Company's suspension of payments, BNP Paribas reported the termination of the deposit contract, improperly offsetting all of the aforementioned amount, which at 30 June 2011 and 31 December 2010 totalled €28,236 thousand at the historic exchange rate and after the recognition of interest. The Parent Company is defending its rights in various court procedures in progress which, in accordance with the law, will decide on the validity of the termination and any damages caused. The result of this procedure is not believed to have any significant negative impact on the financial statements (Note 19). This amount is covered in full by the provisions for liabilities and charges presented as a non-current liability at 30 June 2011 and 31 December 2010.

In addition, other financial assets include €1960 relating to the loan to the company Ezentis Infraestructuras S.L. (subsidiaries of Asedes Capital, S.L.U) from Pontia Equity, Scr., which originated from the sale of a subsidiary of Ezentis Infraestructuras, S.L., called Sedesa Environment Hungary KFT, before Sedasa Group was brought into Exentis Group (27 May 2010). This sale was carried out as part of the exit of Sedasa Group from the scope of consolidation, as was established in the investment agreement prepared in June 2010. The Company Pontia Equity, Scr is related to Mr. Vicente Cotino, a former owner of Grupo Sedesa and a current shareholder of Grupo Ezentis, S.A. In accordance with the contract the payment is deferred up to a maximum of 7 years. This deferral accrues interest at an annual rate of 3%. To secure the collection of this amount, Mr. Vicente Cotino has entered an irrevocable commitment to pledge shares in Ezentis Group in that amount, in accordance with the investment agreement dated 18 June 2010.

The Group maintains time deposits totalling €2,500 thousand that are pledged to secure the guarantees granted to third parties by a financial institution with respect to the contingencies or obligations that could arise for Ezentis Group with respect to the sale of the company Senda Ambiental, S.L. in 2007.

The rest of the balances mainly relate to guarantees granted for the lease of buildings and withholdings on construction projects, mostly for minor amounts.

13. Current financial assets

a.- Trade receivables for sales and services rendered

The balance under trade receivables for sales and services rendered at 30 June 2011 is net of the bills discounted through factoring without recourse totalling €27,649 thousand (€32,737 thousand at the end of 2010). The factoring contracts have not been modified with respect to the information presented in the consolidated annual accounts for 2010, described in Note 13 a.

Both the amounts recorded as trade receivables for sales and services rendered as well as for executed work pending invoice and have been evaluated in accordance with the Group's policy regarding credit risk, and at 30 June 2011 no other risk than the amount in the provision for insolvencies has been identified, as estimated by the Group based on the age of the receivables since the outstanding receivables relate to customers that are considered to have an adequate credit capacity in accordance with the Group's policies.

At 30 June 2011 and 31 December 2010 there are no charges or guarantees granted by the Group with respect to trade receivables and receivables for executed work pending invoicing, other than those described in Note 15.

At 30 June 2011 and 31 December 2010 the amount in the balance sheet relating to trade receivables for sales and services rendered is presented net of the provision for the impairment of receivables. Movements in the provision for insolvencies during the first six months of 2011 are presented below:

	<u>Thousand euro</u>
	<u>30.06.2011</u>
Beginning balance at 01.01.2011	1 444
Appropriation for the year	79
Applications	(549)
Ending balance at 30.06.2011	<u>974</u>

b.- Other receivables

The detailed composition of the balances of this caption in the consolidated balance sheet at 30 June 2011 and 31 December 2010 is as follows:

	<u>Thousand euro</u>	
	<u>30.06.2011</u>	<u>31.12.2010</u>
Sundry receivables	8 124	7 799
Receivables from unconsolidated group companies	88	797
Receivables from employees	42	122
Impairment provisions:	<u>(2 493)</u>	<u>(2 273)</u>
	<u>5 761</u>	<u>6 445</u>

At 30 June 2011 sundry receivables mainly includes €3,324 thousand (€4,012 thousand at the end of 2010) relating to debt claims held by Avánzit Tecnología S.L.U and Avánzit Telecom, S.L.U. against a third party as a result of loan assignment agreements. At the year-end, in accordance with the stipulations of those contracts, Management has recorded an impairment provision totalling €220 thousand in addition to the €2,273 thousand recognized at 31 December 2010.

c.- Other current assets

At 30 June 2011 and 31 December 2010 other current assets consist of: Short-term loans totalling €10,512 thousand (€10,509 thousand at the end of 2010, short-term prepayments and accrued income totalling €3,357 thousand (€1,638 thousand at the end of 2010) and others totalling €6,440 thousand (€6,861 thousand at the end of 2010).

Short-term loans:

At 30 June 2011 and 31 December 2010 this balance mainly relates to the receivable deriving from the 2007 sale of the company Senda Ambiental, S.L. to Urbaser Group for €9,500 thousand plus €896 thousand as accrued interest. This amount withheld by the buyer in accordance with the stipulations of the Contract, guarantees the obtaining of an authorization in accordance with applicable legislation regarding a landfill owned by Senda Ambiental, S.L.—The contract established that after two years without having obtained this authorization, the parties may extend the deadline, the buyer may exercise an option to sell the company owning the installations or Sedesa Group may exercise a purchase option granted by the buyer, and the strike price for these options is the price withheld. The debt claim is pledged to secure a loan totalling €4,400 thousand. Ezentis Group is currently in negotiations to acquire this asset, which have not been completed at the date on which the interim financial information was prepared and approved.

Short-term prepayments and accrued income

This heading mainly includes prepayments and accrued income at 30 June 2011 and 31 December 2010 for insurance premiums and prepaid expenses relating to construction work, which will accrue over the coming twelve months.

Other

The heading "Other" is as follows at 30 June 2011:

- Short-term deposits totalling €1,373 thousand (€3,355 thousand at the end of 2010), mainly deriving from Joint Ventures. The deposits mature in more than three months but less than twelve and therefore they have not been presented as cash equivalents. These deposits bear an average market interest rate of Euribor + 1%.
- Ezentis Group has recorded a receivable totalling €12,078 thousand from Mr. Vicente Cotino, as a result of the guarantees established in the investment agreement, as indicated in Note 18. This receivables is presented in the balance sheet net of impairment as other current assets totalling €2,039 thousand. (Note 16).
- The rest relates to short-term deposits and guarantees.

d.- Cash and other cash equivalents

At 30 June 2011 Other cash equivalents includes €1,446 thousand (€1,205 thousand at the end of 2010) relating to balances held by Group companies in current accounts at financial institutions that have been restricted to secure guarantees provided to third parties involve with trade operations, such as: compliance guarantees or contractual clauses. At 30 June 2011 and 31 December 2010 these amounts were classified as other liquid assets since based on the Group's experience and the maturity of the guarantees granted, Directors consider that these amounts will be available in no more than three months.

14. Equity

a) Share capital and share premium account

Changes in the number of shares and the share capital and share premium accounts in 2011 and 2010 are as follows:

	Thousand euro
	At 30 June
	2010 (*)
2011	

	Number of shares	Nominal	Share premium	Number of shares	Nominal	Share premium
Beginning balance 01.01	317 405 538	158 703	69 169	273 843 292	136 922	62 528
Share capital increase (1) and (3)	19 454 545	9,727.	973	2 173 913	1 086	913
Share capital increase (2)				3 427 547	1 714	1 200
Ending balance 30.06	336 860 083	168 430	70 142	279 444 752	139 722	64 641

(*) Figures not subjected to audit or limited review

First six months of 2010

1.- The share capital increase totalling €1,087 thousand was executed in a public document on 12 January 2010 and consisted of the issue of 2,173,913 ordinary shares with a par value of €0.50 each, all of the same class and series as existing shares and the same rights and obligations, represented by book entries, and a share premium of €0.42, giving rise to an issue price of 0.92% per share, for a total of €1,999,999.96, paid in by Agencia de Innovación y Desarrollo de Andalucía (IDEA).

2.- At the meeting held on 15 April 2010 the Board of Directors of Ezentis exercised the authority granted by shareholders at a General Meeting held on 27 May 2010, adopted a resolution to increase share capital by €1,714 thousand through the issue of 3,427,547 ordinary shares of the same class and series, a par value of €0.50 each and a share premium of €0.35 each, excluding the preferred subscription right, subscribe and paid in by offsetting loans held by an independent third party.

First six months of 2011

3.- On 26 April 2011 TSS Luxembourg I, S.à.r.l. the sole owner of all of the bonds convertible into shares issued within the framework of the issue "Grupo Ezentis, S.A., Emisión 2010 de Obligaciones Convertibles en acciones", informed the Board of Directors of Grupo Ezentis, S.A., of its intention to exercise the right to convert all of the convertible bonds into shares in Grupo Ezentis, S.A. (i.e. the 21,400,000 convertible bonds issued, numbered from 1 through 21,400,000), and requested that the Board proceed to carry out all of the formalities required to convert all of the convertible bonds into shares.

In accordance with the terms and conditions of the bond issue, the bondholder was issued a number of shares in the Group's Parent Company equal to the result of dividing the par value of the shares in the company, plus 10%, by the total amount of the issue (€10,700,000), i.e. €0.55 per share. The overall amount of the value of the increase is €10,700 thousand, of which €9,727 thousand relates to the share capital increase and €973 thousand relates to the share premium and 19,454,545 new shares were issued.

At the date the interim summarised consolidate financial information was approved, all of the shares in the Group's Parent Company were listed on the Madrid and Bilbao stock markets.

Restrictions on the transfer of shares and shareholder agreements

The 3-year shareholder agreement concluded on 4 December 2008 between Rustraductus, S.L., Mr. Javier Tallada García de la Fuente and TSS Luxembourg I, S.a.r.l., that regulates the relationship between them as syndicated shareholders, as well as their relationships with any other entity that could be interested in investing in Grupo Ezentis, S.A., it establishes the syndication of the voting rights to those shareholders, the time it is in force and limits the transfer of shares owned by the syndicated shareholders.

The shareholder agreement recognises the right of TSS Luxembourg I, S.a.r.l. to appoint two members of the Board of Directors of Grupo Ezentis, S.A. Rastraductus, S.L. has the right to appoint one member of the Board of Directors.

On 8 September, published under number 130105, on behalf of and representing Rustraductus, S.L., Mr. Javier Tallada reported as a relevant event that arbitration proceedings had commenced at the Arbitration Court and the Madrid Chamber of Commerce against TSS Luxembourg I, S.a.r.l. for the failure to comply with the shareholder agreement.

In the investment agreement concluded on 18 June 2010 between the Group and Mr. Vicente Cotino there is a clause that restricts Mr. Vicente Cotino from transferring his shares in Ezentis for three years after 4 November 2010, except under the following circumstances:

- Corporate restructuring operations under which the shares become the property of companies in which Mr. Cotino holds or maintains a majority stake and control over that three-year period and the new owner subrogates to the obligations established in the investment agreement.
- Sales transactions on the secondary market in which the gross amount received is equal to or exceeds €1,500 thousand the first year and €600 thousand in the second and third year, as from the date of the share capital increase (4 November 2010).
- Acceptance of a public share acquisition offer in accordance with the provisions of Royal Decree 1066/2007 (27 July).
- Sales taking place on the secondary market that have the exclusive purpose of making payment to Ezentis of indemnities for contingencies, as is defined in the investment agreement.

The investment agreement concluded in 2010 between Grupo Ezentis, S.A. and Mr. Vicente Cotino establishes guarantees that are intended to hold Grupo Ezentis, S.A. harmless from any damages or harm, claims, charges, expenses, obligations or contingencies. This agreement consisted of two types of guarantees: a personal guarantee from Mr. Vicente Cotino and another consisting of the pledge of shares:

1.- Personal guarantee: shares a four-year limit with the real guarantee as from 14 September 2010, except for tax, employment, social security, administrative or environmental contingencies, for which the term will be the same as the statute of limitations in force for each at any given moment. There is a limit to the individual liability for payment when the contingencies are less than €250 thousand and an accumulated limit when a contingency of the total sum of several exceeds €1,400 thousand, the individual liability for payment will not accrue.

2.- Real guarantee: through the pledging of shares in Grupo Ezentis, S.A., for a maximum value of €10,720 thousand, owned by Mr. Vicente Cotino, as follows:

- €5,700 thousand for a guarantee of contingencies relating to Sedesa Group.
- €1,960 thousand to secure the deferred payment relating to Sedesa Environment Hungary, K.F.T.
- €3,060 thousand for the guarantees provided by Ezentis Infraestructuras, S.A.U. to Green Network, K.F.T. to secure financial loans.

The time limit and the limit on personal payment liabilities have the same conditions as the personal guarantee. The quantitative limit matches the listed value of the 35,294,118 shares in Grupo Ezentis, S.A. at the time any payment for a contingency falls due.

Both guarantees have a total quantitative limit of the listed value of the 35,294,118 shares at the time the indemnity becomes payable.

At 30 June 2011, the real guarantee could not be implemented since that the shares owned by Mr. Vicente Cotino were not listed on the stock market. The Directors of the Group's Parent Company are managing the pledge right relating to the amounts deriving from the investment agreement or obligations arising with respect to third parties during the first six months of 2011.

Significant shareholdings

The significant shareholders of Grupo Ezentis, S.A. are understood to be those that directly or indirectly hold stakes equal to or exceeding 3%, as well as shareholders that, while not significant, have exercised the authority to propose the appointment of any member of the Board of Directors.

In accordance with this definition, one of the Parent Company's significant shareholders is TSS Luxembourg I S.a.r.l., which owns 14.33% of the direct and indirect voting rights (including the syndication with Rustraductus and Mr. Javier Tallada) at the Parent Company (2010:9.085%). Secondly, Vicente Cotino Escribá owns 10.48% of the direct and indirect voting rights at the Parent Company (2010:11.12%). In third place is Mr.

Victor Frias Marcos, who holds 6.23 % of the direct and indirect voting rights (2010:6.61%). Fourth is Rustraductus, S.L., which holds 4.17% of the direct and indirect voting rights (2010: 4.42%). The remaining percentage of the shares is held by various shareholders.

b) Reserves

Share premium

The Spanish Companies Act 2010 expressly allows the use of the share premium account to increase share capital and there are no specific restrictions with respect to the availability of this balance.

Legal reserve

In accordance with the provision for the Spanish Companies Act 2010,, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

c) Differences on exchange

Movement in this account under the balance sheet heading "Equity" during the first six months of 2011 was as follows:

	<u>Thousand euro</u>
	<u>At 31 December</u>
	<u>2011</u>
Beginning balance 01.01	(300)
Movements during the year:	<u>(1 372)</u>
Ending balance 30.06	<u>(1 672)</u>

At 30 June 2011 all of the differences on exchange relate to subsidiaries and there are no investments in Associates in currencies other than the euro.

d) Treasury shares

Movements in this balance sheet heading during the first six months of 2011 were as follows:

	<u>Shares</u>	<u>Thousand euro</u>
Balance at 01.01.2011	30 451	-
Additions	160,000	61
Disposals	-	-
Balance at 30.06.2011	190 451	61
Balance at 01.01.2010	30 451	-
Additions	-	-
Disposals	-	-
Balance at 30.06.2010	30 451	-

e) Non-controlling shareholdings

The balance included under this heading of the consolidated balance sheet at 30 June 2011 and 31 December 2010 records the value of minority shareholdings in consolidated companies.

Movement in the account "Minority shareholdings" in 2011 and 2010 is as follows:

	Thousand euro		
	Telecommunications segment	Technology segment	Total
<i>First six months of 2011</i>			
Beginning balance 01.01	1 843	80	1 923
Additions	-	35	35
Profit/(loss) for the year	331	4	335
Other	(3)	-	(3)
Ending balance 30.06	2 171	119	2 290

	Thousand euro		
	Segment Telecommunications	Segment Technology	Total
<i>First six months of 2010</i>			
Beginning balance 01.01	1 559	65	1 624
Additions	-	-	-
Profit/(loss) for the year	229	16	245
Other	(16)	-	(16)
Ending balance 30.06	1 772	81	1 853

15. Current and non-current financial liabilities

An analysis of the balances of this caption in the consolidated balance sheet at 30 June 2011 and 31 December 2010 is as follows:

	Thousand euro			
	30.06.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Loans and credit facilities	44 285	49 719	45 928	45 208
Finance leases	19 651	2 581	21 785	2 749
Derivatives	1 102	669	1 244	930
Other financial liabilities	4 004	26 164	6 103	41 049
Bank borrowings	69 042	79 133	75 060	89 936

Loans and credit facilities:

As is reflected in Note 5.2, short-term bank borrowings at 30 June 2011 total €52,300 thousand (€47,957 thousand at 31 December 2010) and €63,936 thousand in the long-term (€67,713 thousand at the end of 2010).

During the first six months of 2011 the Group receive a loan for the promotion and economic conversion of Andalusia (SOPREA) totalling €2,970 thousand, accruing interest at euribor +4 and quarterly payments of interest and principal. In addition, Empresa Nacional de Innovacion (ENISA) granted a participating loan to the company Navent Technologies totalling €1,100 thousand, with a 3-year grace period and bearing a fixed interest rate of one-year euribor + 0.5 and variable interest based on profits before taxes.

An agreement was concluded for the deferral of a €4,400 thousand loan from Banesto. The operation will expire after six months, renewable for further six months. In March 2011 a €750 thousand loan was obtained from Caixa Galicia, which matures in 2016 and bearing an interest rate of around 7.5%.

At 30 June 2011 the Group has accumulated loan repayment defaults totalling €11,331 thousand, of which €9,179 thousand outstanding from the subsidiaries Asedes Capital, S.L.U. and Ezentis Infraestructuras, S.A.U.

Ezentis Group is currently negotiating the refinancing of all of its bank borrowings. This refinancing is expected to resolve the short-term default situation faced by Ezentis Group companies that are not in pre-bankruptcy proceedings.

The remainder of both long and short-term liabilities relates to loans and lines of credit maintained by the Group at the end of 2010, for which there have been no changes.

During the first six months of 2011 the Group renewed the €7,250 thousand loan from EBN Banco de Negocios, S.A granted on 31 March 2008, of which €6,650 remains outstanding at 30 June 2011. It initially matured on 31 March 2009 and as a result of extensions to 30 June 2011 it now matures in January 2012, with a tacit extension of a further six months. Interest accrues at a rate of euribor plus 2.5%. The Company has granted a guarantee for this loan consisting of the pledge of 25,000,000 shares in Vértice 360° and the shareholding in the companies Moraleja Parque Fotovoltaico I, S.L.U. and Moraleja Solar I, S.L.U.

To secure bank borrowings, at 30 June 2011 83,932,508 shares in Vértice 360° have been pledged (83,932,508 shares in Vértice 360° at the end of 2010). Mortgage guarantees have been created for properties with a carrying value of €1,078 thousand (€1,088 thousand at 31 December 2010), concessions with a net value of €3,215 thousand (€3,261 thousand at 31 December 2010), assets held for sale with a net value of €2,955 thousand (€4,025 thousand at 31 December 2010) and investment properties with a net value of €677 thousand (€697 thousand at 31 December 2010) as well as electricity supply receivables from the companies Plansofol 1 a 35 S.L., receivables by Avanzit Tecnología from UTE Indra y Avanzit, receivables pertaining to Avanzit Tecnología, S.L. deriving from invoices issued to Telefónica, S.A., shareholdings in the companies Moraleja Parque Fotovoltaico I, S.L.U. and Moraleja Solar I, S.L.U. , Canteras de Muro, S.L.U. Leitosa, S.A.U. and Áridos de Trazo, S.L.U., receivables totalling €9,500 thousand and time deposits totalling €2,500 thousand pledge sot secure the guarantees provided to a third party by a financial institution.

b.- Derivative financial instruments

	Thousand euro	
	30.06.2011	31.12.2010
Interest rate swaps – cash flow hedges	1 102	1 244
Non-current derivative financial instrument liabilities	1 102	1 244
Interest rate swaps – cash flow hedges	669	930
Current derivative financial instrument liabilities	669	930

At 30 June 2011 there are no differences in the conditions and contracts for interest rate swaps compared with those that the Group had at 31 December 2010. Gains/ losses recognised in the interim summarised consolidated overall profit and loss account for interest rate swaps will be transferred to the income statement on a continuous basis until the relevant bank loans are repaid.

The carrying amount (both current or non-current) of the derivative financial instruments is presented at fair value.

c.- Other financial liabilities

An analysis of the balances of this caption in the consolidated balance sheet at 30 June 2011 and 31 December 2010 is as follows:

	Thousand euro			
	30.06.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Creditors through agreements	-	9 234	-	10 723
Deferral of payments to public institutions	3 968	331	5 086	-
Related-party balances	-	6 005	821	19 562
Other payables	36	10 594	196	10 764
	4 004	26 164	6 103	41 049

Creditors through agreements

Note 1.b of the notes to the interim financial information presents explanations relating to the agreements with the creditors of the subsidiaries Grupo Ezentis, S.A. and Avánzit Tecnología, S.L.U.

At both 30 June 2011 and 31 December 2010 all debt is presented as other current financial liabilities since the fifth and last instalment falls due in 2011. Of all financial liabilities at 30 June 2011, €6,551 thousand relates to a liability with ordinary creditors (€7,453 thousand at the end of 2010) and €2,683 thousand in bank borrowings (€3,270 thousand at the end of 2010).

Deferral of payments to public institutions

Up until 30 June 2011 the Tax Authorities granted the Group various deferrals and instalment plans to pay amounts owed to the Treasury for value added tax, personal income tax withholdings and corporate income totalling €10,997 thousand. At 30 June 2011, the amount pending payment totals €9,021 thousand (€8,312 thousand at the end of), of which €3,506 thousand (€4,331 thousand at the end of 2010) is presented as other long-term financial liabilities and the short-term amount totalling €5,515 thousand (€3,979 thousand at the end of 2010) is presented as other amounts payable to public institutions.

The Social Security authorities have deferred payment until 30 June 2011 and provided instalment payment plans for debts totalling €2,974 thousand, of which €1,770 thousand remains pending payment at 30 June 2011 (€1,836 at the end of 2010), of which €462 thousand (€755 thousand at the end of 2010) is presented as other long-term financial liabilities and the short-term amount of €1,309 thousand (€1,081 at the end of 2010) is presented as other payables to public institutions.

To secure the payment of these amounts the Group has pledged 4,720,501 shares in Vértice 360º (4,720,501 shares at the end of 2010) and mortgages on investment properties with a carrying value of €5,756 thousand (€6,088 thousand at the end of 2010).

The maturity dates for these payables is as follows at 30 June 2011 and 31 December 2010:

Expiring in	Thousand euro	
	30.06.2011	31.12.2010
Short term	6 824	5 060
2012	2 105	3 224

2013	1 665	1 665
2014	197	197
	10 791	10 146

Related-party balances

Convertible bonds

As is indicated in Note 14, in April 2011 an agreement was reached between Grupo Ezentis, S.A. and TSS Luxembourg I, S.a.r.l. which amends the conditions established in the previous amendment to the financing agreement signed in January 2011 that extended the date to 26 May 2011. As a result of this change, TSS Luxembourg I, S.a.r.l. requested the conversion of the €10,700 thousand in accordance with the conditions established in the original contract, under which it would subscribe to all of the 19,454,545 shares with a par value of €0.50 each and a share premium of €0.05 each.

Agreement to purchase shares in Vértice 360º

At 31 December 2010 this heading includes the €2,150 thousand payable by the Group to TSS Luxembourg I, S.a.r.l. as a result of the agreement mentioned in Note 11 and €228 thousand relating to the measurement of the option to repurchase the shares in Vértice 360º, as is mentioned in Note 10 of the consolidated notes to the accounts. During the first six months of 2011, the Group has eliminated this item since it did not exercise the repurchase option, transferring all the risk to TSS Luxembourg I, S.A.R.L. and recognising the sale of the shareholding.

Other amounts payable to related parties

a.- Information at 30 June 2011:

The subgroup Sedesa maintains short-term current accounts with related parties and the most relevant amounts at 30 June 2011 are as follows:

- Autovía Camp del Turia, S.A.: €889 thousand
- Share Capital, S.L.: €4,137 thousand
- Sistemas Globales Inmobiliarios, S.L.: €748 thousand

These current accounts bear interest at euribor + 1%, which is settled quarterly.

The Group maintains a payable to Mr. Vicente Cotino Ferrer in the amount of €970 thousand, which falls due in 2029, of which €149 thousand falls due in 2011. This payable falls due as follows:

Expiring in	Thousand euro
2011	149
2012	71
2013	67
2014 and Subsequent years	683
	970

b.- Information at 31 December 2010

The subgroup Sedesa maintains short-term current accounts with related parties and the most relevant amounts at 31 December 2010 are as follows:

- Autovía Camp del Turia, S.A.: €915 thousand
- Share Capital, S.L.: €4,137 thousand
- Pontia Equity SCR de régimen simplificado, S.A.: €472 thousand
- Sistemas Globales Inmobiliarios, S.L.: €748 thousand

These current accounts bear interest at euribor + 1%, which is settled quarterly. The Group maintains a payable to Mr. Vicente Cotino Ferrer in the amount of €970 thousand, which falls due in 2029, of which €149 thousand falls due in 2011. This payable falls due as follows:

Expiring in	Thousand euro
2011	149
2012	71
2013	67
2014 and Subsequent years	<u>683</u>
	<u>970</u>

Other payables

This heading mainly records €9,500 thousand relating to the amount withheld on the sale of Senda Ambiental, S.L. and the debt claim has been pledged to secure a loan (Note 13).

At 31 December 2010 the amount pending payment deriving from the acquisition of 20% of the shares in the company Grupo Canteras de Muro, S.L. by Inversiones Imison, S.L. is €478 thousand. These shares have been pledged to secure this debt.

16. Provisions

Movements during the first six months of 2011 in the heading "Current and non-current provisions" in the accompanying balance sheet were as follows:

	Thousand euro	
	Non-current	Current
Opening balance at 01.01.2011	33 325	8 910
Additions	457	14 919
Reversals	(915)	(1 937)
Transfers	1 438	(1 438)
Payments	-	(224)
Closing balance at 30.06.2011	<u>34 305</u>	<u>20 230</u>

In accordance with IAS 37, the provisions must be reviewed at each balance sheet date and adjusted, if appropriate, to reflect the best estimate at that time. In this connection, best on their best estimate of all possible outcomes regarding some uncertain situations, the Directors of the Parent Company have re-estimated all necessary provisions at 30 June 2011 and made allocations to the provision to bring it to €34,305 thousand, recognised under the heading Non-current provisions.

The heading "Current provisions" records €2,372 thousand (€3,444 thousand at the end of 2010) for the restructuring of the employees of Ezentis Group. In addition, this heading records €2,258 thousand (€3,515 thousand at the end of 2010) to secure construction projects and €12,078 thousand in provisions for third party claims.

During the first six months of 2011 the main addition to the provisions for liabilities and charges relates to €12,078 for a claim made by a third party against a subsidiary of Asedes Capital, S.L.U. This claim started the procedure for claiming contingencies as established in the investment agreement.

Mr. Vicente Cotino and responded to this notice on 23 June stating that he is maintaining conversations with the claimant in order to satisfy the claim.

The consolidated balance sheet at 30 June 2011 for Ezentis Group records a receivable totalling €12,078 thousand from Mr. Vicente Cotino, as a result of the guarantees established in the investment agreement, as indicated in Note 14. This receivables is presented in the balance sheet net of impairment as other current assets. Ezentis Group does not have any additional information regarding the satisfaction by Mr. Vicente Cotino of the amount claimed by a third party (Note 21).

17. Tax matters

a) Balances maintained with Public Institutions

The breakdown of the balances receivable and payable maintained by the Group with public institutions at 30 June 2011 and 31 December 2010, is as follows:

	Thousand euro			
	30.06.2011		31.12.2010	
	Non-current	Current	Non-current	Current
Tax credits for tax-loss carryforwards	-	-	-	-
Deferred corporate income tax assets	-	-	-	-
VAT refundable	-	5 253	-	-
Other	-	3 085	-	6 095
Taxes and Social Security refundable	-	8 338	-	6 095
VAT payable	-	7 371	-	4 951
Personal income tax withholdings payable	-	2 988	-	1 781
Social Security contributions payable	-	3 773	-	1 239
Other taxes payable	-	4 305	-	5 497
Deferral of payments to public institutions	-	6 824	-	5 060
Deferred corporate income tax	-	-	-	-
Taxes and social security refundable	-	25 261	-	18 528

The Group has calculated the provision for corporate income tax at 30 June 2011 applying current tax legislation, taking into consideration the average weighted tax rate that Ezentis Group expects for the year.

As is indicated in Note 21 of the 2010 consolidated annual accounts for Grupo Ezentis, S.A , the Parent Company is taxed under the tax consolidation system and is the lead company for the tax consolidation group. Since 1 January 2011 the subsidiaries of Asedes Capital, S.L.U. have joined the tax consolidation group.

At 30 June 2011, the Group has uncapitalised tax credits totalling €186,579 thousand (€185,538 thousand at the end of 2010) (tax) of which €114,861 thousand (€113,820 thousand at the end of 2010) (tax) expire in up to 15 years (tax-loss carryforwards) and tax credits totalling €71,718 thousand (€71,718 thousand at the end of 2010) (tax) that have no expiration date relate to temporary differences.

The tax effect is adjusted to the current tax rate of 30%.

b) Years open to inspection

At 30 June 2011 both the Parent Company and the main subsidiaries are open to inspection for the past four years for all of the taxes to which they are liable.

Due to the possible different interpretations to which tax legislation lends itself, the results of future and current inspection action (Note 25) that may be taken by the tax authorities for the years open to inspection may give rise to tax liabilities, whose amount cannot be currently quantified in an objective manner. However, in the opinion of the tax advisors for the Group and Directors, the possibility of significant tax liabilities in addition to those already recognised is remote.

18. Guarantees to third parties

At 30 June 2011 the Group had received guarantees from financial institutions that were presented to third parties in the amount of €101,398 thousand (€90,047 thousand at the end of 2010), mainly relating to technical guarantees provided to secure the completion of construction work. There is also a guarantee for general risks involving the sale of Senda Ambiental, S.L. totalling €4,000 thousand as well as a guarantee provided to third parties that is secured by a deposit totalling €2,500 thousand (Note 12).

The Parent Company's Directors consider that the aforementioned guarantees will not give rise to any payment obligation for the consolidated companies for which provision has not been made and therefore the joint balance of these commitments may not be regarded as a real future need for financing or liquidity to be granted to third parties by the Group.

In addition, the guarantees received and granted at 30 June 2011 are described in notes 6, 8, 9, 10, 12, 13, 14 and 15.

19. Litigation and arbitration

The main litigation and procedures with which the Group is involved as the defendant and plaintiff are as follows:

ETB (Empresa Telefónica de Bogotá)

The branch office in Colombia filed suit against ETB for damages caused as a result of the early cancellation of Framework Contract 4200000855 that had been concluded by the Company.

The financial assessment evaluated the damages caused at 30 September of 2003 at 18,311 million Colombian pesos (€5,756 thousand at that date, approximately). The technical analysis has been completed and confirmed the financial assessment. After the completion of the various procedural stages, on 16 November 2006 the Court of First Instance ordered ETB to pay the branch office in Colombia 9,267 million Colombian pesos, equal to approximately €3,186 thousand. This judgment has been appealed by both parties. At 30 June 2011 and 31 December 2010 the Group did not record any asset relating to this agreement.

Procedures opened by Group companies against former Group Directors and executives.

At both 30 June 2011 and 31 December 2010 the Parent Company records a receivable from the ex-chairman of the Parent Company Mr. Juan Bautista Pérez Aparicio in the amount of €80 thousand, and the subsidiary Avanzit Tecnología S.L.U. records a receivable in both periods totalling €1,421 thousand. Full provision has been made for these amounts and they have been claimed in prior years through the anti-corruption prosecutor's office.

The Court of Justice 43 in Madrid is hearing criminal proceedings brought by the Anti-corruption prosecutor against Juan Bautista Pérez Aparicio (Company chairman between 27 June 2003 and 15 December 2004) for alleged embezzlement of funds transferred from accounts held by AVANZIT TECNOLOGIA to personal

accounts and to a company that he owns. Grupo Ezentis, S.A. is participating in this case as an injured party and plaintiff.

On 16 June 2007 the decision dated 3 June 2007 was issued and the case file 2450/2005 was admitted " to determine whether the accusations against Juan Bautista Perez Aparicio, Eduardo Sunyer Martin and Manuel No Sanchez constitute the crime of embezzlement and falsification of corporate accounts" and accusation documents have been presented by the prosecutors office and Ezentis and oral proceedings have been requested. The oral proceedings carried out by the Provincial Court of Madrid, Section 1, sheet 7/2008, were held in March 2009.

On 2 April 2009 the Provincial Court issued a judgment against Mr. Juan Bautista Perez Aparicio, Mr. Manuel No Sanchez and Mr Eduardo Sunyer Martin deeming the former to be the author of the crime and the latter two to be necessary accomplices of the continued crime of embezzlement and Mr. Juan Bautista Perez was sentenced to five years of prison and loss of the right to hold public office and a fine of 10 months at a daily rate of €30. Mr. Manuel No Sanchez was sentenced to three years and six months of prison, loss of the right to hold public office and a fine of 9 months at a daily rate of €30 and Mr. Eduardo Sunyer was sentenced to 2 years of prison, loss of the right to hold public office and a fine of five months at a daily rate of €30. An indemnity is also payable to Ezentis and Technologia totalling €1,421 thousand, although Manuel No Sánchez only has to make payment of €751 thousand. This Judgement has been executed by Avanzit Technologia.

Mr. Juan Bautista Perez, Mr. Manuel No Sanchez and Mr. Eduardo Sunyer have filed an appeal for reversal with the Supreme Court. On 4 May 2010 the Supreme Court issued a judgment stating that the appeals for reversal filed by Mr. Juan Bautista Aparicio, Mr. Manuel No and Mr. Eduardo Sunyer were no appropriate and confirmed all of the content of the sentence issued on 2 April 2009 by the Provincial Court.

Litigation with BNP

The main balance under the heading "Other long-term loans" (Note 12) mainly relates to the balance in favour of the Parent Company consisting of a deposit with the granting entity deriving from the contract covering the assignment of loans without recourse concluded on 27 December 2001 with BNP Paribas regarding the sale of a receivable from Teleconsorcio and its consortium ((Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation), totalling USD25,000 thousand.

The accounts receivable from Teleconsorcio were litigated in accordance with the relevant contract. On the same date as the loan assignment an independent deposit contract was signed with BNP Paribas totalling USD25,000 thousand. This deposit accrued interest at a rate indexed to the LIBOR.

As a result of the Parent Company's suspension of payments, BNP Paribas reported the unilateral termination of the loan assignment and the deposit contract, improperly offsetting all of the aforementioned amount, which at 30 June 2011 and 31 December 2010 totalled €28,236 thousand at the historic exchange rate and after the recognition of interest.

The Directors of the Parent Company and the Creditor Agreement Monitoring and Control Committee are taking the action considered appropriate to recover the recognised assets.

In this connection, in the procedure started in Peru in 2004 Grupo Ezentis claims USD25 million pertaining to the Company at the time the Company's legal request was made for suspension of payments status and BNP failed to comply with the express instructions of the Court Trustees and took unilateral action.

In addition, on 27 September 2007 the Court of First Instance 26 in Madrid authorised the Creditor Agreement Monitoring and Control Committee to take action against BNP Paribas-Andes in New York to reimburse creditors under the suspension of payments for the Parent Company in the amount of USD25,000 thousand pertaining to the Parent Company so that the Court can decide on the proper distribution in accordance with the law.

In this connection, in 2007 legal action commenced against BNP Paribas - Andes in New York and on 15 April 2008, the Bankruptcy Court in the United States recognised the Parent Company's Monitoring Committee as a third party qualified to claim the USD25,000 thousand in New York and on 27 May 2008 denied the petition for denial made by BNP Paribas - Andes.

In August 2008 the bankruptcy Judge in New York requested a series of clarifications from the Court of First Instance in Madrid and also announced to the parties that new action must be taken before the same Court. In December 2008 Court 26 in Madrid issued a new ruling confirming the Monitoring Committee as the valid foreign representative to claim the USD25,000 thousand.

Finally, in December 2009 the New York Bankruptcy Judge decided to end the Chapter 15 proceedings and the lawsuit filed by the parties at the Courts in Lima Peru. On 15 March 2011 Civil Court 26 in Lima (Case file 23584-2004), has issued a judgment and denied BNP's suit with the consideration that the plaintiff does not have an interest to defend (Article 427.2 of the Civil Procedures Code) basically because the questioning of the obligation deriving from the loan assignment agreement –factoring without recourse- must be submitted to the courts and law of Spain and until that matter is decided the Peruvian Judge cannot issue a judgment regarding the validity of compensation paid into the Peruvian current account since the first matter determines the second. The Court also denied the response filed by the Company with the consideration that it is subject to the decision reached with respect to the claim filed by BNP Andes and, given that no decision has been reached, no decision can be issued for the response. This judgment was appealed by BNPP-Andes on 28 March 2011 and the appeal was accepted and the judgment suspended. In addition, on 4 July 2011 a report was entered into the Court Case File Consultation System remitting the case file to Commercial Court 1 in Lima. The proceedings are currently awaiting the case to be sent to the higher court so that the judgment that the counterclaim is inappropriate can be challenged.

Given the legal status of that asset, the Group maintains an adequate provision recorded under the heading "Long-term provisions" in the accompanying interim summarised consolidated balance sheet at 30 June 2011 and 31 December 2010 (Note 16). The Parent Company will defend its rights in the proceedings taking place at the Courts of Lima and in any others that are necessary so that a decision be reached regarding the validity of the ruling and the damages caused.

Inversiones Ibersuizas

On 25 July 2008 Inversiones Ibersuizas, S.A. filed suit against Ezentis at the Court of First Instance 14 in Madrid, assigned number 1320/2008 under ordinary proceedings, requesting that the failure to comply with the sale option contract concluded by the parties on 29 June 2007 be declared and, therefore, order Ezentis to acquire 1,304,348 shares in Vértice 360° for the price of €3,000 thousand. On 21 November 2008 a response opposing the suit was filed and on 24 September 2009 preliminary hearings were held and the trial started on 23 February 2011 but to date no judgment has been issued. No provision has been recognised for this item with the understanding that such action is not necessary due to the matters covered by the proceedings and the requests made by the plaintiff.

Rustraductus, S.L.

Rustraductus, S.L. has initiated court action against Grupo Ezentis, S.A., requesting the advisory services agreement concluded between Ezentis and Rustraductus on 14 November 2008 be terminated due to non-compliance and an indemnity totalling €844 thousand plus €100 thousand in late-payment interest be paid. The suit was admitted by the Court of First Instance 90 in Madrid, assigned number 213/201, under ordinary proceedings, issued by Decree on 22 February 2011. The Company has responded in due time and form and as filed countersuit requesting the refund of the amounts paid to Rustraductus to date under the advisory services agreement. The preliminary hearing has been scheduled for 14 September 2011.

Rustraductus has requested precautionary measures be taken, consisting of a bank guarantee on first demand totalling €1,000 thousand, which was granted in March 2011 and the decision states that if Rustraductus consigns the amount of €200 thousand, the Company must provide a bank guarantee in that amount. This decision has been appealed.

Once Rustraductus provided the required guarantee, Grupo Ezentis, S.A. requested the substitution of the precautionary measures ordered by the Court, a bank guarantee totalling €1,000 thousand, for an encumbrance of the shares in Asedes Capital, S.L, owned by Grupo Ezentis, S.A., which was accepted by the

Court in a decision dated 19 May 2011. The Court also accepted the request made by Rustraductus to improve the encumbrance in a decision date 19 July 2011, consisting of the encumbrance of the shares in Calatel Andalucía, S.L.

Onda Urbana, S.L. and Indecas.

Ezentis Infraestructuras, S.A.U commenced an ordinary court procedure to claim an amount totalling €6,109 thousand from Onda Urbana, S.L. for construction certificates pending payment and construction overruns, etc. relating to the SUR-13 project heard by the Court of First Instance No. 2 in Castellon, case 378/2008. A partially favourable judgment was obtained through the recognition of €3,141 thousand, plus interest, that became final after the appeals filed against this judgment were denied. A transactional agreement has been reached with respect to the execution of this judgment and €1,014 thousand has already been paid through the assignment to Ezentis Infraestructuras, S.A.U of four new semi-detached homes located in Onda (Castellon), and the remaining amount has been deferred until 4 May 2011. At that date and given the fact that Onda Urbana did not make payment, the bankruptcy of that company was requested and on 30-5-2011 the Court declared it bankrupt and currently the company's assets and liabilities are being examined and the report of the Bankruptcy trustees is being prepared. Full provision has been made for this asset.

Naveuropa XXI, S.L.

Ezentis Infraestructuras, S.A.U commenced arbitration proceedings against Naveuropa XXI, S.L. before the Arbitration Court at the Valencia Chamber of Commerce, with respect to a claim totalling €2,908 thousand involving several receivables relating to the work performed for that company in Pobla de Vallbona (Valencia), plus the amount of the executed guarantees and the return of withholdings applied. The Arbitration case was assigned number 10/2009. On 25 February an arbitration ruling was issued recognising the debt claim totalling €2,677 thousand plus interest and costs in favour of Ezentis Infraestructuras, S.A.U. against Naveuropa XXI, S.L. This ruling was appealed by Naveuropa XXI, S.L. at the Provincial Court of Valencia, requesting that it be declared null and void, which Ezentis Infraestructuras, S.A.U. opposed. On 15 December 2010 the Provincial Court of Valencia handed down a judgement denying the appeal in full and all of the arguments for declaring the arbitration ruling null and void and confirming that decision, imposing legal costs on the appealing party. Full provision has been made for this asset.

The court order to execute the arbitration ruling is still pending.

Ezentis Infraestructura, S.A.U. has also filed three financial claims against this same company since 2009:

a) Financial claim 997/2009 at the Court of First Instance No. 36 in Madrid, claiming a promissory note in the amount of €252 thousand plus costs totalling €15 thousand. Naveuropa XXI, S.L. has ceased its opposition and a demand for execution has been filed.

a) Financial claim 1455/2009 at the Court of First Instance No. 37 in Madrid, claiming a promissory note in the amount of €113 thousand plus costs totalling €34 thousand. Naveuropa XXI, S.L. initially opposed the action and subsequently ceased to do so. The execution process has started to seek assets and impose encumbrances.

The asset relating to Naveuropa XXI, S.L. is fully covered by a provision in the consolidated balance sheet.

a) Financial claim 1592/2009 at the Court of First Instance No. 37 in Madrid, claiming a promissory note in the amount of -€193. Naveuropa XXI, S.L. is attempting to block encumbrances.

Furthermore, Ezentis Infraestructuras, S.A.U. has requested the Commercial Court in Madrid to declare the necessary bankruptcy of Naveuropa XXI, S.L., requesting the recognition of a receivable totalling €3,250 thousand from that company relating to the failure to make payment for construction work performed in La Pobla de Vallbona (El Osito). This intent has been reported to the opposing party and we are aware that the company opposes this action but no notice has been filed with the Court.

Ocioland, S.L.

Ezentis Infraestructuras, S.A.U. filed an ordinary lawsuit to claim the amount of €1,120 thousand, in repetition with respect to the lawsuit filed by ANDAMIOS IN against SEDESA relating to the MN4 project, which is being heard by the Court of First Instance No. 4 in Catarroja (Valencia), case file No. 542/2007.

The judgements in first and second instance recognise the right of Ezentis Infraestructuras, S.A.U. to collect €998 thousand. Ocioland filed an appeal for reversal against the judgement handed down on appeal. In turn, Ezentis Infraestructuras S.A.U. requested the provision execution of the Judgement.

Ezentis Infraestructuras S.A.U. also requested the declaration of necessary bankruptcy of Ocioland, S.L. from the Commercial Court in Valencia. This case was heard by Commercial Court No. 2 in Valencia, Expedited Procedure 646/2010, in which the recognition of a receivable totalling €1,298 thousand for the construction work involving the MN4 shopping centre.

Although Ocioland S.L. initially opposed the declaration of bankruptcy, the Judge ordered the parties to reach and agreement and set a second hearing that took place on 15 December 2010, at which Ocioland, S.L. satisfied the full amount of the debt. Full provision has been made for this asset.

Resort Tres Molinos, S.L.

Ezentis Infraestructuras, S.A.U. has filed a financial claim against Resort Tres Molinos, S.L., being heard by the Court of First Instance No. 10 in Murcia, case file No. 266/2010, claiming the payment of 6 promissory notes totalling €2,906 thousand.

Although the case was admitted, the procedure has been suspended due to the voluntary bankruptcy by the debtor, which is being heard by Commercial Court No. 1 in Murcia, ordinary case file No. 194/2010. Ezentis Infraestructuras, S.A.U. has requested the recognition of its receivable totalling €3,670 thousand owed by the work relating to Resort 3 Molinos (Murcia). The Group is waiting for the recognition of the receivable. Full provision has been made for this asset.

Municipality of Bucarest

Ezentis Infraestructuras, S.A.U. presented an application for arbitration at the International Chamber of Commerce in Paris. Case 17452/GZ, against the Municipality of Bucarest, claiming a total of USD34,715,232 for construction certificates that have not been paid with respect to the rehabilitation of the historic centre, penalties and indemnities and requesting precautionary measures consisting of the suspension of the execution of the guarantee (€5,198,388) that has been requested by the Municipal authorities.

In turn, on 28 May 2011, the defendant has presented a counterclaim within the same proceedings against Ezentis Infraestructuras, S.A.U totalling USD15,151,950 as a claim for indemnities due to a failure to comply with the contract.

On 30 May 2011, the parties signed the Mission document prepared by the Arbitration Court, which identifies and summarises who that parties concerned are and their pretensions and the purpose of the decision. In addition, at that date the provisional schedule for the procedure was approved, in accordance with which the arbitration ruling must be issued on 30 November 2011 although this deadline may be extended for justified cause.

On 14 June 2011 the Arbitration Court reached a decision regarding the request for the precautionary measure consisting of the suspension of the execution of the guarantee (€5,198,388) and rejecting the request with the consideration that there is no current interest on the part of the applicant as no imminent hazard is perceived for Ezentis Infraestructuras, S.A.U since more than one year has elapsed since the defendant last attempted to execute the guarantees and therefore there is no execution to suspend. Since then the Municipality has not again requested the execution of the guarantees and if it should do so it would be an essential change in the circumstances that would give rise to the existence of a current interest and the Court could once again be asked to adopt the measure, thereby entering to the matter in depth.

Previous to this request for arbitration, Ezentis Infraestructuras, S.A.U. presented a request to suspend the execution of guarantees provided by Bancaja by the Municipality of Bucarest totalling €5,198,388 before the Commercial Division of the Courts of Bucarest, case file 5746/2010. This request was definitively dismissed, on appeal, through a decision dated 29 March 2011, with the consideration that the Romanian jurisdiction is not competent to decide the main suit with respect to which the precautionary measure is requested, as the lack of knowledge regarding the matter of substance does not allow the Court to appreciate the existence of the *fumus boni iuris* that requires the adoption of such a measure.

Martinsa Fadesa, S.A.

After the Commercial Court No. 1 of A Coruña declared the bankruptcy requested by Martinsa Fadesa, S.A. (case file 408/2008 d) Ezentis Infraestructuras, S.A.U. joined the procedure by requesting the recognition of its receivable totalling €2,549 thousand relating to unpaid promissory notes, termination of projects, liquidation of projects, late-payment interest and withholdings on the work concerning the Partial Plan SAU I-9 carried out in Pobra de Vallbona.

The bankruptcy trustees have recognised the amount of €1,945 thousand. The creditors' agreement has already been approved, which contemplates payment over 10 years with interest and 15% of the debt in convertible bonds. Full provision has been made for this asset.

Grupo Inmobiliario Tremon, S.A.

Once the Commercial Court No. 2 in Madrid declared the bankruptcy of this company, ordinary case file 556/2008 d, Ezentis Infraestructuras, S.A.U. joined the proceedings with a request that its receivable totalling €1,021 thousand be recognised and if it is not, that the contract and failure to make payment be recognised with respect to the construction work in Sector SRC'IBM in Pobra de Vallbona (Valencia). The receivable recorded by Ezentis infraestructuras, S.A.U. appears as contingent in the list of creditors and the hearing regarding this issue has yet to be held.

The Group's policy regarding litigation consists of maintaining adequate provision under the heading "Long-term provisions" and "Short-term provisions" in the accompanying consolidated balance sheet at 31 December 2010 (Note 16). In accordance with the Group's policy and the estimates made by the Directors, the consideration is that the result of the procedure will not have a significant negative impact on the financial statements. Full provision has been made for this asset.

Administrative Procedure against the settlement of the excise tax on certain means of transportation

The tax authorities commenced verification action regarding the excise tax on certain means of transportation with respect to the aircraft owned by Asedes Capital, S.L.U. AS a result of this action in September 2009 the Inspectorate issued a provisional settlement of this tax totalling €932 thousand, plus the relevant late-payment interest. The Inspectorate also decided to impose a fine for a tax violation totalling €699 thousand. Asedes Capital, S.L. Unipersonal filed appeals against both decisions with the Central Tax and Treasury Court that were combined and on 13 October 2010 the denial issued by the Central Tax and Treasury Court was published. On 19 November 2010 an administrative appeal was filed with the Administrative Branch of the National Court, and the resulting ordinary procedure 610/2010 which was heard by Section 7, which also received the suit on 24 March 2011. Similarly, this Court issued a decision suspending the effectiveness of the decision reached by the Central Tax and Treasury Court on 5 October 2010 [R.G. 5033 and 5034/09], challenged in the administrative appeal being processed and, as a consequence, the resulting administration action and relieve the appealing party from providing any surety or guarantee with respect to the precautionary suspension of the fine imposed by the Regional Customs and Excise Tax Office on 11 September 2009 in penalty case file 462009002637.

In foresight of the damages that could derive from this action, the Company has recorded a provision totalling €1,875 thousand.

Excavaciones Limon, S.L.U.

Suit filed by this company (subcontracted by Ezentis for the project called BIELAS DE CONEXIÓN CV-576 CV-561 A TRAVÉS DE GLORIETA CV-41) claiming €591,589.40 to several excavation works, hours of machine administration and withholdings. This procedure is being heard by the Court of First Instance No. 7 in Paterna, case file 23/2011. A response to the suit has been filed completely rejecting the claim and the trial has been set for the month of October.

Hidrotecar, S.A.

Suit filed by this company (subcontracted by UTE TORDESILLAS, in which Ezentis Infraestructuras, S.A.U. participates together with TEBYCON, with respect to the project called MEJORA Y MODERNIZACIÓN DEL REGADÍO EN LA COMUNIDAD DE REGANTES DEL CANAL DE TORDESILLAS SECTORES I Y II) claiming €282,000.-€ for the supply and installation of pumps and motors. This procedure is being heard by the Court of First Instance No. 7 in Valladolid, case file 14/2011.

Ingeser Sur, S.A.

Suit filed by this company against EZENTIS claiming €229,534.07 for work and technical assistance relating to the project carried out by UTE ZONA FRANCA DE CADIZ (in which Ezentis participates together with TEBYCON) for CONSORCIO ZONA FRANCA DE CADIZ. This procedure is being heard by the Court of First Instance No. 6 in Burgos, case file 1119/2010. The trial has been set for 26-10-2011

Superficies Comerciales, S.A. (SUPERCO)

The UTES CENTRO COMERCIAL ARANJUEZ, FASE I y FASE II (in both of which Ezentis Infraestructuras, S.A.U. and Fomento de Construcciones y Contratas, S.A. hold a 50%), filed suit claiming the amount of €5,903,310.90 for the liquidation of work carried out at the Aranjuez Shopping Centre, which was heard by the Court of First Instance No. 12 in A Coruña, case file No. 813/2010.

The lawsuit was apposed by requesting the full denial of the suit and a trial was scheduled for October 2011. At the same time it filed suit against the aforementioned UTES claiming 33,000,000 for delays, damages, etc. This lawsuit has been combined with the preceding suit and was admitted by Decree on 13 June 2011. A response has been filed by the UTES opposing the action.

At the same time SUPERCO requested the execution of the guarantees created by both companies forming part of the UTES and both companies opposed the action by filing a request for precautionary measures, requesting the suspension of the execution of those guarantees, which has been denied.

An allocation to the provision for insolvencies totalling €1,383,972.07 was made for 50% of the receivable that is recorded in the accounts maintained by the UTES, which has been included in the accounts of Ezentis Infraestructuras, S.A.U.

Cisa Cartera de Inmuebles S.L. Unipersonal

The company Cisa Cartera de Inmuebles S.L. Unipersonal has demanded, via a notary, payment from Inversiones en Alternativas Energéticas S.A. Unipersonal totalling €12,078,371.23, by virtue of the assignment of a future receivable from Enel Green deriving from a public document covering the acquisition of shares in Proyectos Eólicos Valencianos, S.A.

This claim was passed on to Mr. Vicente Cotino Escriba and notified so that he can indicate his position regarding this claim in accordance with the provisions of the investment agreement concluded with Grupo Ezentis, S.A. Mr. Vicente Cotino Escribá responded on 23 June 2011 indicating that he was in conversations with the company in order to settle the debt being claimed. The claiming company holds guarantees consisting of shares in the company Share Capital, S.L., a company related to Mr. Vicente Cotino (Note 16).

The Group's policy regarding litigation consists of maintaining adequate provision under the heading "Long-term provisions" and "Short-term provisions" in the balance sheet. In accordance with the Group's policy and the estimates made by the Directors, the consideration is that the result of the procedure will not have a significant negative impact on the financial statements.

20. Loss per share

Basic earnings/(losses) per share are calculated by dividing the profit for the year attributed to the Group (after taxes and minority interests) by the weighted average number of shares outstanding in the year, excluding the average number of treasury shares held in the year. Bearing in mind the above:

	At 30 June	
	2011	2010
Loss for the year (thousand euro)	(88 728)	(4 850)
Weighted average number of outstanding shares (shares)	324 430 790	277 331 541
Basic loss per share (thousand euro)	(0.2735)	(0.0175)
Diluted loss per share (thousand euro)	(0.2735)	(0.0175)

Diluted losses per share are calculated in the same way as basic losses per share, but the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible bonds outstanding at year end. Ezentis Group has not issued any instrument of this type during the first six months of 2011 and 2010 and therefore the basic loss per share coincides with the diluted loss.

21. Income and expense:

a) Net revenues

The breakdown by activity and geographic markets is set out in Note 22.

The contribution to net revenues during the first six months of 2011 and 2010 is presented in Note 22 Segment reporting.

During 2011 the Group continues to diversify its activities and number of customers, although it maintains approximately 39% of its services directed at Telefonica Group (approximately 34% at the end of 2010).

b) Personnel costs

Consolidated personnel costs during the first six months of 2011 and 2010 are broken down as follows, in thousand euro:

	Thousand euro	
	At 30 June	
	2011	2010
Wages, salaries and similar remuneration	40 221	28 322
Staff welfare expenses	7 351	7 081
	47 572	35 403

The average number of employees during the period ended 30 June 2011 and 2010, distributed by professional category was as follows:

	At 30 June			
	2011		2010	
	Men	Women	Men	Women
Senior management	11	-	11	-
Qualified technicians	393	93	319	66
Non-graduate line personnel	119	34	55	29
Administrative staff	121	207	110	180
Construction workers	2 944	661	2 855	623
	3 588	995	3 350	898

c) Consumables and other external expenses

The breakdown of the heading "Consumables and other external expenses" for the six-month period ended 30 June 2011 and 2010 is as follows, in thousand euro:

	Thousand euro	
	At 30 June	
	2011	2010
Consumption of goods purchased for resale:	14 532	6 814
Consumption of raw materials and other consumable materials:	4 291	4 185
Sub-contracts	51 322	28 543
Impairment of goods held for resale, raw materials and other	-	3
	70 145	39 545

d) Other operating expenses

The breakdown of the heading "Other operating expenses" for the six-month period ended 30 June 2011 and 2010 is as follows, in thousand euro:

	Thousand euro			
	Other earnings		Other losses	
	30.06.11	30.06.10	30.06.11	30.06.10
Rent and royalties	-	-	5 984	3 762
Repairs and maintenance	-	-	924	354
Independent professional services	-	-	2 892	1 695
Transport	-	-	422	289
Insurance premiums	-	-	677	339
Bank and similar services	-	-	186	74
Advertising, publicity and public relations	-	-	155	142
Supplies	-	-	2 574	1 586
Other services	-	-	5 357	2 387
Losses, impairment and changes in trade provisions for trade operations	(1 087)	-	-	210
Other ordinary expenses	-	-	687	299
Taxes	-	-	607	117
	(1 087)	-	20 465	11 254

e) Expenses to restructure Ezentis Group and other operating expenses

The breakdown of this heading in the income statement for the six-month period ended 30 June 2011 and 2010 and is as follows:

	Thousand euro	
	At 30 June	
	2011	2010
Restructuring of personnel	2 201	338
Provision for the contingent claim by Sedesa Group (Notes 19, 16)	10,039	-
Other operating expenses	3 613	364
	15 853	702

The personnel restructuring expenses includes the allocation to the provision for layoffs by Ezentis Infraestructuras totalling €1,800 thousand.

22. Information by segment

As is indicated in Note 26 of the consolidated annual accounts for 2010, the various operating segments into which Ezentis Group organises its activities are: Infrastructure, Technology and Telecommunications and industrial services.

As is indicated in the consolidated annual accounts for 2010 the Directors of the Group's Parent Company, the maximum decision taking body at the Group, analyses the results obtained by each segment up to the profits obtained from operations.

Information by segment

Segment reporting for the six month period ended 30 June 2011 and 2010 is presented as follows:

At 30 June	Infrastructures		Telecommunications		Technology		Corporate Unit		Group total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues:										
Revenues	45 417	7 470	65 382	56 417	21 222	19 431	-	294	132 021	83 612
Results:										
Operating profit	(15 888)	(1 962)	2 050	1 676	648	1 047	(64 727)	(3 143)	(77 917)	(2 382)
Profit before income tax	(23 426)	(2 218)	(950)	965	1 520	881	(64 205)	(3 759)	(87 061)	(4 131)
Taxes	121	642	(1 177)	(737)	(277)	(306)	-	(73)	(1 333)	(474)
Other information										
Additions of assets	298	58	2 450	3 588	2	3	-	898	2 750	4 547
Depreciation	(1 247)	(137)	(401)	(445)	(244)	(189)	(178)	(97)	(2 070)	(868)
Assets										
Total consolidated assets	224 086	30 806	50 718	73 775	43 503	54 282	27 962	142 215	346 269	301 078
Liabilities										
Total consolidated liabilities	224 335	7 336	46 718	40 744	34 637	29 384	83 773	73 862	389 463	151 326

All sales by segment of activity relate to sales to third parties.

Geographic distribution information is as follows:

	Revenues		Total assets		Additions of non-current assets	
	2011	2010	2011	2010	2011	2010
Domestic	70 365	40 823	266 158	242 683	298	898
Central America and Caribbean	2 120	2 994	4 465	14 552	2	58
Peru	9 528	8 121	7 645	13 007	26	305
Argentina	25 108	18 790	19 452	17 781	94	318
Chile	14 053	12 204	13 567	11 978	1 412	2 011
Eastern Europe	6 911	-	29 582	-	-	-
North Africa	3 666	680	5 400	1 077	-	3
	132 021	83 612	346 269	301 078	1 832	3 593

23. Significant business combinations

Note 2 c of the interim financial information explains the corporate operations that have given rise to the Group's restructuring with the creation of an international holding company and the insignificant acquisitions of controlling stakes in the subsidiaries Sedesa Epito and Sedesa Eastern Europe.

As is indicated in Note 27 of the consolidate annual accounts for 2010, during that year the Group carried out a significant business combination, as the result of an investment agreement under which 100% of the share capital of Asedes Capital, S.L. was acquired. Note 27 of the consolidated annual accounts explains all of the information relating to that business combination.

At 31 December 2010 the 12-month period had not been fulfilled for the definitive closing of the assignment of values to the net identifiable assets acquired. At 30 June 2011, the Directors have verified the estimates and have closed the assignment of the net identifiable assets without identifying differences between the valuation of those items at the date of the business combination.

Assets acquired from the business combination have suffered impairment during the first six months of the year as a result of the Group's current situation and that of the market, specifically the aircraft (Note 10) and the shareholding in Gerocentros (Note 11) and investment properties (Note 9).

As is indicated in Note 7, at 30 June 2011 the Group's management and Directors have evaluated the recoverability of the goodwill originating on the business combination relating to the infrastructure area and a provision for impairment has been made for the entire amount.

24. Related-party transactions

In addition to subsidiaries and associates the following are considered to be parties related to the Group:

- The significant shareholders of Grupo Ezentis, S.A., which are understood to be those that directly or indirectly hold stakes equal to or exceeding 3%, as well as shareholders that while not significant, have exercised the authority to propose the appointment of any member of the Board of Directors (Note 14).
- The Directors and executives at the Company and their close family members. The term "Director" means a member of the Board of Directors and the term "Executive" means a member of the Executive Committee.
- Transactions carried out between group companies form part of the normal course of business. The amount of the balances and transactions not eliminated in the consolidation process is not significant.

a) Sale or acquisition of assets from related parties:

During the first six months of 2011 and 2010 no sales or acquisitions of assets were made involving related parties.

b) Sale of goods and services rendered to related parties

During the first six months of 2011 sales of assets and services rendered between related parties are as follows:

	Thousand euro			
	Shareholders	Directors and Executives	Group companies or related persons	Total
Financial income	-	-	-	-
Rendering of services	20	-	-	20
Other revenues	289	-	-	289
Total sales to related parties	309	-	-	309

The heading other revenues mainly records work carried out to complete a project.

During the first six months of 2010 there were no sales of assets and/or services rendered between related parties.

c) Acquisition of assets, services and financial expenses.

During 2011 and 2010 assets or services traded between related parties are as follows:

At 30 June 2011

	Thousand euro			
	Directors and Executives	Shareholders	Group companies or related persons	Total
Financial expense	-	391	-	391
Management or collaboration agreements	-	-	-	-
Leases	-	129	-	129
Receipt of services:	-	149	-	149
Other expenses	-	-	-	-
Total acquisitions from related parties	-	669	-	669

Services received mainly includes advisory services for international projects, in the amount of €100 thousand. Financial expenses includes losses totalling €354 thousand relating to the share agreement involving Vertice described in Note 15c. The heading Leases records €125 thousand for the rent of the Group's offices in Valencia from a company associated with Mr. Vicente Cotino.

At 30 June 2010

	Thousand euro			
	Directors and Executives	Shareholders	Group companies or related persons	Total
Financial expense	-	-	-	-
Management or collaboration agreements	150	-	-	-
Receipt of services:	-	-	-	-
Other expenses	-	-	-	-
Total acquisitions from related parties	150	-	-	-

Management or collaboration contract expenses totalling €360 thousand with Directors and Executives relate to the independent services rendered by Rustraductus, S.L., a Parent Company Director.

d) Directors' Compensation

Compensation accrued during the first six months of 2011 and 2010 by the members of the Parent Company's Board of Directors received for all Group companies at which they are Directors or Administrators are:

Year	Thousand euro			
	Monetary compensation	Per diems	Services	Total
First six months of 2011	250	239	-	489
First six months of 2010	220	101	150	471

The executive chairman is entitled to an indemnity consisting of one year's salary, including fixed and variable amounts, in the event of resignation or unjustified dismissal. Half of the indemnity will be considered to be compensation for not competing with the Group for six months following the termination of the employment contract.

At 31 December 2011 and 2010 there was no advance payment or loan granted, or pension plan commitments, to any member of the Parent Company's Board of Directors, except for a receivables from the ex-Chairman of the Parent Company Mr. Juan Bautista Perez Aparicio (Note 19). In addition, life insurance coverage is provided for a member of the Board of Directors and the insured sum is three times his annual salary.

Monetary compensation during first six months of 2011 and 2010 relates to wages and salaries for the members of the Board of Directors that carry out executive duties within the Group. Per diems include the payments made to the Directors for attending the meetings of the Board of Directors and its Committees in accordance with the position held in each case.

The services of independent Directors relate to services expenses mentioned previously, mainly for the contract with the Director Rustraductus, S.L., as well as the receipt of services from other indicated professionals.

At 30 June 2011 the amount of per diems accrued yet to be paid to Directors totals €291 thousand.

e) Compensation for executives

The compensation for the Parent Company's Managing Directors and others that perform similar duties at excluded subsidiaries, and are also members of the Parent Company's Board of Directors (the compensation for which is described above) in 2011 and 2010 may be summarised as follows:

Year	<u>Number of people</u>	<u>Total Salary Compensation</u>
First six months of 2011	12	685
First six months of 2010	9	585

The Senior Executives currently employed by the Group are covered by a life insurance policy with an insured sum of three times their salary. There is no other compensation or commitments other than those described above.

f) Outstanding balances at the year end

At 30 June 2011

	<u>Thousand euro</u>		
	<u>At 30 June 2011</u>		
	Group		
	<u>Shareholders</u>	<u>company</u>	<u>Total</u>
Loans and capital contributions (lender)	2 010	36	2 046
Loans and capital contributions (borrower)	(5 882)	(889)	(6 771)
Debt claims	2 039	-	2 039
	<u>(1 833)</u>	<u>(853)</u>	<u>(2 686)</u>

The financial assets deriving from loans and capital contributions totalling €2,010 thousand mainly consist of €1,960 thousand relating to balances due Ezentis Infraestructuras S.L. (subsidiary of Asedes Capital, S.L.U) from Pontia Equity, Scr. (Note 12) which arose as a result of the sale of a subsidiary of Ezentis Infraestructuras, S.L., named Sedesa Environment Hungary KFT, before the integration of Sedesa Group (27 May 2010). This sale was carried out as part of the exit of Sedesa Group from the scope of the transaction, as was established in the investment agreement concluded in June 2010. The Company Pontia Equity, Scr is related to Mr. Vicente Cotino, a former owner of Grupo Sedesa and a current shareholder of Grupo Ezentis, S.A. In accordance with the initial contract the payment is deferred up to a maximum of 7 years. This deferral accrues interest at an annual rate of 3%. (Note 12). To secure the collection of this amount, Mr. Vicente Cotino has entered an irrevocable commitment to pledge shares in Ezentis Group in that amount, in accordance with the investment agreement dated 18 June 2010, as soon as they are listed on the stock market.

This section includes a current account with WCM totalling €50 thousand and Impega Energy totalling €20 thousand (presented as other current assets).

The heading loans and capital contributions includes short-term current accounts with related parties and the most relevant amounts at 30 June 2011 are as follows:

- Autovía Camp del Turia, S.A.: €889 thousand
- Share Capital, S.L.: €4,137 thousand
- Sistemas Globales Inmobiliarios, S.L.: €748 thousand

These current accounts bear interest at euribor + 1%, which is settled quarterly. A payable to Vicente Cotino Ferrer totalling €970 thousand is included (Note 15)

As is reflected in Note 16, the consolidated figures present €2,039 thousand at 30 June 2011 as other current assets, which relate to the receivable from Mr. Vicente Cotino and the guarantees established by virtue of the investment agreement.

2010

	Thousand euro		
	At 31 December 2010		
	Shareholders	Group company	Total
Loans and capital contributions (lender)	2 504	-	2 504
Loans and capital contributions (borrower)	(6 326)	(926)	(7 252)
Convertible bonds	(10 700)	-	(10 700)
Other liabilities (transactions involving shares in Vértice 360°)	(2 150)	-	(2 150)
	(16 672)	(926)	(17 598)

The financial assets deriving from loans and capital contributions totalling €2,504 thousand consists of €1,960 thousand relating to balances due Ezentis Infraestructuras S.L. (subsidiary of Asedes Capital, S.L.U) from Pontia Equity, Scr. (Note 11 of the consolidated annual accounts) which arose as a result of the sale of a subsidiary of Ezentis Infraestructuras, S.L., named Sedesa Environment Hungary KFT, before the integration of Sedesa Group (27 May 2010). This sale was carried out as part of the exit of Sedesa Group from the scope of the transaction, as was established in the investment agreement concluded in June 2010. The Company Pontia Equity, Scr is related to Mr. Vicente Cotino, a former owner of Grupo Sedesa and a current shareholder of Grupo Ezentis, S.A. In accordance with the initial contract the payment is deferred up to a maximum of 7 years. This deferral accrues interest at an annual rate of 3%. (Note 11 to the consolidated annual accounts) To secure the collection of this amount, Mr. Vicente Cotino has entered an irrevocable commitment to pledge shares in Ezentis Group in that amount, in accordance with the investment agreement dated 18 June 2010, as soon as they are listed on the stock market.

This section includes a current account with Green Network KFT totalling €494 thousand and another with WCM totalling €50 thousand (presented as other current assets).

The heading loans and capital contributions includes short-term current accounts with related parties and the most relevant amounts at 31 December 2010 are as follows:

- Autovía Camp del Turia, S.A.: €915 thousand
- Share Capital, S.L.: €4,137 thousand
- Pontia Equity SCR de régimen simplificado, S.A.: €472 thousand
- Sistemas Globales Inmobiliarios, S.L.: €748 thousand

These current accounts bear interest at euribor + 1%, which is settled quarterly. A payable to Vicente Cotino Ferrer totalling €970 thousand is included (Note 17 of the consolidated annual accounts at 31 December 2010).

The amount of €10,700 thousand relates to the convertible bonds acquired by TSS Luxembourg, recognised under current liabilities, which includes the financing from the shareholder TSS Luxembourg to drive the financing of the Group's operations (Note 17 of the consolidated annual accounts at 31 December 2010).

Other liabilities totalling €2,150 thousand includes the share acquisition and sale of shares in Vértice 360° (Note 10 of the consolidated annual accounts at 31 December 2010).

Guarantees with relate parties: during 2010 guarantees provided by Mr. Javier Tallada Garcia de la Fuente were cancelled in a financial transactions with a subsidiary of Ezentis Group totalling €9,000 thousand.

The Directors of the Group's Parent Company at a meeting held on 28 March 2011 approved the review of the operations and transactions with related party in 2007, 2008, 2009 and 2010 by an independent expert. Based on the conclusions of the study, the Directors consider that there are no facts that may affect the transactions

and balances with related parties that should be reported in the interim summarised consolidated financial statements.

25. Subsequent events

On 21 and 25 July 2011 the Tax Authorities reported the start of verification and investigation action relating to corporate income tax for 2006 and 2007 at Asedes Capital, S.L., Ezentis Infraestructuras, S.A. and Sedesa Concesiones, S.L. as well as corporate income tax for 2007 at the companies Sedesa Inversiones, S.L. and Sedesa Proyectos S.L.

In the opinion of the tax advisors for the Group and Directors, the possibility of significant tax liabilities in addition to those already recognised is remote.

On 28 July 2011 Shareholders of Grupo Ezentis, S.A. held a general meeting and approved the individual and consolidated annual accounts for Grupo Ezentis, S.A.

On 23 August 2011 the Director Mr. Manuel Gil Madrigal informed the Executive Chairman of the Group's Parent Company of his decision to resign from the Board of Directors.

On 25 August 2011 the 135,294,118 shares pertaining to Mr. Vicente Cotino and the 19,454,545 shares relating to the conversion of 21,400,000 convertible bonds were listed on the stock market.

On 29 July the Directorate General for Employment authorised the company Ezentis Infraestructuras S.A.U. to eliminate up to 133 jobs and temporarily suspend the rest of the employees that remain employed at the Company for a maximum of 180 days, all to take place before 31 December 2012. The indemnity for termination and compensation for the suspensions are set out in the lay-off documentation bearing reference number 231/11 and approved on 29 July 2011.