EZENTIS GROUP, S.A. AND SUBSIDIARY COMPANIES (EZENTIS GROUP)

Consolidated Annual Accounts,
according to International Financial Reporting Standards adopted in the European Union,
and the corresponding Consolidated Management Report
for the year ending 31 December 2019

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Annexes:

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019
(Thousands of euros)

ASSETS	Note	31 12 2019	31 12 2018
Non-current assets		**196.380**	**133.053**
Intangible Assets		**78.289**	**50.946**
Goodwill	6	35.331	34.539
Other intangible assets	7 a	42.958	16.407
Rights of use on leases	**7 b**	**30.078**	**-**
Tangible fixed assets	**8**	**22.903**	**31.093**
Land and buildings		204	48
Technical installations and machinery		6.537	2.240
Tools and furniture		3.580	2.396
Transport elements		9.854	18.797
Information equipment and other fixed assets		2.728	7.612
Investments accounted for using the equity method	**10**	**50**	**56**
Non-current financial assets	**11**	**18.783**	**17.151**
Deferred tax assets	**19**	**46.277**	**33.807**
Current assets		**182.631**	**189.411**
Assets held for sale	**9**	**7.037**	**6.750**
Stocks	**12**	**23.929**	**20.425**
Debtors		**122.080**	**138.728**
Sales and service customers	13	28.444	47.191
Clients, work executed pending invoicing	13 y 22	76.250	74.375
Miscellaneous debtors	13	4.857	4.172
Current tax assets	19	12.529	12.990
Other current assets	**13**	**7.731**	**4.431**
Cash and cash equivalents	**13**	**21.854**	**19.077**
Total assets		**379.011**	**322.464**

The notes to the annual accounts and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts.

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019
(Thousands of euros)

LIABILITIES AND EQUITY	Note	31 12 2019	31 12 2018
Net Equity	**14**	**14.312**	**32.038**
Subscribed capital		99.352	99.352
Share premium		58.485	58.485
Other reserves		(115.114)	(85.776)
Own shares and equity investments		(305)	(435)
Profit and loss attributable to the parent company		4.014	(14.697)
Other equity instruments	3	(2.524)	(982)
Translation differences		(29.596)	(23.909)
Non-current liabilities		**160.309**	**115.405**
Provisions	**18**	**2.511**	**6.534**
Non-current financial liabilities		**135.223**	**97.519**
Debts with credit institutions	15	112.092	86.085
Leasing liabilities	15	20.043	-
Financial lease liabilities	15	-	8.874
Derivative financial instruments	15	2.524	982
Other financial liabilities	16	564	1.578
Deferred tax liabilities	**19**	**8.533**	**8.015**
Other non-current liabilities	16	**14.042**	**3.337**
Current liabilities		**204.390**	**175.021**
Liabilities linked to assets held for sale	**9**	**3.585**	**3.346**
Current financial liabilities		**35.690**	**28.118**
Debts with credit institutions	15	17.718	20.820
Leasing liabilities	15	17.124	-
Financial lease liabilities		-	5.169
Other financial liabilities	16	848	2.129
Trade and other payables	**17**	**162.552**	**139.961**
Suppliers	17	87.799	81.311
Other creditors	17	11.536	8.509
Remunerations to be paid	17	16.896	11.052
Current tax liabilities	19 y 17	30.126	24.285
Customer Advances	17 y 22	16.195	14.804
Provisions for other liabilities and expenses	**18**	**2.563**	**3.596**
Total liabilities		**364.699**	**290.426**
Total equity and liabilities		**379.011**	**322.464**

The notes to the annual accounts and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts.

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 2019
(Thousands of euros)

	Note	31 12 2019	31 12 2018
Operating income			
Net turnover	22 y 23	448.738	436.985
Other operating income		3.561	1.451
Work carried out by the Group for its assets		2.894	1.931
Operating costs			
Consumption and other external costs	22	(124.299)	(125.508)
Staff costs	22	(196.910)	(185.383)
Provisions for depreciation of fixed assets	7 y 8	(27.713)	(12.945)
Variation in provisions	18	(10.438)	416
Other operating expenses	22	(75.912)	(99.336)
Other results	22	(4.772)	(16.185)
Consolidated operating profit/(loss)	**23**	**15.149**	**1.426**
Financial income and expense			
Other interest and similar income	22 y 23	1.264	2.472
Financial and similar expenses	22	(27.551)	(40.435)
Net exchange rate differences	22	(343)	(188)
Monetary corrections for hyperinflation	2	7.793	6.507
Deterioration and result from disposals of financial instruments	22	-	32
Financial profit/(loss)	**23**	**(18.837)**	**(31.612)**
Consolidated profit/(loss) before tax	**23**	**(3.688)**	**(30.186)**
Tax on profits	19 y 23	11.056	17.862
Profit/(loss) for the year from continuing operations		**7.368**	**(12.324)**
Profit/(loss) for the year from discontinued operations net of tax	9	(3.354)	(2.373)
Consolidated profit/(loss) for the period and attributable to the owners of the Parent Company		**4.014**	**(14.697)**
Basic earnings/(loss) per share of the parent company's results	14	0,01	(0,05)
Basic earnings/(loss) per share from continuing operations	14	0,02	(0,04)
Basic earnings/(loss) per share from discontinued operations	14	(0,01)	(0,01)
Diluted earnings/(loss) per share of the parent company's results	14	0,01	(0,05)
Diluted earnings/(loss) per share from continuing operations	14	0,02	(0,04)
Diluted earnings/(loss) per share from discontinued operations	14	(0,01)	(0,01)

The notes to the annual accounts and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts.

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2019 (INCOME AND EXPENSES RECOGNISED IN EQUITY)

(Thousands of euros)

	Note	31 12 2019	31 12 2018
Consolidated result for the year		**4.014**	**(14.697)**
Items that can subsequently be classified as profit and loss			
Cash flow hedges	**3.1**	(1.542)	(982)
Foreign currency translation differences	**14 c**	(5.687)	(4.622)
Other comprehensive income for the year, net of tax		**(7.229)**	**(5.604)**
Total overall result for the year		**(3.215)**	**(20.301)**
Attributable to:			
Owners of the Parent Company		(3.215)	(20.301)
Total overall result for the year		**(3.215)**	**(20.301)**
Total earnings attributable to equity shareholders:			
Ongoing activities		139	(17.928)
Discontinued activities		(3.354)	(2.373)
		(3.215)	**(20.301)**

The notes to the annual accounts and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts.

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON 31 DECEMBER 2019

(Thousands of euros)

Thousands of euros	Subscribed capital (Note 14)	Share premium (Note 14)	Other reservations	Profit attributable to the Parent Company	Translation differences (Note 14)	Shares of the Parent Company (treasury shares) (Note 14)	Other equity instruments (Note 3)	Patrim. Net attributable to owners of Soc. Dom. (Note 14)	Total Net Assets
Balance sheet at 01.01.2019	**99.352**	**58.485**	**(85.776)**	**(14.697)**	**(23.909)**	**(435)**	**(982)**	**32.038**	**32.038**
Result of the year	-	-	-	4.014	-	-	-	4.014	4.014
Other overall result for the year	-	-	-	-	(5.687)	-	(1.542)	(7.229)	(7.229)
Total overall result for the year	**-**	**-**	**-**	**4.014**	**(5.687)**	**-**	**(1.542)**	**(3.215)**	**(3.215)**
Operations with own shares	-	-	(89)	-	-	130	-	41	41
Transition to IFRS16			(2.211)	-	-	-	-	(2.211)	(2.211)
Transactions with owners	**-**	**-**	**(2.300)**	**-**	**-**	**130**	**-**	**(2.170)**	**(2.170)**
Application of previous ejection rates	-	-	(14.697)	14.697	-	-	-	-	-
Hyperinflation in Argentina			(5.600)	-	-	-	-	(5.600)	(5.600)
Other changes in equity	-	-	(6.741)	-	-	-	-	(6.741)	(6.741)
Total movements in equity	**-**	**-**	**(29.338)**	**18.711**	**(5.687)**	**130**	**(1.542)**	**(17.726)**	**(17.726)**
Balance sheet as at 31.12.2019	**99.352**	**58.485**	**(115.114)**	**4.014**	**(29.596)**	**(305)**	**(2.524)**	**14.312**	**14.312**

The accompanying Notes and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts

EZENTIS GROUP, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON 31 DECEMBER 2018

(Thousands of euros)

Thousands of euros	Subscribed capital (Note 14)	Share premium (Note 14)	Other reservations	Profit attributable to the Parent Company	Translation differences (Note 14)	Shares of the Parent Company (treasury shares) (Note 14)	Other equity instruments	Patrim. Net attributable to owners of Soc. Dom. (Note 14)	Minority interests (Note 14)	Total Net Assets
Balance sheet at 01.01.2018	**88.473**	**46.864**	**(78.307)**	**(6.701)**	**(19.287)**	**(11)**	**-**	**31.031**	**590**	**31.621**
Result of the year	-	-	-	(14.697)	-	-	-	(14.697)	-	(14.697)
Other overall result for the year	-	-	-	-	(4.622)	-	(982)	(5.604)	-	(5.604)
Total overall result for the year	**-**	**-**	**-**	**(14.697)**	**(4.622)**	**-**	**(982)**	**(20.301)**	**-**	**(20.301)**
Operations with own shares	-	-	-	-	-	(424)	-	(424)	-	(424)
Increases / (Reductions) of capital	10.879	11.621	(129)	-	-	-	-	22.371	-	22.371
Transition to IFRS 15			434	-	-	-	-	434	-	434
Other operations with partners	-	-	446	-	-	-	-	446	(590)	(144)
Transactions with owners	**10.879**	**11.621**	**751**	**-**	**-**	**(424)**	**-**	**22.827**	**(590)**	**22.237**
Application of previous ejection rates	-	-	(6.701)	6.701	-	-	-	-	-	-
Other changes in equity	-	-	(1.519)	-	-	-	-	(1.519)	-	(1.519)
Total movements in equity	**10.879**	**11.621**	**(7.469)**	**(7.996)**	**(4.622)**	**(424)**	**(982)**	**1.007**	**(590)**	**417**
Balance sheet as at 31.12.2018	**99.352**	**58.485**	**(85.776)**	**(14.697)**	**(23.909)**	**(435)**	**(982)**	**32.038**	**-**	**32.038**

The accompanying Notes and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts

EZENTIS GROUP, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019
(Thousands of euros)

Thousands of euros	Note	2019	2018
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)		**81.781**	**28.412**
1. Profit (loss) before tax		**(3.688)**	**(30.186)**
2. Adjustments to results:		**63.809**	**33.857**
Depreciation of fixed assets	7	27.713	12.945
Disposals of financial instruments		-	(32)
Variation in provisions		8.220	(416)
Allocation of subsidies		(19)	-
Financial income	22	(1.264)	(2.472)
Financial expenses	22	27.551	40.435
Exchange rate differences	11	343	188
Other adjustments to profit and loss - non-recurring		1.265	(16.791)
3. Changes in working capital:		**23.755**	**29.048**
Stocks		(3.504)	(9.443)
Trade and other receivables	13	16.707	25.172
Trade payables and other current liabilities	17	10.523	13.319
Other non-current assets and liabilities		29	-
4. Other cash flows from operating activities		**(2.095)**	**(4.307)**
Taxes paid		(2.095)	(4.307)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)		**(75.286)**	**(28.480)**
1. Payments for investments (-)		**(75.292)**	**(37.006)**
Acquisition of subsidiaries, net of cash (-)		-	(9.834)
Tangible and intangible fixed assets and real estate investments (-)	7 y 8	(68.488)	(27.172)
Other financial assets (-)		(6.804)	-
2. Collections from divestments (+)		**6**	**8.526**
Other financial assets (+)		6	8.526
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)		**(4.641)**	**9.834**
1. Receipts and (payments) for equity instruments	**14**	**41**	**21.947**
Issuance (+)		-	22.371
Acquisition (-)		-	(435)
Disposal (+)		41	11
2. Receipts and (payments) for financial liability instruments	**15 y 16**	**21.605**	**25.850**
Issuance (+)		33.422	104.879
Issuance of lease liabilities (+)		6.039	-
Return and amortization (-)		(15.558)	(79.029)
Return and amortization of lease liabilities (-)		(2.298)	-
3. Cash flows from financing activities		**(26.287)**	**(37.963)**
Interest payments (-)		(27.551)	(40.435)
Interest collections (+)		1.264	2.472
(D) EFFECT OF EXCHANGE RATE CHANGES		**923**	**1.405**
(E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**2.777**	**11.171**
F) Cash and cash equivalents at the beginning of the year		**19.077**	**7.906**
(G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E + F)	**14.d**	**21.854**	**19.077**

The accompanying Notes and Appendixes I to V are an integral part of these EU-IFRS consolidated annual accounts

1. General information

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

The Parent's registered office was located until 10 November 2019 at Avenida Hytasa No. 2, 2nd floor, door 20, Edificio Hytasa 41006 Seville, Spain and since 11 November 2019 it has been located at Calle Automoción No. 26-28, Polígono Industrial Calonge, 41006 Seville, Spain. The Parent Company is registered in the Mercantile Registry of Seville with said address as from 20 November 2019.

At 31 December 2019, the Parent operates in Spain and its subsidiaries operate in Spain, Argentina, Brazil, Chile, Colombia, Peru, Mexico and Portugal:

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

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

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

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

5. The preparation and drafting of technical projects, construction management, quality control, the carrying out of studies and reports and technical advice of all kinds related to its corporate purpose.

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

The activity of the Parent Company relates to corporate services and the holding of shares.

Appendixes I, II and III list the subsidiaries included and not included in the scope of consolidation, respectively, as indicated below:

- Appendix I: Subsidiaries included in the consolidated annual accounts of the Ezentis Group, S.A. and Subsidiaries
- Appendix II: Subsidiary companies not included in the consolidation scope of the Ezentis Group, as they correspond to inactive companies or companies in the process of liquidation.
- Appendix III: Joint ventures involving Group companies

The Parent Company's shares are listed on the official Spanish stock exchanges in Madrid and Bilbao.

Basis of presentation, comparison of consolidated annual accounts and principal accounting policies

2.1) Basis of presentation

The consolidated annual accounts of the Ezentis Group for 2019 have been prepared:

1. By the directors of the Parent company at a meeting of its board of directors held on 31 March 2020.

In accordance with International Financial Reporting Standards adopted for use in the European Union (EU-IFRS) and approved by European Commission regulations, which are in force at 31 December 2019, IFRIC interpretations and applicable corporate legislation, no mandatory standards have been withdrawn. Appendix IV summarises the most significant accounting principles and measurement bases applied in the preparation of these consolidated annual accounts.

3. Taking into account all accounting principles and standards and valuation criteria of obligatory application that have a significant effect on the consolidated annual accounts.

4. They give a true and fair view of the Group's equity and financial position at 31 December 2019 and of the results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.

5. From the accounting records kept by the Company and by the other Group companies.

6. Applying the principle of a going concern. At 31 December 2019 the Group has generated profits of Euros 4,014 thousand (losses of Euros 14,697 thousand at 31 December 2018 attributable to the Parent company).

The Group has negative working capital at 31 December 2019 amounting to Euros 21,759 thousand (positive working capital at 31 December 2018 amounting to Euros 14,390 thousand) mainly due to the application of IFRS 16 Leases as described in note 2.2. Working capital without considering the application of IFRS 16 would have improved by Euros 11,976 thousand. The portfolio contracted at the end of 2019 amounts to Euros 934.4 million. The Portfolio mainly comprises multi-year contracts with a duration of between three and five years with the main operators in the activity sectors in which Ezentis operates in Europe and Latin America.

As a result of the above, the Parent company's board of directors has prepared these consolidated annual accounts on a going concern basis, assuming that the Group will continue to generate positive cash flows and that established obligations and payment commitments will be met on a regular basis.

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

The Group's consolidated annual accounts for 2018 were approved by the shareholders at their annual general meeting held on 31 May 2019 and are included for comparative purposes. In this regard, the Group has not restated the results for 2018 of activities which have been considered as discontinued in 2019 (see note 9), due to the insignificant effect on these comparative balances.

As indicated in note 2.2, the Group has opted to apply IFRS 16 using a modified retrospective approach and not restate balances for 2018, which should be taken into account in the comparability of opening balances in these consolidated annual accounts.

Certain amounts have also been adjusted against reserves as explained in Note 14.

These consolidated annual accounts and the annual accounts of the Group companies for 2019 are pending approval by their respective Annual General Meetings of Shareholders or Shareholders. Nevertheless, the board of directors of Grupo Ezentis, S.A. considers that these consolidated annual accounts will be approved without significant changes.

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

2.2) Impact of the adoption of IFRS 16 Leases

On 1 January 2019, IFRS 16 Leases came into force, introducing changes to the accounting policies previously applied to lease contracts.

IFRS 16 requires companies acting as lessees to recognise assets and liabilities deriving from lease contracts in the statement of financial position (balance sheet). The lessee may choose not to apply the general criteria to short-term lease agreements and those involving low-value assets.

The Group has a significant number of lease agreements as lessee of various assets, mainly: transport elements and real estate. Under previous regulations, a significant portion of these contracts were classified as operating leases in prior years, and the corresponding expenses were recognised on a straight-line basis over the term of the contract.

The implementation of IFRS 16 in the Group has meant that factors such as the number of contracts affected and the diversity of data origin systems, as well as the need to make certain estimates, must be considered. These include estimates of the term of the lease, based on the non-cancellable period and the periods covered by renewal options whose exercise is discretionary for Ezentis and is considered reasonably certain, but never exceeding the limit of the expiry of the contract with the associated customer, only in the case of vehicle fleets. Assumptions are also used to calculate the discount rate, which depends mainly on the incremental rate of financing for the estimated terms.

The standard allows two methods of transition: one retroactively for each comparative period presented, and another retroactively with the cumulative effect of the initial application of the standard recognised on the date of transition. The Group has opted for the second method, i.e. the modified retrospective method, and consequently the cumulative effect of initial application of the new criteria has been recognised as an adjustment to the opening balance of equity on the date of adoption, 1 January 2019, amounting to Euros 2,211 thousand. Accordingly, the 2018 figures presented for comparison purposes have not been restated (i.e. prepared in accordance with the accounting regulations in force at the time, formerly IAS 17 Leases). The Group has also opted for the practical solution of not reassessing whether a contract is, or contains, a lease at the date of transition to IFRS 16, but rather applying the new requirements directly to all contracts which under the previous standard were identified as leases.

The Group has applied the following options provided for in the standard for the transition to the new criteria

- Measurement of the asset for right of use: for most contracts, the Group has chosen to measure the asset for right of use at an amount equivalent to that of the lease liability at the transition date, adjusted for those advance payments recognised in the balance sheet at the time immediately prior to first application.

- Discount rate: the Group has used common discount rates for groups of contracts with similar characteristics in terms of term, asset subject to the contract, currency and economic environment.

- Contracts that expire in 2019: the Group has opted to apply the practical solution that allows it not to adopt the new criteria for those contracts that expire during the first 12 months of application of the new rule.

- Initial direct costs: the Group excludes initial direct costs from the initial measurement of the asset per right of use at the date of first application.

The amendments introduced by IFRS 16 have had a significant impact on the Group's financial statements at the date of adoption, as shown below:

Impact of the first application	**Thousands of euros**
Opening balance of rights of use on 1 January 2019	**21.154**
Impact of IFRS 16 on rights of use of companies held for sale	-

(Thousands of euros)

Reclassification of property, plant and equipment under finance leases under IAS 17 (note 7)	10.644
Initial impact on assets at transition date	**31.798**
Opening balance of lease debt at 1 January 2019	**23.365**
Impact of IFRS 16 on rights of use of companies held for sale	-
Reclassification of finance lease debt under IAS 17	14.043
Initial impact on liabilities at the transition date	**37.408**

The weighted average of the incremental borrowing rates applied to discount the lease liabilities recognised in the statement of financial position at the transition date is as follows

	Rate
UGE	**2019**
Spain	5,0%
Brazil	9,3%
Chile	2,7% - 3%
Colombia	9%-10%
Peru	6%-8%
Argentina	25,0%

The main differences between the amount of committed payments under operating leases reflected in the consolidated annual accounts for the year ended 31 December 2018 and the measurement of new lease liabilities relate, inter alia, to

- Differences with respect to the contract population considered: the lease liability under IFRS 16 does not include short-term leases or leases which have expired in 2019 or leases for low-value assets, which are included in the expected payment schedule.

- Payments relating to contracts cancellable without penalty costs are not included in the figure for committed rental payments, but are included in lease liabilities under IFRS 16.

- Differences in the term of the lease: extension options that are considered to be reasonably certain form part of the measurement of the lease liability, but are not taken into account in the expected timing of operating lease payments. Furthermore, the rates used for discounting also differ as a result of such differences in the terms considered.

The following table shows the reconciliation between operating lease commitments reported in the 2018 consolidated annual accounts (excluding leases previously classified as finance leases) and the opening balance of lease debt under IFRS 16:

Thousands of euros	**01/01/2019**
Present value of future operating lease payments at 31-12-2018	**29.357**
Low-value and/or short-term leases and others	(10.059)
Others	1.740
Opening balance of lease debt at 1 January 2019	**21.038**

2.3) Qualification of Argentina as a hyperinflationary country

During 2018, a number of factors became apparent in the Argentine economy which made it necessary to reconsider the treatment followed to date by Ezentis in the conversion of the financial statements of its investee companies in that country, as well as the recovery of its financial investments in Argentina. These factors include the inflation rate reached in 2018 and that accumulated over the last three years, restrictions on the official currency conversion market and, finally, the devaluation of the Argentine peso, following a decision taken by the Argentine government. These factors have been maintained throughout 2019.

As a result, in accordance with International Financial Reporting Standards (IFRS), the Argentine economy was considered to be hyperinflationary in 2019 and 2018:

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

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

- That the income statement should be adjusted to reflect the financial loss/gain corresponding to the impact of the year's inflation on net monetary assets (gain/loss in purchasing power) on the net monetary position.

- That the various items in the income statement and cash flow statement should be adjusted by the inflationary index from their generation, with a balancing entry in financial results and a reconciling entry in the cash flow statement, respectively.

- And, finally, that all components of the Argentine companies' financial statements must be converted at the closing exchange rate (1 euro = 67.232514 Argentine pesos at 31 December 2019 and 1 euro = 43.2910 Argentine pesos at 31 December 2018).

  The general price indices applied were as follows:

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

  The value of the general price index used at 31 December 2019 amounted to 283.44 basis points and the change compared to the previous year was 53.83% (184.26 basis points at 31 December 2018).

  In accordance with the above, the main impacts on Ezentis' consolidated annual accounts for 2019 and 2018 are as follows

Thousands of euros		
	2019	**2018**

(Thousands of euros)

Income	65	(2.718)
EBITDA	(79)	(64)
Net result	8.410	6.405
Bookings	(5.600)	(1.964)
Net Equityw Effect	372	1.192

2.4) Changes in accounting policies and breakdowns

) New IFRS and IFRIC Interpretations

The accounting policies adopted for the preparation of the consolidated annual accounts for the year ended 31 December 2019 are the same as those followed for the preparation of the consolidated annual accounts for 2018, except for the following new standards and amendments published by the IASB and adopted by the European Union for application in Europe, which are mandatory for annual periods beginning on or after 1 January 2019:

IFRS 16 Leases:

Details of the new accounting policies for the Group's lease contracts, applied from the date of mandatory adoption of IFRS 16, are as follows

IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases, requiring lessees to account for all leases on the balance sheet in a single format, similar to the recording of finance leases under the repealed IAS 17.

At the commencement date of the lease (i.e. the date on which the underlying asset is available for use), the lessee recognises a liability for the present value of the lease payments due over the lease term and a right of use asset representing the right to use the underlying asset during the lease term. Rights of use assets are measured at cost less any accumulated amortisation and impairment losses, and are adjusted for any remeasurement of the lease liability. The cost of rights of use assets includes the amount of initial direct costs incurred and lease payments made before the commencement date less any incentives received. Rights of use are amortised on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term.

The Group does not record non-lease components separately from non-lease components for all asset classes in which the relative importance of the non-lease components is not significant with respect to the total value of the lease.

Lease payments include fixed payments (including fixed payments in substance) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid as residual value guarantees. Also included in the measurement of the lease liability is the exercise price of a purchase option, if the lessee is reasonably certain to exercise it, and the amount of the penalty for early termination, where the term of the lease reflects that the lessee will exercise such a termination option.

For the calculation of the present value of lease payments, the Group uses the incremental financing rate at the commencement date of the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and is reduced by the payments made. In addition, the value of the lease liability is adjusted in certain cases, such as changes in the term of the lease, changes in future lease payments resulting from a change in an index or rate used to determine such payments. The amount of the revaluation is generally recognised against an adjustment to the rights of use asset.

The standard includes two exemptions from recognition: "low value" asset leases (exemption the Group applies to office equipment) and short-term leases (exemption the Group applies to all leases with a term of 12 months or less). In these cases, accrued amounts are recognised as an expense on a straight-line basis over the lease period.

The Group determines the term of the lease as the non-cancellable term of the contract, together with any period covered by an extension (or termination) option the exercise of which is at the Group's discretion, if there is reasonable certainty that it will be exercised (or not). In its assessment, the Group considers all available information on the basis of the asset classes in the industry and analyses the relevant factors (technology, regulation, competition, business model) that provide an economic incentive to exercise or not exercise a renewal/termination option. In particular, the Group takes into consideration the time horizon of the strategic planning process of its activities. After the commencement date, the Group reassesses the term of the lease if there is a significant event or change in the circumstances under its control that may affect its ability to exercise (or not) a renewal or cancellation option (e.g. a change in business strategy).

IFRIC 23 Uncertainty in Income Tax Treatment

This IFRIC Interpretation addresses the accounting for income tax when the tax treatment involves uncertainty affecting the application of IAS 12. As the Group's current practice is in line with this Interpretation, the application of these criteria has not had a significant impact on the Group's results for the period. In the statement of financial position, these balances are presented under deferred tax liabilities or tax receivables, depending on whether they are deferred tax liabilities or current tax liabilities, respectively.

Amendments to IFRS 9 - Advance Cancellation Features with Negative Compensation

In accordance with IFRS 9, a debt instrument may be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual flows are only payments of principal and interest on the outstanding principal amount ("SPPI criterion") and that the instrument is held under a business model appropriate for such classification. This amendment clarifies that a financial asset may meet the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for such early termination. The application of this amendment has not had a significant impact on the Group's financial position or results for the period.

Amendments to IAS 28 - Long-term Investments in Associates and Joint Ventures

The amendments clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method does not apply, but which, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the IFRS 9 impairment model, based on expected loss, is applied to such long-term investments. The amendments also clarify that, in applying IFRS 9, an entity shall not take into account losses of the associate or joint venture, or impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture arising from the application of IAS 28 Investments in Associates and Joint Ventures.
The implementation of these amendments has not had a significant impact on the Group's financial position (balance sheet) or results for the period.

Annual Improvements to IFRS Standards Cycle 2015-2017

This text introduces a number of improvements to the existing IFRS, mainly to eliminate inconsistencies and clarify the wording of some of these standards.

(Thousands of euros)

- IFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the treatment of business combinations achieved in stages, including the revaluation at fair value of previously held interests in the assets and liabilities of the joint operation. In this way, the acquirer revalues its entire previous interest in the joint venture.

- IFRS 11 Joint arrangements

A party to a joint venture, but not having joint control over it, may obtain joint control of the joint venture whose activity constitutes a business as defined in IFRS 3.

- IAS 12 Income Taxes

The amendments clarify that the tax consequences of dividends are more directly linked to past transactions or events, which generated distributable profit, than to distributions to owners. Therefore, an entity recognises the tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the past transactions or events were originally recognised.

- IAS 23 Borrowing Costs

The amendments clarify that the entity treats as part of the generic financing any loan originally made to develop a qualifying asset, when substantially all the activities necessary to prepare that asset for its intended use or sale have been completed.

The implementation of these improvements has not had a significant impact on the Group's financial position (balance sheet) or results in the period.

2.4.2) New standards and interpretations not yet adopted

At the date of preparation of these consolidated annual accounts, the following standards and amendments to standards had been published by the IASB, but are not mandatory:

<table>
<tr><th colspan="2">Standards, Interpretations and Amendments to Standards</th><th>Mandatory application exercises started</th></tr>
<tr><td colspan="2">Approved</td><td></td></tr>
<tr><td>Amendments to IFRS 3 Definition of a Business</td><td>Amendments to IFRS 3 Definition of a Business</td><td rowspan="5">1 January 2020</td></tr>
<tr><td colspan="2">Not approved</td></tr>
<tr><td>Amendments to IAS 1 and IAS 8 Definition of Material or Materiality</td><td>Amendments to IAS 1 and IAS 8 Definition of Material or Materiality</td></tr>
<tr><td>Amendments to IFRS 9, IAS 39 and IFRS 7 Reference Interest Rate Reform</td><td>Amendments to IFRS 9, IAS 39 and IFRS 7 Reference Interest Rate Reform</td></tr>
<tr><td colspan="2">Amendments to References to the Conceptual Framework in IFRS Standards</td></tr>
<tr><td>IFRS 17 Insurance Contracts</td><td>IFRS 17 Insurance Contracts</td><td>1 January 2021</td></tr>
<tr><td>Amendments to IAS 1 Classification of Liabilities as Current and Non-Current</td><td>Amendments to IAS 1 Classification of Liabilities as Current and Non-Current</td><td>1 January 2022</td></tr>
</table>

Amendment to IFRS 3 - Definition of Business

This amendment introduces clarifications to the definition of a business in IFRS 3 in order to facilitate its identification in the context of a business combination or if it is an acquisition of a set of assets. In order for a set of activities and assets to be considered a business, they must include, as a minimum, inputs and a substantive process which, together, contribute significantly to the entity's ability to provide outputs.

The entry into force of this amendment will not have a significant impact on the Group.

Amendments to IAS 1 and IAS 8 - Definition of Materiality

This amendment clarifies the definition of materiality. Information is material if its omission, inaccuracy or concealment could reasonably be expected to influence the decisions that the primary users of financial information will make on the basis of the financial statements.

The entry into force of this amendment will not have a significant impact on the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7 - Reference Rate Reform

The IBOR index reform initiative has involved a project to modify IFRS 9, IAS 39 and IFRS 7, initially focused on identifying the impact that the reform of the IBOR indices will have on hedge accounting, as well as the concept of "uncertainty", since the complete replacement of the IBOR indices will involve the modification of the hedging instruments.

In order to avoid this situation, on 26 September 2019 the IASB published a series of amendments to IFRS 9, IAS 39 and IFRS 7 which make it possible to mitigate the possible effects of the uncertainty caused by the reform of the IBOR indices, avoiding the interruption of the affected hedging relationships.

The Group has decided not to adopt the published amendments in advance and will apply them on the mandatory adoption date of 1 January 2020. In this regard, the Group's interest rate hedging relationships are linked to Euribor (see note 3.1), an index which has been modified without generating uncertainty in the application of hedge accounting.

The Group considers that the adoption of the published standards and amendments, but not effective, based on the analyses carried out to date, will not have a significant impact on the consolidated annual accounts in the initial period of application.

2.5) Declaration of insolvency proceedings of the Group's Argentinean subsidiaries

In December 2019 the Group's Argentinean companies filed for bankruptcy protection in order to reorganise their liabilities. A process has also been initiated to seek different alternatives for the continuity of current telecommunications and energy activities, which could include strategic alliances with third parties. Consequently, the results of the activities to be discontinued have been classified as results of discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

3. Financial risk management

3. 1 Financial risk factors

The Ezentis Group has an Integrated Risk Management System through which it identifies, assesses, prioritises and manages the Group's relevant risks. This System operates in an integral and continuous manner and is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies that form or have formed part of the Ezentis Group throughout the year.

The purpose of this Integrated Risk Management System is to ensure that risks that may affect the Ezentis Group's strategies and objectives are identified, analysed, evaluated, managed and controlled in a systematic way, with uniform criteria and establishing them within the established risk tolerance levels.

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

The Audit and Compliance Committee, as the Board's delegated body, is responsible for supervising the internal control systems for financial information (SCIIF) and periodically ensuring the risk management system, so that the main risks are identified, managed and appropriately publicised.

Risk management is carried out by the heads or owners of risks of the Group's various business units/countries, all in accordance with the guidelines and criteria established in the Group's Risk Management Policy and the Risk Management Manual.

Financial risk management in particular is the responsibility of the Finance Department, which evaluates and covers financial risks in collaboration with the Group's operational units, providing policies for global risk management as well as for specific areas. Financial risks are risks associated with the financial markets and the generation and management of cash. They include those related to liquidity and management of working capital, access to financial and capital markets, credit risk, and exchange and interest rate fluctuations.

Financial instruments

The financial instruments held by the Group at 31 December 2019 and 2018 are as follows

	Thousands of euros			
	As of December 31st			
	2019		2018	
	Valuation at amortised cost	**Valuation at Fair Value. Hedging instruments**	**Valuation at amortised cost**	**Valuation at Fair Value. Hedging instruments**
Financial asset instruments				
Deposits and guarantees	18.783	-	17.151	-
Non-current financial assets	**18.783**	**-**	**17.151**	**-**
Sales and service customers	**122.080**	**-**	**138.728**	**-**
Deposits and guarantees	7.731	-	4.431	-
Other current financial assets	**7.731**	**-**	**4.431**	**-**
Cash and cash equivalents	**21.854**	**-**	**19.077**	**-**
Current financial assets	**151.665**	**-**	**162.236**	**-**
Total	**170.448**	-	**179.387**	-
Liability financial instruments				
Amounts owed to credit institutions (Note 15)	**112.092**	**-**	**86.085**	-
Non-current lease liabilities	**20.043**	**-**	**-**	**-**
Non-current finance lease liabilities	**-**	**-**	**8.874**	**-**
Derivative instruments	**-**	**2.524**	**-**	982
Loans and other items payable	564	-	1.578	-
Other non-current financial liabilities	**564**	**-**	**1.578**	**-**
Total non-current financial liabilities	**132.699**	**2.524**	**96.537**	**982**
Amounts owed to credit institutions (Note 15)	**17.718**	**-**	**20.820**	**-**
Current lease liabilities	**17.124**	**-**	**-**	**-**
Current financial lease liabilities	**-**	**-**	**5.169**	**-**
Loans and other items payable	848	-	2.129	-
Other financial liabilities	**848**	**-**	**2.129**	**-**
Suppliers	**146.357**	**-**	**125.157**	**-**
Total current financial liabilities	**182.047**	**-**	**153.275**	**-**
Total	**314.746**	**2.524**	**249.812**	**982**

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

Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1). The Ezentis Group does not have any financial instruments which are measured using this method.

Data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2).

Data for assets or liabilities that are not based on observable market data (i.e. unobservable data) (Level 3)

2019	Level 1	Level 2	Level 3	Total
Liabilities				
Financial instruments				
- Derivatives	**-**	**-**	**2.524**	**2.524**

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

Interest rate risk

Interest rate changes change the fair value of financial assets and liabilities which bear a fixed interest rate, and the cash flows from financial assets and liabilities which are linked to a floating interest rate, and therefore affect both equity and profit, respectively. In order to mitigate this risk, the Group maintains an active interest rate risk management policy, with constant monitoring of the market. Financial debts and other creditors, as well as our clients' contracts, are linked to market interest rates and inflation rates.

Only a portion of financial liabilities are subject to fair value risk by interest rate. Financial liabilities and other creditors bear interest at a rate linked to Euribor.

The structure of the debt at 31 December 2019 and 2018 is as follows

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Fixed interest rate	38.579	17.750
Variable interest rate	129.810	106.905
Total	**168.389**	**124.655**

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

To hedge against interest rate risk, the group has contracted financial instruments to cover 65% of total corporate debt at nominal value at 31 December 2019. (69% at 31 December 2018).

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

Derivatives contracted by the Group at 31 December 2019 are as follows

Classification	Type	Nominal value (thousands of euros)	Expiry date (*)	Fair value (thousands of euros)	
				Active	Liability
Swap interest	Variable to Fixed	24.112	31/07/2024	-	567
Swap interest	Variable to Fixed	8.444	31/07/2024	-	199
Swap interest	Variable to Fixed	8.444	31/07/2024	-	199
Swap interest	Variable to Fixed	36.000	31/07/2025	-	1.559
		77.000		**-**	**2.524**

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

The interest rate is covered by an interest rate swap. In the Interest Rate Swap, interest rates are swapped so that the Company receives a floating interest rate from the bank in exchange for a fixed interest payment. The Interest Rate Swap has been designated as a cash flow hedge.

At 31 December 2019 the fair value of Ezentis' foreign currency interest rate hedges is estimated to amount to a net liability position of Euros 2,524 thousand (Euros 982 thousand at 31 December 2018).

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

In Thousands of Euros		**Increase/decrease in the interest rate (referenced to Euribor)**	**Effect on pre-tax profit**
	2019	+/-1%	+/- 1.298
	2018	+/-1%	+/- 1.209

Exchange rate risk

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

To mitigate these risks, the Group attempts to match, wherever possible, costs and revenues referenced to the same currency, as well as the amounts and maturities of assets and liabilities deriving from transactions denominated in currencies other than the euro. In this way, the Group has a natural exchange rate hedge which minimises foreign currency risk in its results, as it compensates for the risk of sales in the currency of each country with the purchases and personnel costs incurred, which are also made in the same currency.

The currencies other than the euro in which the Group operates most at 31 December 2019 are the Argentinean peso, the Chilean peso, the Brazilian real, the Peruvian nuevo sol, the Colombian peso and the Mexican peso. The sensitivity of results and equity (increase and decrease) of these currencies against the euro is as follows

	Thousands of Euros	
	31.12.2019	**31.12.2018**
Argentina		

(Thousands of euros)

Effect on pre-tax profit	(+5% / - 5%)	141	(629)
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	(189)	(397)
Chile			
Effect on pre-tax profit	(+5% / - 5%)	32	(414)
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	712	812
Peru			
Effect on pre-tax profit	(+5% / - 5%)	(46)	(61)
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	1.401	1.439
Brazil			
Effect on pre-tax profit	(+5% / - 5%)	(226)	(102)
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	1.192	1.692
Colombia			
Effect on pre-tax profit	(+5% / - 5%)	(31)	(32)
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	190	144
Mexico			
Effect on pre-tax profit	(+5% / - 5%)	(16)	62
Effect on equity (Adjustment for change in value)	(+5% / - 5%)	84	177

In 2019, 67.6% of turnover (73.8% in 2018) and 66.4% of the Group's operating expenses (74.4% in 2018) were incurred in foreign currency.

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

		Net amount of turnover
	2019	**2018**
Brazil	157.064	134.680
Chile	91.062	91.974
Peru	36.931	40.746
Argentina	1.256	33.529
Mexico	8.682	11.973
Colombia	8.414	9.538
Total foreign currency other than the euro	**303.409**	**322.440**
Net turnover	**448.738**	**436.985**
% of transactions in currencies other than the euro	**67,6%**	**73,8%**

The carrying amount of property, plant and equipment located abroad was Euros 18,313 thousand at 31 December 2019 (Euros 28,501 thousand at 31 December 2018), representing 80.0% of the total carrying amount of property, plant and equipment at 31 December 2019 (91.7% at 31 December 2018).

The carrying amount of other intangible assets located abroad is Euros 33,622 thousand at 31 December 2019 (Euros 36,943 thousand at 31 December 2018), which mainly includes Euros 24,867 thousand of goodwill of Ezentis Perú, S.A.C. At 31 December 2019, Euros 5,969 thousand of goodwill and intangible assets were identified in Ezentis Brazil S.A. In addition, Euros 233 thousand relates to intangible assets identified in the Colombian subsidiary Ezentis Colombia, S.A.S. and goodwill and intangible assets identified in the acquisition of the Chilean subsidiary Tecnet, S.A., amounting to Euros 1,852 thousand.

Finally, the carrying amount of rights of use on leases located abroad amounts to Euros 23,587 thousand.

Credit risk

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

The Ezentis Group mitigates this risk through policies that ensure that projects are carried out for customers with an adequate credit history, for which the corresponding solvency analyses are established.

Commercial debt is reflected in the consolidated balance sheet net of loan loss provisions estimated by the Group based on the age of the debt and experience in previous years, in accordance with the previous segregation of the customer portfolio and the current economic environment (expected loss).

The Technology and, especially, the Telecommunications business lines depend on the group headed by Telefónica, S.A., and will represent approximately 55.1% of the group's revenues in 2019 (50.2% in 2018). In relation to accounts receivable, the Group minimises credit risk through non-recourse factoring of accounts receivable from the main customers of certain business areas. There is no historical record of invoices not serviced by Telefónica Group companies.

The credit risk of liquid funds is limited because the counterparties are banks of high credit quality. Similarly, the vast majority of unmatured, unprovisioned accounts receivable have a high credit quality according to the Group's assessment, based on an analysis of the solvency and payment history of each customer (expected loss).

The analysis of customer collection risk for sales and services at 31 December 2019 and 2018 is the next one:

Thousands of euros

	31 December 2019			**31 December 2018**		
	Expired and not deteriorated	Not Expired	Total	Expired and not deteriorated	Not Expired	Total
Less than 180 days	3.821	23.545	27.366	6.351	39.838	46.189
More than 180 days	1.078	-	1.078	1.002	-	1.002
TOTAL	**4.899**	**23.545**	**28.444**	**7.353**	**39.838**	**47.191**

Less than 180 days:

The tranche presented for Euros 27,366 thousand in 2019 (Euros 46,189 thousand in 2018) is considered to be of very low risk as it corresponds to customers who are less than 180 days old and have very good credit quality. In accordance with the Group's history with respect to these customers, risk is considered to be very low (less than 1% of customers in this category become defaulted).

More than 180 days:

In the section presented as a customer over 180 days old amounting to Euros 1,078 thousand at the end of 2019 (Euros 1,002 thousand at the end of 2018) is considered low risk, even though it corresponds to customers who have matured in full.

Note 13 shows that balances with clients over 180 days old are considered to be impaired, amounting to Euros 1,085 thousand at 31 December 2019 (Euros 1,085 thousand at 31 December 2018).

Liquidity Risk

This risk is caused by the time lag between the resources generated by the activity and the required funding requirements. To mitigate this risk, the Group determines cash requirements using various budgeting tools, as well as measures for managing working capital. These tools are used to identify cash requirements in terms of amount and time, and plan financing needs.

At 31 December 2019 the Group has negative working capital of Euros 21,759 thousand (positive working capital of Euros 14,390 thousand at the end of 2018), mainly due to the application of IFRS 16 Leases, as described in note 2.2. Working capital without considering the application of IFRS 16 would have improved by Euros 11,976 thousand.

The Group is developing measures focused on rationalising and optimising the management of working capital and improving collection policies, as well as improving operational efficiency through a plan to reduce costs and optimise margins

At 31 December 2019 liquidity is available in the amount of Euros 21,854 thousand (Euros 19,077 thousand at 31 December 2018), taking into account cash and cash equivalents at 31 December 2019 (note 13.d).

Details of the maturities of existing financial liabilities at 31 December 2019 are as follows

	Thousands of euros at 31 December 2019				
	2020	**2021**	**2022**	**2023 onwards**	**Total**
Suppliers and other creditors	99.335	-	-	-	99.335
Remunerations to be paid	16.896	-	-	-	16.896
Current tax liabilities	30.126	-	-	-	30.126
Debts with credit institutions	17.718	11.586	12.597	87.909	129.810
Leasing liabilities	11.976	8.005	2.537	4.588	27.106
Other lease liabilities	5.148	4.044	674	195	10.061
Derivative financial instruments	-	-	-	2.524	2.524
Other financial liabilities	848	240	91	233	1.412
Total	**182.047**	**23.875**	**15.899**	**95.449**	**317.270**

Details of the maturities of financial liabilities maturing in 2020 are as follows

	Thousands of euros at 31 December 2019			
	Up to 3 months	**Between 3 and 6 months**	**Between 6 and 12 months**	**Total 2019**
Suppliers and other creditors	59.601	39.734	-	99.335
Remunerations to be paid	16.896	-	-	16.896
Current tax liabilities	15.063	12.050	3.013	30.126
Debts with credit institutions	9.277	1.499	6.942	17.718
Leasing liabilities	2.959	3.403	5.614	11.976
Other lease liabilities	2.553	909	1.686	5.148
Other financial liabilities	512	89	247	848
Total	**106.861**	**57.684**	**17.502**	**182.047**

The financial resources available in the first few months to meet the financial liabilities at 31 December 2019 are as follows

a) Cash and cash equivalents
b) Debtors: 122,080 thousand euros

The average period of work in progress at the end of 2019, considering total operating income, is 61 days (62 days at the end of 2018).

The amount estimated to be invoiced and collected in the following twelve months is the total amount of completed work pending invoicing at 31 December 2019, i.e. Euros 76,250 thousand (Euros 74,375 thousand at 31 December 2018).

The evolution of customers, executed work pending billing, is representative of the evolution experienced by the Group since 2017, with the acquisition of new companies and the awarding of new relevant contracts, as shown in the following summary:

	2019	**2018**	**2017**
Clients, work executed pending invoicing	76.250	74.375	56.508
Net turnover	448.738	436.985	394.689
% / Net turnover	**17,0%**	**17,0%**	**14,3%**

Financial year 2018:

Details of the maturities of existing financial liabilities at 31 December 2018 are as follows

	Thousands of euros at 31 December 2018				
	2019	**2020**	**2021**	**2022 and following**	**Total**
Suppliers and other creditors	89.820	-	-	-	89.820
Remunerations to be paid	11.052	-	-	-	11.052
Current tax liabilities	24.285	-	-	-	24.285
Debts with credit institutions	25.989	12.205	13.735	69.019	120.948
Derivative financial instruments	-	-	-	982	982
Other financial liabilities	2.129	753	273	552	3.707
Total	**153.275**	**12.958**	**14.008**	**70.553**	**250.794**

Capital risk

The objectives of the Group's capital management are to safeguard the capacity of capital to ensure the operation and development of the Group and thus provide the best return for shareholders. The Group's strategy continues to focus on the diversification and geographical consolidation of its activity, both in Spain and in other countries.

The cost of capital, as well as the risks associated with it in each investment project, are analysed by the operating areas and the financial management for subsequent evaluation by the corresponding committee, or the board of directors, with reports if necessary from other functional areas of the Group.

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

The leverage ratio used at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	As of December 31st	
	2019	**2018**
Debts with credit institutions	129.810	106.905
Leasing liabilities	37.167	-
Financial lease liabilities	-	14.043
Other financial liabilities	1.412	3.707
Cash and cash equivalents and current financial assets	(29.585)	(23.508)
Net debt	**138.804**	**101.147**
Net equity	14.312	32.038
Total capital employed in the business	**153.116**	**133.185**
Leverage rate	90,7%	75,9%

As discussed in Note 15, the quantitative restrictions on the financing contract include compliance with certain financial covenants:

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

The Group defines EBITDA as consolidated operating profit for the year before taxes (excluding profit from discontinued operations), before deducting interest, commissions, discounts and other financial payments by any member of the Group and excluding provisioned financial expenses, plus expenses attributable to depreciation, amortisation and impairment of assets, before other results considered to be of a non-recurring nature, before deducting any costs associated with the transaction from the financing itself, after deducting the profit or loss associated with minority interests, excluding the share of results of associates, before taking into account recognised gains or losses on changes in the fair value of derivative instruments or the revaluation of any other asset and before taking into account any impact of pension plans and share option plans.

(Thousands of euros)

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

	2019	2019(*)	2018
Result of the year	**4.014**	**4.014**	**(14.697)**
Income tax	11.056	11.056	17.862
Financial result	(18.837)	(15.543)	(31.612)
Amortization and depreciation	(27.713)	(12.243)	(12.945)
Variation in provisions	(10.438)	(10.438)	416
Other results - non-recurring (note 22)	(4.772)	(4.772)	(16.185)
Profit for the year from discontinued operations net of tax	(3.354)	(3.354)	(2.373)
EBITDA	**58.072**	**39.308**	**30.140**

(*) Without considering the effects of the application of IFRS 16

4. Accounting estimates and judgements

The preparation of consolidated annual accounts in accordance with EU-IFRS requires management to make estimates and assumptions that could affect the accounting policies adopted and the amount of assets, liabilities, income, expenses and related disclosures. The estimates and assumptions made are based on, among other things, historical experience or other events considered reasonable under the facts and circumstances at the balance sheet date, the result of which represents the basis for judgement on the carrying amount of assets and liabilities not otherwise immediately determinable. Actual results may differ from those estimated.

The accounting estimates and judgements used at 31 December 2019 have been applied on a uniform basis with respect to employees in the preparation of the consolidated annual accounts for 2018.

Details of the main estimates made by Group management are as follows

4.1. Useful lives and impairment testing of property, plant and equipment and intangible assets

Group management determines the estimated useful lives and corresponding depreciation charges for its property, plant and equipment and intangible assets. The useful lives of assets are estimated in relation to the period over which the assets will generate economic benefits.

The Group reviews the useful lives of its assets at each balance sheet date and, if the estimates differ from those previously made, the effect of the change is recognised prospectively from the year in which the change is made, as has occurred in the case of certain intangible assets, which have been considered, based on the best estimate made by Group management, to have a useful life of ten years based on the economic and historical reality of the duration of these assets.

Group management tests intangible assets with indefinite useful lives (goodwill) for impairment at least at the end of each year. The recoverable amount of each cash-generating unit (hereinafter "CGU") to which goodwill has been allocated has been determined on the basis of calculations of value in use using the discounted cash flow method.

4.2. Income tax and deferred tax assets

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

The Group also assesses the recoverability of deferred tax assets on the basis of the existence of future taxable profits and other similar tax assets against which it is possible to realise these assets.

At 31 December 2019 the Group has recorded deferred tax assets mainly in Brazil amounting to Euros 6,140 thousand, in Chile amounting to Euros 7,566 thousand, in Peru amounting to Euros 1,927 thousand, in Argentina amounting to Euros 1,340 thousand and in Spain amounting to Euros 29,068 thousand in respect of temporary differences, tax loss carryforwards and double taxation deductions pending application at the consolidated tax group level.

4.3. Accounts receivable and financial assets

The Group makes estimates in relation to the collectibility of balances owed by customers in those projects where there are disputes to be resolved or litigation in progress arising from disagreement on the work performed or failure to comply with contractual clauses linked to the performance of assets delivered to customers.

4.4. Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will give rise to an outflow of resources and the amount of the obligation can be reliably estimated. To comply with the requirements of this accounting standard, significant estimates are required. Group management makes estimates, evaluating all relevant information and events, of the probability of occurrence of the contingencies and the amount of the liability to be settled in the future.

4.5. Revenue recognition

The income recognition method used by the Group for certain service contracts is the percentage-of-completion method. The degree of completion is determined on the basis of the economic valuation of the tasks actually performed at the balance sheet date as a percentage of total estimated revenue for each contract. In applying the percentage of completion method, the Group makes significant estimates in relation to milestones completed and milestones pending completion. These estimates are reviewed and evaluated periodically.

It is also standard practice for contracts entered into by the Ezentis Group with its customers to contain different types of variable consideration such as bonuses or penalties passed on by the customers. The correct estimation of variable consideration is a relevant aspect of Ezentis Group revenue recognition which requires the application of judgement. The Group includes part or all of the amount of variable consideration in the transaction price only to the extent that it is highly probable that, when the uncertainty regarding variable consideration is resolved, there will be no significant reversal of the amount of cumulative revenue recognised.

4.6 Derivatives

The interest rate is covered by an interest rate swap. In the Interest Rate Swap, interest rates are swapped so that the Company receives a floating interest rate from the bank in exchange for a fixed interest payment. The interest rate swap has been designated as a cash flow hedge in accordance with IFRS 9 Financial Instruments.

5. Business combinations

Financial year 2019

On 30 September 2019 the Group, through its subsidiary Excellence Field Factory, S.L.U. has reached an agreement with Liteyca, S.L. for the acquisition of a branch of activity which it integrates:

i) the assignment of the contracts with Telefónica de España, S.A. for "Customer Loop" and "FTTH Project Mode Fibre Deployment" in the geographical area of the Spanish provinces of Madrid, León, Ávila, Salamanca, Zamora and the Canary Islands (Gran Canaria, Fuerteventura and Lanzarote); and

ii) the transfer of personnel, productive fixed assets and leasing contracts for premises and fleet assigned to those provinces which constitute the autonomous productive unit for the continuity of the provision of the services set out in the Contracts.

The agreed price amounted to 27,500 thousand euros.

The following table summarises the carrying amount, the consideration given at the date of the transaction at 30 September 2019, the fair values of the assets acquired and the liabilities assumed, in order to acquire control:

	Thousands of euros
Effective	27.500
Total consideration transferred 30-9-2019	**27.500**

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value	Adjustments Fair value	Fair value
Intangible assets	-	26.614	26.614
Tangible Fixed Assets	886	-	886
Total identifiable net assets	**886**	**26.614**	**27.500**
Difference in the business combination			-
Total			**27.500**

The valuation of the net assets acquired in 2019 was performed by an independent expert in order to express an independent opinion on the fair value of certain intangible assets identified in accordance with criteria established by international financial reporting standards IAS 38 and IFRS 3.

Ordinary income recognised in the consolidated annual accounts at 31 December 2019 in respect of the branch of activity acquired amounts to Euros 6,735 thousand for the period October to December, and net profit contributed amounts to Euros 326 thousand.

If the Group had consolidated the acquisition of this branch of activity from 1 January 2019, the consolidated income statement would show pro-forma ordinary income of Euros 488.7 million, operating profit before depreciation, amortisation and other results (EBITDA) of Euros 62.8 million and a profit for the year of Euros 4.6 million.

Financial year 2018

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

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

	Thousands of euros
Cash payments	9.197
Payments in own equity instruments (shares) (note 14.a)	19.500
Total consideration transferred 1-6-2018	**28.697**

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

The recognised amounts of identifiable assets acquired and liabilities assumed were as follows

(Thousands of euros)

	Book value	Adjustments Fair value	Fair value
Intangible assets	3.774	1.531	5.305
Tangible Fixed Assets	925	-	925
Non-Current Financial Assets	4.996	-	4.996
Deferred tax assets	-	-	-
Current Assets	34.877	1.328	36.205
Current Financial Assets	225	(3)	222
Cash and Cash Equivalents	18.865	(2)	18.863
Deferred tax liabilities	-	(383)	(383)
Non-current liabilities	(4.996)	-	(4.996)
Current liabilities	(25.746)	(1.859)	(27.605)
Total identifiable net assets	**32.920**	**612**	**33.532**
Negative consolidation difference (note 22.e)			(4.835)
Total			**28.697**

The valuation of the net assets acquired in 2018 was performed by an independent expert in order to express an independent opinion on the fair value of certain intangible assets identified in accordance with criteria established by international financial reporting standards IAS 38 and IFRS 3.

In order to verify the reasonability of the negative consolidation difference arising from the purchase transaction, an analysis was carried out of the nature of the items comprising the balance sheet of the acquired company. The purpose is to assess whether there are any items whose fair value is susceptible to additional adjustments to those already made prior to the integration of the company in the scope of consolidation.

The balance sheet of the acquired company presents the following structure, in which 5 large groups are established:

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

ii. Cash and cash equivalents

iii. Tangible fixed assets

iv. Deferred tax assets

v. Intangible assets

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

The negative consolidation difference arising from the transaction, totalling Euros 4,835 thousand (see note 22.e), is mainly identified with the structure of the business acquired, which presents working capital financing needs for growth, which is covered through non-recourse debt.

Ordinary income recognised in the consolidated annual accounts at 31 December 2018 for the acquired company amounts to Euros 87,588 thousand for the period June to December 2018, and contributed profit of Euros 3,716 thousand for this period.

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

At 31 December 2019, following a period of one year from the date of recognition of the business combination, there have been no changes in the measurement of assets and liabilities acquired which have led to differences in the initial recognition of the business combination.

Goodwill

The movements in goodwill, the only intangible assets with an indefinite useful life, are shown below:

	Thousands of euros	
	31.12.2019	**31.12.2018**
Opening balance	34.539	34.681
Translation differences	792	(142)
Final balance	**35.331**	**34.539**

Goodwill has not been impaired since its initial recognition in the consolidated annual accounts.

The Group has considered the impact of the application of IFRS 16 on estimates of the net value of assets associated with each CGU, as well as on the expected future cash flows of the CGU, considering the assets for rights of use in the carrying amount of the CGU and the impact of the new standard on the determination of operating flows, reducing the value in use of the CGU by the amount of the lease liability. These considerations have not had a significant effect on the conclusions regarding the existence of impairment at 2019 year end.

At 31 December 2019 the Group has recognised the effect of translation differences for the year amounting to Euros 792 thousand on goodwill arising on business combinations with Ezentis Perú, S.A.C., Ezentis Brasil, S.A. and Tecnet, S.A.

Details of goodwill in the consolidated balance sheet for each CGU and the segments in which they are presented are as follows

		Thousands of euros	
UGE	**Segment**	**31.12.2019**	**31.12.2018**
Ezentis Peru	Peru	24.867	23.958
Ezentis Brazil	Brazil	4.767	-
Ezentis Energia	Brazil	-	2.869
Ezentis Engineering	Brazil	-	1.975
Networks Test Group	Spain	4.821	4.821
Tecnet	Chile	876	916
Total		**35.331**	**34.539**

Changes in goodwill are due to translation differences as these have been generated in a currency other than the Group's functional and presentation currency, which is the euro.

Evidence of impairment of goodwill

Goodwill is allocated to each CGU. Impairment tests have been performed at 31 December each year.

The directors of the Parent company have performed impairment tests on goodwill at 31 December 2019 and 2018, identifying that the projected cash flows attributable to each CGU support the value of the goodwill recorded. The projections used to calculate value in use are based on the 2020 budget approved by the directors of the Group's Parent, economic growth forecasts for the sector in each country and long-term projections, considering a projection period up to 2025, made by each of the local managements in these countries.

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

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

It should be noted that in the case of the Networks Test Spain CGU, the activity of the Ezentis Tecnología group company has been included as it belongs to the same Business Management and Decision Unit.

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

	Discount rate %.		Residual growth rate %.		
UGE	**2019**	**2018**	**2019**	**2018**	**Segment**
Ezentis Peru	10,6%	11,6%	3,6%	2,9%	Peru
Ezentis Brazil	13,7%	-	3,2%	-	Brazil
Ezentis Energia	-	14,6%	-	6,1%	Brazil
Ezentis Engineering	-	14,6%	-	6,1%	Brazil
Networks Test Spain	9,1%	6,0%	2,0%	2,0%	Spain
Networks Test Colombia	11,9%	9,2%	3,2%	4,7%	Colombia
Tecnet	9,6%	11,0%	3,2%	3,4%	Chile

In determining the discount rates, the current cost of money (mainly the 10-year Spanish government bond and 10-year bonds from Brazil, Colombia, Peru and Chile), the weighted average capital rate and risk premiums generally used by analysts for the business and considering the geographical area were taken into account. The Group has re-estimated the discount rates applied on the basis of the new debt structure as a result of the refinancing process concluded in 2019, which allows for a significant reduction in the financial cost of corporate debt (see note 15).

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

The equivalent pre-tax discount rates would be

UGE	Discount rate %. 2019	2018
Ezentis Peru	12,7%	15,0%
Ezentis Brazil	19,1%	-
Ezentis Energia	-	19,9%
Ezentis Engineering	-	20,7%
Networks Test Spain	9,1%	7,3%
Networks Test Colombia	14,3%	12,3%

In the case of residual growth rates, both the expected long-term economic growth and inflation for each of the countries where each CGU is located have been considered.

In all cases, growth rates have been considered to be lower than the sum of the growth rates of the average product or industry plus the long-term inflation rates in which the CGUs operate, which were obtained from the "EIU, Thomson Reuters and analysts' report":

Residual growth rate				L/P inflation
Countries	Min.	Max.	Media	2020
Brazil	3,20%	3,70%	3,45%	5,56%
Spain	1,50%	2,00%	1,75%	2,00%
Colombia	3,30%	3,80%	3,55%	4,57%
Peru	2,50%	3,00%	2,75%	2,76%
Chile	2,90%	3,40%	3,15%	3,20%

The carrying amount of each CGU at 31 December 2019 and 2018 and its recoverable amount is as follows:

Thousands of euros	2019		2018	
UGE	Book value	Recoverable value	Book value	Recoverable value
Ezentis Peru	26.842	33.322	24.569	26.543
Ezentis Brazil	25.572	53.039	-	-
Ezentis Energia	-	-	16.488	27.320
Ezentis Engineering	-	-	10.818	54.507
Networks Test Group	14.898	22.449	10.047	20.768
Tecnet	10.536	33.900	6.422	36.643

In all cases, sensitivity tests were performed in relation to the discount rate and the residual growth rate, and the conclusions obtained with respect to the valuation of the asset did not vary, as shown in the following table:

Thousands of euros	**2019**			**2018**		
UGE	**Discount rate %.**	**Growth rate %.**	**Recoverable value**	**Discount rate %.**	**Growth rate %.**	**Recoverable value**
Ezentis Peru	-	+1/-1	37.838 / 29.928	-	+1/-1	28.678 / 24.849
	+1/-1	-	28.973 / 39.127	+1/-1	-	23.960 / 29.789
Ezentis Brazil	-	+1/-1	55.663 / 50.872	-	-	-
	+1/-1	-	49.481 / 57.285	-	-	-
Ezentis Energia	-	-	-	-	+1/-1	30.113/25.114
	-	-	-	+1/-1	-	24.116/31.386
Ezentis Engineering	-	-	-	-	+1/-1	59.090/50.088
	-	-	-	+1/-1	-	49.061/61.376
Networks Test Group	-	+1/-1	30.086 / 24.370	-	+1/-1	26.208 / 17.433
	+1/-1	-	23.542 / 31.179	+1/-1	-	16.717 / 27.385
Tecnet	-	+1/-1	38.738 / 30.370	-	+1/-1	40.368 / 33.786
	+1/-1	-	29.379 / 40.086	+1/-1	+1/-1 -	32.535 / 41.989

7 . Other intangible assets and rights of use under leases

7 a) Other intangible assets

Movement in this heading on the assets side of the accompanying consolidated balance sheet is as follows

Financial year 2019:

	Thousands of euros		
	Contracts, Customer Portfolio and Non-competition Agreements	**Other Intangible Fixed Assets**	**Total**
Cost:			
Opening balances	16.179	22.415	38.594
Additions	26.893	6.920	33.813
Withdrawals or withdrawals	-	(589)	(589)
Transfers	-	-	-
Translation differences	2.362	(5.016)	(2.654)
Final balances	45.434	23.730	69.164
Accumulated amortization:			
Opening balances	(10.131)	(12.056)	(22.187)
Budget for the year	(1.884)	(2.090)	(3.974)
Translationdifferences	(34)	(11)	(45)
Final balances	(12.049)	(14.157)	(26.206)
Other net intangible assets:			
Opening balances	**6.048**	**10.359**	**16.407**
Final balances	**33.385**	**9.573**	**42.958**

Financial year 2018:

	Thousands of euros		
	Contracts, Customer Portfolio and Non-competition Agreements	**Other Intangible Fixed Assets**	**Total**
Cost:			
Opening balances	12.656	16.170	28.826
Additions	12	6.906	6.918
Business combinations (Note 5)	5.305	-	5.305
Translation differences	(1.794)	(661)	(2.455)
Retreats	-	-	-
Final balances	16.179	22.415	38.594
Accumulated amortization:			
Opening balances	(7.155)	(10.058)	(17.213)
Budget for the year	(2.976)	(2.107)	(5.083)
Translationdifferences	-	109	109
Final balances	(10.131)	(12.056)	(22.187)
Other net intangible assets:			
Opening balances	**5.501**	**6.112**	**11.613**
Final balances	**6.048**	**10.359**	**16.407**

The 2019 additions in Contracts, Customer Portfolio and Non-competitive Agreements mainly correspond to the acquisition of the Liteyca, S.L. branch of activity. (see note 5). Amortisation of this intangible asset has commenced as from 30 September 2019, the acquisition date.

During 2019 and 2018 the Group has developed computer applications internally. Total investment in 2019 for this concept amounts to Euros 711 thousand (Euros 1,970 thousand in 2018). These developments have been financed mainly through grants from the Centre for the Development of Industrial Technology (CDTI) and the Ministry of Industry.

In addition, during 2019 the Group has added and developed internal computer applications amounting to Euros 3,040 thousand in connection with the digital transformation process in which the Group is fully immersed.

At 31 December 2019 other intangible assets in use amounting to Euros 4,139 thousand gross have been fully amortised (Euros 2,738 thousand at 31 December 2018).

At 31 December 2019 the Group has investments in other intangible assets with a carrying amount of Euros 3,112 thousand (Euros 8,533 thousand at 31 December 2018).

Provision for impairment

Based on the measurement of intangible assets with a defined useful life, during 2019 and 2018 the directors of the Parent company have assessed the cash-generating units of other intangible assets and determined that their recoverable amount, defined as value in use, exceeds their carrying amount.

7 b) Rights of use on leases

Movement in this heading on the assets side of the accompanying consolidated balance sheet is as follows

	Thousands of euros	
	Rights of use on leases	**Total**
Cost:		
Opening balances	-	-
Transfer of fixed assets under IAS 17 (Note 8)	21.593	21.593
Additions	40.080	40.080
Withdrawals or withdrawals	-	-
Transfers	-	-
Conversion differences	(260)	(260)
Final balances	61.413	61.413
Accumulated amortization:		
Opening balances	-	-
Transfer of fixed assets under IAS 17 (Note 8)	(10.949)	(10.949)
Budget for the year	(20.395)	(20.395)
Conversion differences	9	9
Final balances	(31.335)	(31.335)
Other net intangible assets:		
Opening balances	**-**	**-**
Final balances	**30.078**	**30.078**

The movement of use rights by nature is as follows:

	Thousands of euros				
Financial year 2019	**Rights of use of constructions**	**Machinery use rights**	**Rights of use of Transport Elements**	**Rights of use of information equipment and others**	**Total**
Cost:					
Opening balances	-	-	-	-	-
Transfer of fixed assets under IAS 17	-	165	18.328	3.100	21.593
Conversion differences	3	(8)	(261)	6	(260)
Additions	14.094	-	24.886	1.100	40.080
Retreats / Transfers					-
Final balances	14.097	157	42.953	4.206	61.413
Accumulated amortization:					
Opening balances	-	-	-	-	-
Transfer of fixed assets under IAS 17	-	-	(7.849)	(3.100)	(10.949)
Conversion differences	-	-	10	(1)	9
Funding	(5.574)	-	(14.883)	62	(20.395)
Retreats / Transfers	-	-	-		-
Final balances	(5.574)	-	(22.722)	(3.039)	(31.335)
Net tangible fixed assets:					
Opening balances	**-**	**-**	**-**	**-**	**-**

Details of lease expenses included under "Other operating expenses" (see note 22) in the consolidated income statement for 2019 are as follows

Operating leases	Thousands of euros
	31.12.2019

At 31 December 2019 the Group has investments in leasing rights abroad with a carrying amount of Euros 23,587 thousand.

8. Tangible fixed assets

The movement in this chapter of the consolidated balance sheet during 2019 and 2018 was next:

Financial year 2019:

						Thousands of euros
Financial year 2019	**Land and Buildings**	**Technical Installations and Machinery**	**Tools and Furniture**	**Transport elements**	**Information Equipment and Other Fixed Assets**	**Total**
Cost:						
Opening balances	877	7.369	9.895	38.067	14.731	70.939
Transfer of fixed assets under IAS 17 (Note 7)	-	(165)	-	(18.328)	(3.100)	(21.593)
Conversion differences	3	(623)	546	691	(1.220)	(603)
Additions (Note 23)	182	1.185	1.243	948	2.147	5.705
Retreats / Transfers	-	5.154	-	-	(5.154)	-
Final balances	1.062	12.920	11.684	21.378	7.404	54.448
Accumulated amortization:						
Opening balances	(829)	(4.644)	(7.499)	(19.270)	(7.119)	(39.361)
Transfer of fixed assets under IAS 17 (Note 7)	-	-	-	7.849	3.100	10.949
Conversion differences	(7)	109	294	214	86	696
Funding	(22)	(1.363)	(899)	(317)	(743)	(3.344)
Retreats / Transfers	-	-	-	-	-	-
Final balances	(858)	(5.898)	(8.104)	(11.524)	(4.676)	(31.060)
Provision for impairment						
Opening balance		(485)				(485)
Final balances	-	(485)	-	-	-	(485)
Net tangible fixed assets:						
Opening balances	**48**	**2.240**	**2.396**	**18.797**	**7.612**	**31.093**
Final balances	**204**	**6.537**	**3.580**	**9.854**	**2.728**	**22.903**

The main additions in 2019 relate to the acquisition of computer equipment in Spain amounting to Euros 1,216 thousand and to tools, furniture and other items amounting to Euros 249 thousand, with additions in Chile amounting to Euros 1.In addition, the Company has acquired a total of Euros 809 thousand in machinery, computer equipment and other items and additions in Brazil amounting to Euros 2,166 thousand, which correspond to tools amounting to Euros 915 thousand, Euros 452 thousand in respect of transport equipment, Euros 267 thousand in respect of technical installations, Euros 239 thousand in respect of machinery and Euros 293 thousand in respect of other property, plant and equipment.

Financial year 2018:

	Thousands of euros					
Financial year 2018	**Land and Buildings**	**Technical Installations and Machinery**	**Tools and Furniture**	**Transport elements**	**Information Equipment and Other Fixed Assets**	**Total**
Cost:	890	8.813	10.956	21.253	10.733	
Opening balances	890	7.190	10.048	22.314	12.684	53.126
Conversion differences	(13)	(260)	(525)	(1.078)	(394)	(2.270)
Additions (Note 22)	-	439	372	17.720	2.218	20.749
Business combinations (Note 5)	-	-	-	702	223	925
Retreats	-	-	-	(1.591)	-	(1.591)
Final balances	877	7.369	9.895	38.067	14.731	70.939
Accumulated amortization:						
Opening balances	(804)	(3.822)	(6.600)	(14.828)	(5.679)	(31.733)
Conversion differences	-	44	33	91	26	194
Funding	(25)	(866)	(932)	(4.573)	(1.466)	(7.862)
Retreats	-	-	-	40	-	40
Final balances	(829)	(4.644)	(7.499)	(19.270)	(7.119)	(39.361)
Provision for impairment						
Opening balance		(485)				(485)
Final balances	-	(485)	-	-	-	(485)
Net tangible fixed assets:						
Opening balances	**86**	**2.883**	**3.448**	**7.486**	**7.005**	**20.908**
Final balances	**48**	**2.240**	**2.396**	**18.797**	**7.612**	**31.093**

The main additions in 2018 relate to acquisitions of transmission assets in Chile amounting to Euros 9,083 thousand, Brazil amounting to Euros 5,139 thousand, Peru amounting to Euros 1,350 thousand and Argentina amounting to Euros 2,116 thousand, acquisitions of information equipment and other assets in Chile amounting to Euros 252 thousand, Colombia amounting to Euros 450 thousand, Brazil amounting to Euros 544 thousand, Peru amounting to Euros 294 thousand and Argentina amounting to Euros 90 thousand.

Additions by business combination correspond to the addition to the consolidation scope of EFF (see note 5).

At 31 December 2019 fully depreciated property, plant and equipment amounts to Euros 7,187 thousand (Euros 6,226 thousand at 31 December 2018).

At 31 December 2019 and 2018 there are no mortgage guarantees on Group-owned property.

At 31 December 2019 and 2018 there are no contractual commitments for the purchase of fixed assets.

At 31 December 2019 the Group has investments in property, plant and equipment located abroad with a carrying amount of Euros 23,324 thousand (Euros 28,501 thousand at 31 December 2018).

9. Non-current assets and liabilities held for sale and profit from discontinued operations

The Board of Directors, at its meeting on 28 December 2018, took the decision to discontinue the operation and put the companies Radiotrónica Construcciones, S.A. up for sale. (Argentina) Grupo Comunicaciones y Sonido, S.L. (Spain) and GTS Thaumat XXI, S.A.U. (Spain). At the date of preparation of these consolidated annual accounts, the Group is actively pursuing the sale of these companies, considering that these sales will most likely materialise in the coming months.

During 2019 the decision was taken to discontinue the operation relating to certain contracts with customers of Ezentis Argentina, S.A. and Raselo S.A. (Argentina), as prior to the year end there was an agreement to transfer these contracts to a third party, which will continue to operate them in exchange for a benefit to the Group.

At 31 December 2019 and 2018 the following conditions have been met for the classification of non-current assets and liabilities as held for sale

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

9.1 Assets held for sale

Details of this caption at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	31.12.2019	**31.12.2018**
NON-CURRENT ASSETS	**1.062**	**834**
Intangible Assets	210	195
Tangible fixed assets	92	27
Non-Current Financial Assets	26	69
Deferred tax assets	734	543
CURRENT ASSETS	**5.975**	**5.916**
Stocks	3.244	476
Trade and other receivables	1.707	3.821
Other current assets	567	1.438
Cash and cash equivalents	457	181
TOTAL ASSETS	**7.037**	**6.750**

At 31 December 2019 and 2018, the Group's directors presented the business relating to the companies Radiotrónica Construcciones, S.A. as an asset or group of assets held for sale. (Argentina), Grupo Comunicaciones y Sonido, S.L. U. (Spain) and GTS Thaumat XXI, S.A.U. (Spain). The main assets correspond to deferred tax assets, inventories and trade receivables.

9.2 Liabilities associated with assets held for sale

Details of this caption at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	31.12.2019	**31.12.2018**
NON-CURRENT LIABILITIES	**709**	**58**
Provisions	515	50
Deferred tax liabilities	15	8
Other non-current liabilities	179	-
CURRENT LIABILITIES	**2.876**	**3.288**
Current financial liabilities	-	40
Trade and other payables	2.876	3.248
TOTAL LIABILITIES	**3.585**	**3.346**

At 31 December 2019 and 2018, this heading includes the liabilities associated with the assets of the companies Radiotrónica Construcciones, S.A. (Argentina), Grupo Comunicaciones y Sonido, S.L. U. (Spain) and GTS Thaumat XXI, S.A.U. (Spain). The main liabilities relate to trade payables.

9.3 Profit from discontinued operations

At 31 December 2019 and 2018, the results of discontinued operations include the results of discontinued operations of Radiotrónica Construcciones, S.A. (Argentina), Grupo Comunicaciones y Sonido, S.L. U. (Spain), GTS Thaumat XXI, S.A.U. (Spain) and certain contracts with clients of Ezentis Argentina, S.A. and Raselo S.A. (Argentina) amounting to Euros 3,354 thousand (Euros 2,373 thousand at 31 December 2018).

	Thousands of euros	
	31.12.2019	**31.12.2018**
Operating income	18.018	9.266
Operating costs	(22.659)	(10.682)
Operating profit	**(4.641)**	**(1.416)**
Financial result	**947**	**(1.392)**
Profit before tax	**(3.694)**	**(2.808)**
Tax on profits	340	435
Result of the year	**(3.354)**	**(2.373)**

9.4 Cash flow statement of discontinued operations

At 31 December 2019 and 2018 the cash flow statement for discontinued operations is as follows

	Thousands of euros	
	31.12.2019	**31.12.2018**
Cash flow from operating activities	**(1.722)**	**776**
Cash flow from investing activities	**-**	**(3.572)**
Cash flow from financing activities	**1.018**	**3.216**
Effect of exchange rate changes	**(127)**	**(146)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(831)**	**274**
Cash or cash equivalents at the beginning of the year	**1.288**	**1.014**

	Thousands of euros	
	31.12.2019	**31.12.2018**
Cash flow from operating activities	**(1.722)**	**776**
Cash flow from investing activities	**-**	**(3.572)**
Cash flow from financing activities	**1.018**	**3.216**
Effect of exchange rate changes	**(127)**	**(146)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(831)**	**274**

10. Investments accounted for using the equity method

Amounts and movements in this caption during 2019 and 2018 are as follows

	Thousands of euros	
	2019	**2018**
Opening balances	56	82
Others	(6)	(26)
Final balances	**50**	**56**

At 31 December 2019 investments accounted for using the equity method amount to Euros 50 thousand (Euros 56 thousand in 2018) and correspond to investments in joint ventures.

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

	Thousands of euros	
	2019	**2018**
Cost:		
Opening balances	50.050	50.050
Final balances	**50.050**	**50.050**
Impairment provisions:		
Opening balances	(50.050)	(50.050)
Final balances	**(50.050)**	**(50.050)**
Opening balances	-	-
Final balances	-	-

At 31 December 2019 and 2018, the provision for impairment amounts to Euros 50,050 thousand and relates to other investments in companies not included in the scope of consolidation since at least 2007.

Appendix II contains a list of holdings in non-consolidated Group companies and information relating to these holdings.

11. Non-current financial assets

The movement during fiscal years 2019 and 2018 was as follows:

	Thousands of euros	
	2019	**2018**
Cost:		
Opening balances	**17.151**	**48.741**
Additions and removals (net) due to changes in the scope of consolidation	-	108
Additions	1.715	3.385
Retreats	(83)	(35.083)
Final balances	**18.783**	**17.151**

All non-current financial assets relate to deposits held.

The additions for 2019 and 2018 mainly relate to deposits made in Brazil for labour and tax lawsuits.

This caption also includes deposits in court to meet possible tax obligations of Vertice Trescientos Sesenta Grados, S.A. amounting to Euros 7,565 thousand par value and Euros 1,273 thousand in late payment interest due to the procedure for deriving liability from the AEAT to the Group's Parent company (note 21).

The withdrawals for the financial year 2018 mainly related to the following two events:

- Withdrawal for an amount of EUR 28 236 thousand of the deposit made with the assignee entity, arising from the conclusion of a non-recourse credit assignment agreement with BNP Paribas for the sale of an account receivable to Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation). (See note 21).
- 6,000 thousand from the restricted cash account due to the cancellation of the Senior Facilities Agreeement signed with Highbridge Principal Strategies, LLC. (See note 15).

12. Stocks

Details of inventories at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	As of December 31st	
	2019	2018
Raw materials and other supplies	20.710	17.871
Advances to suppliers	3.219	2.554
	23.929	**20.425**

Raw materials and other supplies" mainly relate to materials used in the various installation and network deployment projects that the Group has underway.

Group companies have contracted various insurance policies to cover the risks to which their inventories are subject. The coverage of these policies is considered sufficient.

13. Current financial assets

a) Sales and service customers

Details of these items in the consolidated balance sheet at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	As of December 31st	
	2019	2018
Sales and service customers	28.444	47.191
Clients, work executed pending invoicing	76.250	74.375
	104.694	**121.566**

Customer balances for sales and services at 31 December 2019 and 2018 are net of bills discounted through non-recourse factoring and commercial cheques amounting to Euros 87,102 thousand and Euros 10,458 thousand, respectively (Euros 72,836 thousand and Euros 2,001 thousand at 31 December 2018, respectively). This amount has been derecognised from assets and liabilities at the end of 2019 and 2018, as it relates to non-recourse commercial discounting operations in which credit and default risks of the debtor have been substantially transferred to the financing institution.

At 31 December 2019 group companies have drawn down non-recourse factoring facilities amounting to Euros 87,102 thousand. The interest rate on these lines for 2019 is between 0.9% and 12.6% (2018 between 3.8% and 15.6%), and the weighted average rate on debts at 31 December 2019 is 3.75% (2018 7.1%).

The composition of the balance drawn down in factoring lines, according to the currency of contracting, is as follows

	2019	2018
Euro	56.415	43.440
Brazilian Real	15.609	11.032
Chilean Peso	7.724	8.566
Colombian Peso	948	-
Mexican Peso	1.435	3.239
Peruvian Peso	4.971	6.559
	87.102	**72.836**

In relation to clients for services pending billing, this corresponds to services provided under contracts with clients and which at the end of each year are pending billing to them.

The nominal values of accounts receivable are considered to approximate their fair value and discounting them is not significant in any case.

At 31 December 2019 and 2018 the balance sheet amount relating to customers for sales and services rendered is presented net of the provision for impairment of accounts receivable recognised by the Group.

The movement in the provision for bad debts is shown below:

	Thousands of euros	
	2019	**2018**
Opening balances	1.085	1.501
Reversals	-	(416)
Final balances	**1.085**	**1.085**

At 31 December 2019 the impaired balance corresponds to balances generally more than 180 days old.

During 2019 and 2018 the Group has not exercised or executed any type of guarantee with the aim of recovering amounts of impairment related to clients for sales and services rendered.

At 31 December 2019, Euros 76,087 thousand (Euros 84,386 thousand at 31 December 2018) correspond to balances in foreign currencies other than the euro from clients for sales and services rendered and work performed pending billing.

The total breakdown of these headings by type of currency is given below:

	Thousands of euros	
	As of December 31st	
	2019	2018
Euros	28.607	37.180
Pesos (Chile)	24.810	22.982
Pesos (Argentina)	2.440	6.002
Soles (Peru)	10.511	11.186
Pesos (Colombia)	931	3.286
Reales (Brazil)	36.125	37.598
Pesos (Mexico)	1.270	3.332
	104.694	**121.566**

b) Other debtors

The composition at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	As of December 31st	
	2019	2018
Miscellaneous debtors	5.566	5.317
Staff	1.175	739
Impairment provisions	(1.884)	(1.884)

The directors of the Parent company consider that the carrying amount of unimpaired sundry debtors approximates their fair value.

At 31 December 2019 and 2018 this caption includes an account receivable for consolidated VAT of Euros 1,884 thousand, which has been fully impaired since the end of 2013. This caption also includes sundry debtors mainly in Peru amounting to Euros 1,466 thousand, Argentina amounting to Euros 411 thousand, Brazil amounting to Euros 1,231 thousand, Colombia amounting to Euros 682 thousand and Chile amounting to Euros 619 thousand.

c) Other current assets

	Thousands of euros	
	As of December 31st	
	2019	2018

It mainly includes deposits and accruals at 31 December 2019 and 2018 in respect of insurance premiums and prepaid expenses related to construction work, which will be accrued over the next twelve months.

d) Cash and cash equivalents

Details of these items in the consolidated balance sheet at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	As of December 31st	
	2019	2018
Treasury	21.511	18.408
Other equivalent liquid assets	343	669

At 31 December 2019, Euros 4,221 thousand of the balance presented under "Cash and cash equivalents", amounting to Euros 21,511 thousand, correspond to amounts in foreign currencies other than the euro (Euros 2,989 thousand at 31 December 2018) and Euros 8 thousand of the balance presented under "Other equivalent liquid assets", amounting to Euros 343 thousand (Euros 295 thousand at 31 December 2018).

14. Net equity

a) Subscribed capital and share premium

The movement during fiscal years 2019 and 2018 was as follows:

Financial year 2019:

During 2019 there were no movements in either the share capital or the share premium:

	Thousands of euros		
			2019
	Number of shares	Nominal	Share premium
Final balance as of 31/12/2018	**331.172.000**	**99.352**	**58.485**
Final balance as at 31/12/2019	**331.172.000**	**99.352**	**58.485**

Financial year 2018:

	Thousands of euros		
			2018
	Number of shares	Nominal	Share premium
Final balance as of 31/12/2017	**294.909.295**	**88.473**	**46.864**
Capital increase (1)	4.347.825	1.304	1.696
Capital increase (2)	31.914.880	9.575	9.925
Final balance as of 31/12/2018	**331.172.000**	**99.352**	**58.485**

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

I. Capital increase agreement by offsetting loans with Logística Corporativa, S.A., Vórtice Holding 2000, S.A. and Corinpat, S.A. for an amount of Euro 2,999,999.25 through the issue and circulation of 4,347,825 new shares with a par value of Euro 0.30 and a share premium of Euro 0.39, subscribed and paid in by Logística Corporativa, S.A., Vórtice Holding 2000, S.A. and Corinpat, S.A.

The credits that are offset have their origin in a purchase agreement signed on 30 June 2017.

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

(2) On 7 June 2018, the following resolution to increase the share capital was registered in the Companies Register of Seville, as approved at the Extraordinary General Meeting of Shareholders of the Ezentis Group held on 14 May 2018, corresponding to the first item on its agenda:

I. Capital increase agreement whereby the share of the share price is delivered to Ericsson, as provided for in the agreement reached with Ericsson España, S.A. for the acquisition of EFF, through its subsidiary Ezentis Tecnología, S.L.U., for Euros 19,500,000 (note 5). In this connection, it was agreed to issue 31,914,880 shares of Ezentis, of the same class and series as those in circulation, with a par value of Euros 0.30 each, for a total amount of Euros 19,499,992, with Euros 9,574,464 of share capital and Euros 9,925,528 of share premium. 9,925,528 to share premium. The issue premium per share amounts to The New Shares of Grupo Ezentis, S.A. received by Ericsson represent 9.637% of the share capital after the increase.

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

At the date of preparation of these consolidated annual accounts, all the shares are listed on the official Spanish stock exchanges in Madrid and Bilbao.

Expenses relating to capital increases carried out by the Parent company during 2018 amounted to Euros 129 thousand, which were presented as a charge to reserves at the closing date.

Agreement with Ericsson España, S.A.:

As part of the transaction with Ericsson España, S.A. (hereinafter "Ericsson"), commitments were made that condition the transfer of the shares owned by this company:

- He shall be entitled to sell, transfer or dispose of any Ezentis Shares which, at 1 June 2018 (the closing date of the acquisition), exceed 10% of the Ezentis Group's share capital;
- It will refrain from selling or transferring or otherwise disposing of Ezentis Shares representing between 5% and 10% of the Ezentis Group's share capital on the Closing Date until 1 January 2019;
- It will refrain from selling or transferring or otherwise disposing of, until 24 months after the Closing Date, i.e. 1 June 2020, the Ezentis Shares corresponding to 5% of the Ezentis Group's share capital on the Closing Date.

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

At 31 December 2019, there are no restrictions on the acquisition or transfer of shares representing the share capital other than those resulting from the Internal Code of Conduct in the area of the securities markets and general regulations governing the securities market.

Significant shareholdings

Significant shareholders of Grupo Ezentis S.A. are understood to be those who directly or indirectly hold shares of 3% or more, as well as shareholders who, without being significant, have exercised the power to propose the appointment of a member of the Board of Directors.

(Thousands of euros)

31 December 2019 and 2018:

Title	of voting rights attributed to the shares		
	Total	Direct	Indirect
ERALAN INVERSIONES, S.L.	4,17	4,17	-
SANTANDER ASSET MANAGEMENT, S.A., SGIIC	3,412	-	3,412
SANTANDER SMALL CAPS SPAIN, FI	3,412	3,412	-
TELEFONAKTIEBOLAGET L.M. ERICSSON	9,637	-	9,637

b) Reserves

Share premium

The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to the availability of this balance.

Legal reserve

In accordance with the Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve may be used to increase capital provided that the remaining balance of the reserve is no less than 10% of the increased share capital amount. Except for the aforementioned purpose and until it exceeds 20% of share capital, this reserve may only be used to offset losses and provided that sufficient other reserves are not available for this purpose.

At 31 December 2019 the Parent company has a legal reserve of Euros 885 thousand (Euros 702 thousand at 31 December 2018). At 31 December 2018 and 2017 the legal reserve has not been appropriated to 20% of share capital.

Other reserves

The consolidated statement of changes in equity details the main movements in reserves for 2019 and 2018.

Other changes in equity" in the consolidated statement of changes in equity mainly includes charges to reserves recognised in accordance with IAS 8, which relate to certain tax assets recognised by the Group's Brazilian subsidiaries in prior years, which were reassessed in 2019 and considered as "contingent assets" in accordance with IAS 37, and other errors and/or adjustments to balances recorded in prior years.

c) Translation differences

The movement during the financial years 2019 and 2018 was as follows:

	Thousands of euros	
	As of December 31st	
	2019	2018
Opening balance	(23.909)	(19.287)
(Increase) / decrease	(5.687)	(4.622)
Final balance	**(29.596)**	**(23.909)**

At 31 December 2019 and 2018 all translation differences correspond to subsidiary companies.

d) Own shares

The movement in this balance sheet heading during 2019 and 2018 was as follows

	No. of actions	Thousands of euros
Balance as at 31.12.2017	**16.548**	**11**
Additions	993.303	642
Retreats	(302.302)	(218)
Balance as at 31.12.2018	**707.549**	**435**
Additions	776.059	391
Retreats	(950.070)	(521)
Balance as at 31.12.2019	**533.538**	**305**

e) Share-based payments

On 29 June 2018 the AGM of Shareholders approved, in accordance with the provisions of article 219 of the Spanish Companies Act, article 35 of the Company's By-Laws and the provisions of the Board Members' Remuneration Policy, the awarding of Company shares to Board Members who do not carry out delegated or executive functions as part of their remuneration system.

The maximum amount of the gross remuneration to be paid through the delivery of shares is thirty thousand euros (30,000 euros) to each of the directors who do not carry out delegated or executive functions in the Company, which will be settled and paid in one go by agreement of the Board of Directors following a proposal from the Appointments and Remunerations Committee. Based on this limit, the maximum number of shares to be distributed will be that derived from dividing the aforementioned amount by the price resulting from the closing price of the ninety (90) days prior to the adoption of the corresponding resolution, which will be allocated to the different beneficiaries by agreement of the Board of Directors, following a proposal from the Appointments and Remunerations Committee, in accordance with the parameters that may be applicable. In any case,the shares should be held by the beneficiaries until they leave office as directors of the Company. At 31 December 2019, these shares have been delivered (see Note 24.c)

Long-term incentive:

On 29 June 2018, the shareholders at their annual general meeting, in accordance with article 219 of the revised text of the Spanish Companies Act, approved the establishment of a long-term incentive for certain categories of board members, senior management and other executive personnel of the Company and its subsidiaries, linked to the achievement of strategic objectives for the period 2018-2020 and to be settled in cash and by the delivery of shares in the Company (hereinafter referred to as the "long-term incentive"), in accordance with the following terms

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

(a) Evolution of operating profit and/or net profit.
(b) Evolution of operating cash flow.
(c) Evolution of the share value on the Spanish stock markets.

2. Beneficiaries: Addressed to directors who carry out delegated or executive functions and to senior managers of Grupo Ezentis, S.A. and certain executives of the Company's subsidiaries, as well as other executives of the Company and its subsidiaries who, where applicable, may be included within the scope of the long-term incentive during its validity by virtue of the agreements adopted by the Board of Directors in execution of this agreement.

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

f. Profit/(loss) per share

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

	As of December 31st	
	2019	**2018**
Profit (Loss) attributable to shareholders (Thousands of Euros)	4.014	(14.697)
Weighted average number of shares in circulation (Shares)	331.172.000	313.057.736
Basic earnings (loss) per share of the parent company's results (Euros)	**0,01**	**(0,05)**

	As of December 31st	
	2019	**2018**
Profit (Loss) from continuing operations (Thousands of Euros)	7.368	(12.324)
Weighted average number of shares in circulation (Shares)	331.172.000	313.057.736
Basic earnings (loss) per share from continuing operations (Euros)	**0,02**	**(0,04)**

	As of December 31st	
	2019	**2018**
Profit (Loss) from discontinued operations (Thousands of Euros)	(3.354)	(2.373)
Weighted average number of shares in circulation (Shares)	331.172.000	313.057.736
Basic earnings (loss) per share from discontinued operations (Euros)	**(0,01)**	**(0,01)**

	As of December 31st	
	2019	**2018**
Profit (Loss) attributable to shareholders (Thousands of Euros)	4.014	(14.697)
Weighted average number of shares in circulation (Shares)	330.638.462	313.057.736
Weighted average number of diluted shares	**330.638.462**	**313.057.736**
Diluted earnings (loss) per share of the Parent Company's profits (Euros)	**0,01**	**(0,05)**

	As of December 31st	
	2019	**2018**
Profit (Loss) from continuing operations (Thousands of Euros)	7.368	(12.324)
Weighted average number of shares in circulation (Shares)	330.638.462	313.057.736
Weighted average number of diluted shares	**330.638.462**	**313.057.736**
Diluted earnings (loss) per share from continuing operations (Euros)	**0,02**	**(0,04)**

	As of December 31st	
	2019	**2018**
Profit (Loss) from discontinued operations (Thousands of Euros)	(3.354)	(2.373)
Weighted average number of shares in circulation (Shares)	330.638.462	313.057.736
Weighted average number of diluted shares	**330.638.462**	**313.057.736**
Diluted earnings (loss) per share from discontinued operations (Euros)	**(0,01)**	**(0,01)**

15. Bank borrowings and lease liabilities

The composition of the balance at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	As of December 31st			
	2019		2018	
	Non-current	Current	Non-current	Current
Loans and credit policies	112.092	17.718	86.085	20.820
Derivative financial instruments	2.524	-	982	-
Leasing liabilities	20.043	17.124	-	-
Financial lease liabilities	-	-	8.874	5.169
Total	**134.659**	**34.842**	**95.941**	**25.989**

Details by year of maturity of the aforementioned non-current financial liabilities at 31 December 2019 and 2018 are as follows

	euros
Expiry Year	**2019**
2021	26.159
2022	15.807
2023	13.962
2024 onwards	78.731
	134.659

	Thousands of euros
Expiry Year	**2018**
2020	12.205
2021	13.735
2022	9.310
2023 onwards	60.691
	95.941

The interest rate on loans and credit facilities during 2019 is between 5% and 22% (2018: between 4.9% and 16.8%), and the weighted average rate on debts at 31 December 2019 is 5.8% (2018: 7.1%). This average interest rate should be understood in the economic and financial context of the countries in which the Ezentis Group operates.

Structural funding - Syndicated loan agreement

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

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

- Tranche A, amounting to EUR 40,000,000, for the purpose of early repayment of the loan with Highbridge Principal Strategy LLC.
- Section B, for the amount of 45,000,000 Euros, with the same purpose as the previous one.
- Section C, for the amount of 5,000,000 euros, whose purpose is to finance the Group's organic growth.

On 14 November 2018 the Group drew down all of Tranches A and B and Euros 4,716 thousand from Tranche C to finance the working capital requirements of certain contracts in Brazil and Chile. The Ezentis Group subsidiary which is mainly responsible for this financing is Corporación Ezentis Internacional, S.a.r.l. The remaining Euros 284 thousand were drawn down on 15 April 2019.

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

As a result of this financing, and using funds from tranches A and B, the Group cancelled the Senior Facilities Agreement signed with Highbridge Principal Strategy LLC on 23 July 2015, amounting to Euros 83,911 thousand. At that date, the Group also released the existing guarantees on a restricted cash account amounting to Euros 6 million to secure this financing, which was recorded as a non-current financial asset in the balance sheet at 31 December 2017. At 31 December 2018 the effect on financial expenses in the accompanying consolidated income statement of the cancellation of the aforementioned financing amounted to Euros 6,479 thousand, mainly due to the early repayment commission and the allocation to the consolidated income statement of the amount of the amortised cost which was pending repayment.

A novation of this loan was signed on 30 September 2019, the main modifications of which are as follows:

I. Increase in financing for the amount of 30,000,000 euros, which implies an increase in Tranche A by 3,000,000 euros and in Tranche B by 27,000,000 euros.
II. Extension of the expiry date of existing instalments. Thus, Tranche A extends the maturity until 31 July 2024 and Tranche B until 31 July 2025.
III. Modification of the repayment dates of principal and interest for Tranches A and B, becoming payable in July and January each year.
IV. Adjustment of certain compliance clauses (hereinafter referred to as "covenants")

The additional funds obtained were mainly used to acquire the branch of activity described in Note 5.

From the qualitative and quantitative analysis of the terms of the modification of the liabilities, it has been concluded that it does not involve a substantial modification of the loan and therefore no derecognition of the loan and recording of a new liability have been recorded.

Formalisation expenses incurred in connection with the novation of the loan amount to Euros 1,943 thousand (Euros 4,891 thousand at 31 December 2018) and are presented as a reduction in the value of the loan, which is recognised in the consolidated income statement using the amortised cost method. The amount recognised in the consolidated income statement as a result of the aforementioned novation is Euros 2,950 thousand at 31 December 2019 (Euros 155 thousand at 31 December 2018).

Interest paid during 2019 amounts to Euros 1,678 thousand (Euros 440 thousand in 2018). The amount corresponding to the settlement of hedges amounts to Euros 217 thousand (Euros 57 thousand in 2018).

At 31 December 2019 debt recognised in the accompanying consolidated balance sheet amounts to Euros 115,902 thousand (Euros 85,360 thousand at 31 December 2018).

Interest and expenses

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

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

Guarantees and conditions

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

(Thousands of euros)

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

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

The loan establishes the obligation to comply with certain financial ratios as well as other non-financial obligations customary in this type of contract which, at 31 December 2019 and 2018, are met.

Derivative financial instruments

In order to mitigate interest rate risk, the Group has contracted hedges through interest rate swaps. The notional amounts of these hedges cover the full amount of Tranche A and 50% of Tranche B (see note 3). The fair value of these financial instruments is Euros -2,524 thousand at 31 December 2019 (Euros -982 thousand at 31 December 2018).

Other financing

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

	Debts with credit institutions		Resource Factoring		Leasing liabilities	Financial lease liabilities
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Euro	81	138	-	-	8.402	-
Argentinean Peso	11	87	-	-	379	68
Brazilian Real	5.420	7.714	-	-	12.576	2.402
Chilean peso	4.437	7.593	2.423	4.212	9.957	10.083
Colombian Peso	-	63	-	1.796	794	-
Peruvian Sun	199	-	-	-	5.059	1.490
TOTAL	**10.147**	**15.595**	**2.423**	**6.008**	**37.167**	**14.043**

(Thousands of euros)

The maturity schedule of lease liabilities at 31 December 2019 is as follows

	euros
Expiry Year	**2019**
2020	17.124
2021	12.049
2022	3.211
2023	2.497
2024 onwards	2.286
	37.167

The carrying amount of bank loans and lease liabilities (both current and non-current) approximates their fair value.

Changes in Liabilities from Financing Activities

Reconciliation of balances classified as financial liabilities with the cash flow from financing activities in the cash flow statement is as follows:

2019:

	31/12/2018	Transfer and transition (Note 2)	Issue	Return and Amortization	Instruments Coverage	Others	31/12/2019
Loans and credit policies	86.085	-	31.880	(8.474)	-	2.601	112.092
Derivative financial instruments	982	-	-	-	1.542	-	2.524
Leasing liabilities	-	17.965	-	(3.961)	-	6.039	20.043
Financial lease liabilities	8.874	(8.874)	-	-	-	-	-
Long-term debt	**95.941**	**9.091**	**31.880**	**(12.435)**	**1.542**	**8.640**	**134.659**
Debts with credit institutions	20.820	-	-	(3.102)	-	-	17.718
Leasing liabilities	-	19.443	-	(21)	-	(2.298)	17.124
Financial lease liabilities	5.169	(5.169)	-	-	-	-	-
Short term debts	**25.989**	**14.274**	**-**	**(3.123)**	**-**	**(2.298)**	**34.842**
TOTAL	**121.930**	**23.365**	**31.880**	**(15.558)**	**1.542**	**6.342**	**169.501**

2018:

	31/12/2017	Issue	Return and Amortization	Interests	Coverage instructions	Others	31/12/2018
Debts with credit institutions	77.164	88.765	(72.179)	104	982	1.105	95.941
Avanza Plan Loans (note 16)	2.205	-	(627)	-	-	-	1.578
Other liabilities (note 16)	1.830	3.131	(921)	-	-	(703)	3.337
Long-term debt	**81.199**	**91.896**	**(73.727)**	**104**	**982**	**402**	**100.856**
Debts with credit institutions	15.529	12.323	(778)	(122)	-	(963)	25.989
Avanza Plan Loans (note 16)	1.125	-	-	-	-	345	1.470
Other liabilities (note 16)	4.571	660	(4.524)	-	-	(48)	659
Short term debts	**21.225**	**12.983**	**(5.302)**	**(122)**	**-**	**(666)**	**28.118**
TOTAL	**102.424**	**104.879**	**(79.029)**	**(18)**	**982**	**(264)**	**128.974**

16. Other liabilities

The composition of the balance at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	As of December 31st			
	2019		2018	
	Non-current	Current	Non-current	Current
Avanza Plan Loans	564	848	1.578	1.470
Other non-current liabilities	14.042	-	3.337	659
	14.606	**848**	**4.915**	**2.129**

Avanza Plan Loans

At 31 December 2019 and 2018 this caption comprises loans received by the Group through its subsidiaries (mainly Ezentis Tecnología, S.L. U. and Navento Technologies, S.L. U.) from official bodies amounting to Euros 1,412 thousand (Euros 3,048 thousand at 31 December 2018). These loans are interest-free and were granted to finance development projects. These loans are initially measured at fair value and the difference between fair value and the amount received is recognised as interest rate subsidies under "Other non-current liabilities". They are applied to the income statement in accordance with the criteria for recognition of development expense in the income statement.

Other non-current liabilities

At 31 December 2019 this caption includes the amount the Group has pending payment for the following items

- Insolvency liabilities: this heading includes, as a result of the application for and entry into insolvency proceedings of the Group's Argentinean subsidiaries (see note 2.5):

	As of December 31st
	2019
	Non-current
Suppliers	**283**
Other creditors	117
H. Public, VAT and Social Security creditor	638
H. Public, income tax creditors, SIs and others	6.099
Provision for liability	299
	7.436
	7436

The Argentine subsidiaries Ezentis Argentina S.A., Raselo, S.A. and Radiotrónica de Construcciones S.A. have requested and obtained a declaration of insolvency in December 2019 due, among other factors, to the significant deterioration in the macroeconomic environment in which they operate. As a result of this situation, the aforementioned companies have availed themselves of various payment facility plans offered by the country's tax authorities in accordance with the criteria established by Argentine tax legislation.

In this regard, the "Bankruptcy liabilities - tax receivables" account includes the amount corresponding to tax liabilities at the time of approval of the aforementioned tax foreclosure proceedings in December 2019, which includes capital and interest accrued at the date of approval, i.e. at amortised cost. In accordance with Argentine bankruptcy legislation, these tax debts have ceased to accrue interest from the date of approval of these bankruptcies until the judicial resolution of the bankruptcies.

- For tax deferrals granted by local tax authorities to Ezentis Brasil, S.A. amounting to Euros 6,484 thousand

- Other items amounting to 122 thousand euros

At 31 December 2018, this caption included the Group's outstanding amount for the following items

- For specific financing by the Argentine government to Ezentis Argentina, a debt of Euros 576 thousand in current liabilities.

- For tax deferrals granted by local tax authorities to Ezentis Brasil, S.A. 3,176 thousand in non-current liabilities and Euros 83 thousand in current liabilities.

17. Trade creditors and other accounts payable

Details of this caption of the consolidated balance sheet at 31 December 2019 and 2018 are as follows

	Thousands of euros	
	2019	**2018**
Suppliers	87.799	81.311
Other creditors	11.536	8.509
Remunerations to be paid	16.896	11.052
Current tax liabilities (note 19)	30.126	24.285
Liabilities associated with customer contracts (note 22)	16.195	14.804
	162.552	**139.961**

In compliance with Law 15/2010 on measures to combat late payment in commercial transactions and the ICAC Resolution of 29 January 2016, the following information is provided at 31 December 2019 and 2018 in relation to all Spanish entities in the consolidation perimeter:

	2019	**2018**
	Days	
Average period of payment to suppliers	79	111
Ratio of transactions paid	80	105
Ratio of outstanding transactions	78	135
	Thousands of euros	
Total payments made	76.649	12.285
Total payment due	23.455	2.836

The data for the 2018 financial year does not include the company acquired on 1 June 2018, Excellence Field Factory, S.L.U., as the information corresponding to the entire year is not available.

At 31 December 2019, Euros 93,317 thousand (Euros 82,890 thousand at 31 December 2018) relates to balances in foreign currencies other than the euro with trade and other payables. The total amount of this caption is shown below, broken down by type of currency

	Thousands of euros	
	2019	**2018**
Euros	69.235	57.071
Pesos (Chile)	22.309	17.045
Pesos (Argentina)	2.793	12.935
Soles (Peru)	17.524	15.855
Dollars (US)	294	294
Reales (Brazil)	48.685	33.455
Pesos (Mexico)	528	2.041
Pesos (Colombia)	1.184	1.265
	162.552	**139.961**

18. Provisions

The movement during 2019 and 2018 was as follows:

	2019		2018	
	Thousands of euros		Thousands of euros	
	Non-current	**Currents**	**Non-current**	**Currents**
Opening balance	**6.534**	**3.596**	**31.013**	**1.977**
Additions	85	12.341	4.192	3.412
Reversals	(4.103)	(2.844)	(28.558)	(1.793)
Payments	(5)	(92)	(113)	-
Applications	-	(10.438)	-	-
Final balance	**2.511**	**2.563**	**6.534**	**3.596**

Details of these provisions at 31 December 2019 and 2018, according to their nature, are as follows

	2019		2018	
	Thousands of euros		Thousands of euros	
	Non-current	**Currents**	**Non-current**	**Currents**
Litigation	2.511	1.113	6.534	2.228
Others	-	1.450	-	1.368

Based on their best estimate of the possible outcomes, the directors of the Parent company have jointly re-estimated the total provision required at 31 December 2019, which amounts to Euros 2,511 thousand (Euros 6,534 thousand at 31 December 2018) under non-current provisions and Euros 2,563 thousand (Euros 3,596 thousand at 31 December 2018) under current provisions. The main items to which these provisions relate are commercial and labour disputes.

In addition, provisions amounting to Euros 10,438 thousand have been recorded in the consolidated income statement for 2019 and used during the year. The main items included are provisions for commercial and labour disputes.

Legal proceedings and/or complaints in progress

At 31 December 2019 and 2018 various legal proceedings and claims were underway against the consolidated entities arising from the normal course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will not have a significant effect on the consolidated annual accounts for the years in which they are settled in addition to those already recorded.

The main reversal in 2018 related to the provision of Euros 28,236 thousand relating to the dispute with BNP Paribas concerning the deposit constituted by the assignee entity, arising from the formalisation of a non-recourse credit assignment agreement with BNP Paribas for the sale of an account receivable to Teleconsorcio and its consortiums (Nec Corporation, Nissho Iwai Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation).

In addition, the provision mainly includes Euros 2,515 thousand (Euros 2,455 thousand in 2018) and Euros 1,131 thousand (Euros 1,977 thousand in 2018) under non-current and current provisions for various litigations and risks associated with subsidiaries domiciled in Argentina, Chile, Mexico and Brazil.

Risk of legal proceedings and/or ongoing claims

Among the objectives set by the Group's directors is the reduction of legal disputes and the initiation of proceedings aimed at recovering the assets that the company lost in the past, without ruling out the corresponding civil and criminal liabilities, where applicable.

Therefore, it is not expected that the risks derived from legal disputes will increase, but quite the contrary, that existing risks will be resolved in positive terms for the Group, and that new actions will be taken which in any case will seek to have a positive impact on its accounts.

Detailed information on the main processes underway is included in Note 21 of the consolidated annual report.

19. Tax situation

a) Balances with general government

Details of the Group's balances with public entities receivable and payable at 31 December 2019 and 2018 are as follows

	Thousands of euros			
	2019		2018	
	Non-current	**Current**	**Non-current**	**Current**
Deferred tax assets	46.277	-	33.807	-
Other current tax assets	-	12.529	-	12.990
Public administrations, debtors	**46.277**	**12.529**	**33.807**	**12.990**
H. Public, VAT and Social Security creditor	-	16.936	-	14.854
H. Public, income tax creditors, SIs and others	-	13.190	-	9.431
Deferred tax liabilities	8.533	-	8.015	-
Public administrations, creditors	**8.533**	**30.126**	**8.015**	**24.285**

b) Reconciliation of consolidated taxable income and accounting profit

The Parent Company (Grupo Ezentis, S.A.) files consolidated tax returns with other investees, acting as the head of the consolidated tax group. The following group companies form part of the consolidated tax group in 2019: the Parent company (Grupo Ezentis, S.A.) and the following subsidiaries: Ezentis Tecnología, S.L.U., Navento Technologies, S.L.U., Avánzit Infraestructuras y Servicios, S.A.U. Naverggi, S.A.U., Avánzit Instalaciones e Ingeniería, S.L.U., Electrificaciones Ferroviarias Catenaria, S.A.U., Avánzit I+D+I, S.L.U., Ezentis Internacional, S.L.U., Ezentis Chile, S.L.U. Ezentis Brasil Telecom, S.L.U., Ezentis Brasil Instalaciones, S.L.U., Calatel Spain, S.L.U., Calatel Andalucía, S.L.U., Ezentis Gestión de Redes, S.L.U. Networks Test, S.L.U. and Excellence Field Factory, S.L.

During the 2018 financial year, Grupo Ezentis, S.A. proceeded to liquidate various companies that formed part of the Spanish tax group (in particular, Ezentis Telco, S.L.U., Moraleja Parque Fotovoltaico, S.L.U., Moraleja Solar I, S.L.U., Radiotrónica Galicia, S.A.U., Radiotrónica Zona Centro, S.A.U., Radiotrónica Cataluña, S.A.U.), Avanzit Telco, S.L.U. and Avanzit Comunicaciones Públicas, S.L.U.), so that, in accordance with the provisions of Article 59.2 of Royal Legislative Decree 27/2014, of 27 November, on Corporate Tax (hereinafter, LIS), "the subsidiaries that lose such status will be excluded from the tax group with effect from the tax period in which such circumstance occurs". As a result of this provision, the consolidated tax group for 2019 reduces its scope of consolidation for tax purposes with respect to 2018 for the aforementioned companies.

In addition, in 2018 the company acquired Excellece Field Factory, S.L. As a result, Grupo Ezentis, S.A. will include this new company in its tax consolidation in 2019.

The other subsidiaries submit their tax returns individually, in accordance with the tax regulations applicable in each country.

The reconciliation of consolidated accounting profit for 2019 and 2018 to the theoretical tax base (which would be that corresponding to individual closures under Spanish accounting principles) is as follows

	Thousands of euros					
	As of December 31st					
	2019			2018		
	Enlargement	**Decrease**	**Amount**	**Enlargement**	**Decrease**	**Amount**
Consolidated accounting profit before tax	-	-	(3.688)	-	-	(30.186)
Results of foreign subsidiaries and consolidation adjustments	13.503	(29.201)	(15.698)	43.105	(11.180)	31.925
Aggregate result of the Spanish Tax Group			**(19.386)**			**1.739**
Permanent differences from individual companies	20	(223)	(203)	100	(3.393)	(3.293)
Temporary differences of individual companies -						
Provisions for the portfolio of subsidiaries/impairment of loans to subsidiaries	24.450	-	24.450	-	-	-
Reversal of provisions / depreciation	-	(1.161)	(1.161)	-	(148)	(148)
Tax amortisation of merger goodwill	-	(15.187)	(15.187)	-	(15.187)	(15.187)
Reversal of financial expenses	-	(779)	(779)	891	-	891
Others	16	(4)	12	-	7	7
Taxable income (tax result)			**(12.255)**			**(15.990)**

The negative permanent differences correspond to the deduction to avoid the legal double taxation of the tax borne by the taxpayer abroad from the subsidiaries resident in Latin America, as established in article 31 of the LIS.

Positive timing differences amounting to Euros 24,450 thousand correspond to this:

(i) the non-deductibility of losses due to the impairment of holdings in the subsidiary resident in Argentina (Ezentis Argentina) amounting to Euros 8,370 thousand, in accordance with Article 15 k) of the LIS, to the extent that these holdings comply with the requirements established in Article 21 of the LIS to apply the exemption from double taxation;

(ii) impairment losses on loans in Argentina. Article 13.2 of the LIS is intended to regulate for tax purposes the risk of insolvency of the taxpayer's debtors in meeting their debts, making the deductibility of impairments recorded for this purpose conditional on compliance with certain requirements; Among these requirements, this provision establishes that impairment losses of related entities will not be tax deductible unless the debtor entity is in a situation of insolvency and the liquidation phase has been opened by the judge, under the terms established in Law 22/2003, of 9 July, on Insolvency ("Bankruptcy Law"). Insofar as the aforementioned phase has not been opened under these terms, a positive extra-accounting adjustment has been made to the taxable income of this tax in the amount of Euros 16,080 thousand.

Negative timing differences mainly correspond to:

(i) the reversal, in the current year, of expenses which were not considered to be a tax-deductible expense in the prior year as a result of different accounting and tax allocation criteria;

(ii) the tax amortisation of merger goodwill (the impairment of which was adjusted to the income tax for previous years as a positive timing difference);

(iii) the reversal of the limitation on the deductibility of net borrowing costs from previous years.

The composition of the accounting tax expense is as follows:

	Thousands of euros	
	As of December 31st	
	2019	2018
Current Tax	(896)	275
Deferred Tax	11.952	17.587
(Expense) Income tax income	**11.056**	**17.862**

The reconciliation between the income tax expense and the accounting profit is as follows

2019

Tax Expense	Profit (loss) before tax	Tax rate	Effect of non-deductible expenses	Other settings	Activation of tax credits	Correction of the tax rate	(Expense) Tax Income 2019
Argentina	2.813	(703)	-	(347)	-	-	(1.050)
Chile	645	(161)	-	(240)	354	-	(47)
Peru	(917)	229	-	-	-	(54)	175
Brazil	(4.519)	1.130	-	-	-	(256)	874
Mexico	(329)	82	-	(82)	-	-	-
Portugal	(155)	39		(39)	-	-	-
Colombia	(626)	157	-	-	210	-	367
Spain, Luxembourg and consolidation adjustments	(600)	150	(51)	(318)	10.956	-	10.737
	(3.688)	**923**	**(51)**	**(1.026)**	**11.520**	**(310)**	**11.056**

2018

Tax Expense	Profit (loss) before tax	Tax rate	Effect of non-deductible expenses	Other settings	Activation of tax credits	Correction of the tax rate	2018 Tax (Income) Expense
Argentina	(12.572)	3.143	-	-	868	-	4.011
Chile	(8.283)	2.071	-	-	-	(54)	2.017
Peru	(1.225)	306	-	(78)	-	60	288
Brazil	(2.034)	509	-	-	-	46	555
Mexico	1.237	(309)	-	-	-	106	(203)
Ezentis Colombia	(643)	161	-	-	-	(30)	131
Spain, Luxembourg and consolidation adjustments	(6.666)	1.667	(823)	(2.042)	12.261	-	11.063
	(30.186)	**7.548**	**(823)**	**(2.120)**	**13.129**	**128**	**17.862**

c) Non-current deferred tax assets and liabilities

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

With effect from 1 January 2015, due to the entry into force in Spain of Law 27/2014 of 27 November on income tax, the offsetting of tax losses from previous years is permitted without time limitation. Tax losses incurred by

Spanish companies amount to Euros 549,843 thousand at 31 December 2019 (Euros 538,763 thousand at 31 December 2018, following presentation of income tax for 2018 in July 2019). The Spanish tax group also has tax credits amounting to

i) Euros 64,458 thousand (Euros 79,645 thousand at 31 December 2018) pending application in future years (2020 to 2024 inclusive) for tax amortisation of merger goodwill and

(ii) deductions pending application for international double taxation amounting to Euros 3,470 thousand (Euros 3,324 thousand at 31 December 2018).

Of the aforementioned, an amount of Euros 29,068 thousand (Euros 17,967 thousand at 31 December 2018) has been recognised under deferred tax assets.

In addition, at 31 December 2019 temporary differences in the tax payable of the main companies in the consolidated tax group amount to Euros 74,079 thousand (at 31 December 2018 these amounted to Euros 78,248 thousand).

In 2019 the Spanish tax consolidation group has generated tax losses of Euros 12,256 thousand, which will be credited by the Group to the Spanish tax authorities with the income tax return for 2019 (Euros 14,989 thousand at 31 December 2018, following the presentation of income tax for 2018 in July 2019).

An analysis of deferred tax assets and liabilities at 31 December 2019 and 2018 is as follows

	Thousands of euros	
	2019	**2018**
Deferred tax assets		
- Deferred tax assets to be recovered in more than 12 months	44.113	32.046
- Deferred tax assets to be recovered in 12 months	2.164	1.761
	46.277	**33.807**
Deferred tax liabilities		
- Deferred tax liabilities to be reversed in more than 12 months	8.189	6.958
- Deferred tax liabilities to be reversed in 12 months	344	1.057
	8.533	**8.015**

Deferred tax assets for tax loss carryforwards, as well as temporary differences pending reversal and deductions pending application, are recognised to the extent that it is probable that the corresponding tax benefit will be realised through future taxable profits.

The amount recorded at 31 December 2019 under deferred tax assets relates mainly to the following subsidiaries:

- Ezentis Brasil, S.A.: 6,140 thousand euros.
- Ezentis Chile S.A. Ezentis Energia, SpA and Tecnet, S.A. (Chile): Euros 7,566 thousand.
- Ezentis Perú, S.A. C. and Ingeniería Celular Andina, S.A. 1,927 thousand euros.
- Ezentis Argentina, S.A.: Euros 1,340 thousand.
- Spanish Tax Group: 29,068 thousand euros.

As mentioned in note 6 to these consolidated annual accounts, the Group's board of directors has approved the business plan for the coming years, which is the basis for assessing the recoverability, among other calculations, assumptions and estimates, of the "Deferred tax assets" shown above. The assumptions on which this business plan is based, which envisages an increase in the turnover and results of both the Group and the practical majority of its components, include the following

-Growth of the Group's operating income by 4%/4.5% per year

- Reorganisation of the business by focusing on the weight of revenues in euros, reaching 35% /40% of the Group's total.

- The EBITDA margin is expected to reach 8.5% / 9.5% of revenues.

- The net result is expected to reach 4% / 5% of revenues.

In particular in Spain, the Group's main market for the coming years and where most of the Group's "Deferred tax assets" are allocated, the following assumptions have been considered:

- Expansion of our services in the telecommunications sector (expansion of fixed and mobile network, maintenance services, O&M, installation of equipment, among others); and, expansion of our services in the energy sector.

- Maintain the recurrent services provided by the Group in Spain to its reference customers and strengthen the activities with higher margins. In general terms, the margins of most of the new activities to be provided, which are mentioned above, have a higher commercial margin than the Group's recurring services.

Based on the estimates made on the basis of the assumptions detailed above, the Group has only recorded deferred tax assets which are expected to be recovered over a maximum period of 10 years, taking into account possible scenarios to raise awareness of the assumptions used.

d) Exercises open to inspection

At 31 December 2019 both the Parent company and the main subsidiaries have the last four years open for review by the tax authorities for all applicable taxes.

Due to the possible different interpretations that can be made of the tax rules, the results of future inspections by the tax authorities for the years subject to verification may give rise to tax liabilities, the amount of which cannot be objectively quantified at present. However, in the opinion of the Group's tax advisors and directors, the possibility of material liabilities arising in this connection in addition to those recorded is remote.

20. Guarantees committed to third parties

At 31 December 2019 the Group has received guarantees from financial institutions amounting to Euros 24,964 thousand, mainly in the form of technical guarantees provided to secure bids for new projects and the satisfactory completion of awarded projects (at 31 December 2018 guarantees amounted to Euros 39,236 thousand).

At 31 December 2019 and 2018, shares and holdings in a number of Group companies have been pledged to guarantee the financing contract signed with a syndicate of financial institutions.

The directors of the Parent company consider that the guarantees described above do not give rise to any payment obligations for the consolidated companies which have not already been provisioned and, therefore, the aggregate balance of these commitments cannot be considered as a real future need for financing or liquidity to be granted to third parties by the Group.

Litigation and arbitration

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

ETB (Bogota Telephone Company)

Radiotrónica S.A. (now Avanzit S.A. Sucursal Colombia en Liquidación, a branch of the Ezentis Group) sued ETB for the damages caused by the early termination of Framework Contract 4200000855 that it had signed with that company. As part of this process, the competent court requested a financial and technical expert's report.

Following completion of the various procedural stages, on 16 November 2006 the Company was notified of the ruling handed down by the court of first instance condemning ETB to pay Avanzit S.A. Colombia in liquidation the amount of 9,267 million Colombian pesos (for information purposes only, Euros 2,490 thousand). This judgement was appealed against by both parties and a final judgement was handed down on 21 June 2018, upholding the appeal lodged by Avanzit S.A. Colombia Branch in Liquidation and condemning ETB to pay 9,267 million Colombian pesos which were collected in 2018. At 31 December 2018 profits recorded in the consolidated income statement amounted to Euros 1,945 thousand.

Proceedings initiated by Group companies against former directors and executives of the Group

At 31 December 2019 and 2018 the Group has recorded accounts receivable from the former chairman of the Parent, Juan Bautista Pérez Aparicio, amounting to Euros 1,501 thousand. This amount, which has been fully provisioned, has been claimed in prior years from the anti-corruption authorities. Following various rulings in the Group's favour, execution is pending before Section 1 of the Madrid Provincial Court.

Procedure with the Tax Office

On 14 July 2014 the Spanish Tax Agency announced the commencement of proceedings for the derivation of tax liability for tax debts of Vértice Trescientos Sesenta Grados, S.A., amounting to EUR 7.5 million.

On 5 January 2015 the tax authorities notified the tax liability declaration agreement dated 17 December 2014 (hereinafter the "Declaration Agreement"), whereby the Company was declared jointly and severally liable for the debts of Vértice Trescientos Sesenta Grados, S.A. amounting to Euros 7.5 million.

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

Following the filing of the economic-administrative complaint with the Central Economic-Administrative Tribunal on 29 January 2015 against the agreement to derive liability, the Company filed a statement of defence on 11 May 2015.

With regard to the request for suspension submitted on 20 February 2015 to the Regional Collection Unit of the Special Delegation in Madrid, since the latter required that the guarantees provided should cover not only the principal of the debt (7,565 thousand euros), but also the interest on arrears generated during the suspension plus 20% for the surcharge for late payment that might accrue in the event of execution of the guarantee, it was considered more beneficial in financial terms to proceed with the payment of the principal of the debt, waiving the suspension requested.

The payment made on 7 August 2015 did not imply acceptance of the derivation of liability; the Company has requested the return of this amount as an undue payment, together with the corresponding interest for late payment, when the courts have upheld the claims.

On 5 March 2018, the Central Economic-Administrative Tribunal issued a ruling rejecting the Company's complaint. Despite the rejection of the ruling, the Company considers that the arguments contained in the brief of allegations of 11 May 2015 have not been invalidated and, therefore, the Company's claim is fully in accordance with law. At a meeting held on 21 March 2018, the Board of Directors agreed to challenge the aforementioned ruling of the Central Economic Administrative Tribunal before the Spanish National Court, which has been done, and the procedure is pending a ruling from the Spanish National Court.

The Company's management, in agreement with its legal advisors, considers it unlikely that the Company's claims will be rejected in the final resolution of this matter and, consequently, no provision was recognised under accounting regulations in this respect.

22. Income and expense

a) Net turnover / income from customer contracts

Details of net sales by geographical market are shown in Note 23.

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

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

The breakdown of operating income by sector of activity at 31 December 2019 and 2018 is as follows

	Thousands of euros	
	As of December 31st	
	2019	**2018**
Telecommunications	360.154	336.242
Electricity	86.670	85.300
Others	8.369	18.826
Total	**455.193**	**440.368**

The detail of assets by contract with customers is as follows:

				Thousands of euros
		2019		2018
	Non-current	**Current**	**Non-current**	**Current**
Contract procurement/compliance costs - IFRS 15	2.067	2.016	1.270	2.814
Clients, work executed pending invoicing	-	76.250	-	74.375
Total	**2.067**	**78.266**	**1.270**	**77.189**

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

Details of liabilities from customer contracts are as follows:

	Thousands of euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Customer Advances	-	16.195	-	14.804
Total	**-**	**16.195**	**-**	**14.804**

During 2019 the Group has continued with its policy of diversifying activities and customers, although it maintains approximately 55.1% of its activity with the Telefónica Group (approximately 50.2% for 2018).

b) Staff costs

Consolidated personnel expenses during 2019 and 2018 are broken down as follows, in thousands of euros

	Thousands of euros	
	As of December 31st	
	2019	2018
Wages, salaries and similar	176.446	164.922
Social charges	20.464	20.461
	196.910	**185.383**

The average number of people employed during the financial years 2019 and 2018, distributed by professional category, was as follows

	Average Number of Employees	
	2019	2018
Top management	13	12
Qualified and non-qualified technicians	935	1.007
Administrative staff	1.684	1.221
Site personnel	10.168	9.753
	12.800	**11.993**

At 31 December 2019 and 2018 the number of employees distributed by sex and professional category is as follows:

	As of December 31st			
	2019		2018	
	Men	Women	Men	Women
Top management	12	1	10	-
Qualified and non-qualified technicians	722	116	834	106
Administrative staff	896	489	766	596
Site personnel	9.541	678	9.939	597
	11.171	**1.284**	**11.549**	**1.299**

At 31 December 2019, the number of employees with disabilities was 32 (19 in Spain). On 31 December 2018, the number of employees with disabilities was 37 (11 in Spain)

c) Consumption and other external costs

Details of "Consumption and other external expenses" for 2019 and 2018 are as follows, in thousands of Euros

	Thousands of euros	
	As of December 31st	
	2019	2018
Consumption	18.861	18.821
Subcontracts	105.438	106.687
	124.299	**125.508**

d) Other operating expenses

Details of "Other operating expenses" for 2019 and 2018 are as follows, in thousands of Euros

	Thousands of euros	
	As of December 31st	
	2019	2018
Rent and royalties	10.059	24.464
Repairs and maintenance	4.199	5.584
Independent professional services	5.153	8.036
Transport	285	1.061
Insurance premiums	1.361	1.347
Advertising, propaganda and public relations	123	202
Supplies	17.060	15.520
Other services	14.173	22.203
Other current management expense	600	379
Tributes	22.899	20.540
	75.912	**99.336**

e) Other results

Details of consolidated income statements for 2019 and 2018 are as follows

	Thousands of euros	
	As of December 31st	
Other results	**2019**	**2018**
Other results	4.772	16.185
	4.772	**16.185**

Other income for 2019 mainly includes the following effects:

- Expenses incurred in adapting the labour structure of certain subsidiaries to capture synergies amounting to Euros 3,514 thousand.
- Other non-recurring expenses amounting to Euros 1,258 thousand.

Other income for 2018 mainly includes the following effects:

- 4,800 thousand relating to the acquisition of EFF (see note 5)
- Expense for adaptation of the labour structure in some subsidiaries to capture synergies amounting to Euros 10,296 thousand.
- Other non-recurring expenses amounting to Euros 10,549 thousand.

f) Financial income and expense

Details of this caption of the accompanying consolidated income statement for 2019 and 2018 are as follows

	Thousands of euros	
	As of December 31st	
	2019	2018
Financial expenses	**(27.551)**	**(40.435)**
Financial expenses operating debt	(16.379)	(25.043)
Financial expense structural debt (note 15)	(7.878)	(15.392)
Financial expense IFRS16	(3.294)	-
Negative exchange rate differences	**(343)**	**(188)**
Monetary corrections for hyperinflation (Note 2)	**7.793**	**6.507**
Changes in fair value	**-**	**32**
Profit/Loss on disposal of equity financial instruments	-	32
Financial income	**1.264**	**2.472**
Other interest and similar income	1.264	2.472

g) Transactions in currencies other than the euro

During 2019, approximately 67.1% (73.5% in 2018) of the Group's operating income and 66.4% (74.4% in 2018) of its operating expenses were incurred abroad, mainly in the Group's Latin American subsidiaries. Information on transactions in currencies other than the euro is included in note 3.1.

h) Audit fees and other services

During 2019 and 2018, fees for financial audit services and other services provided by the auditor of the Parent company and its subsidiaries, or by a company in the same group or related to the auditor, have been as follows (in thousands of euros)

	2019	2018
For audit services	281	262
For other accounting verification services	-	10
	281	**272**

Other accounting verification services invoiced in 2018 relate to work related to the issue of special reports on capital increases to compensate for credits required by the Parent company's auditor in accordance with mercantile legislation, as well as the issue of special reports on capital increases by KPMG Auditores, S.L. to Grupo Ezentis, S.A. and its controlled companies.

Other affiliates of KPMG International have invoiced the Group fees and expenses for professional services during the years ended 31 December 2019 and 2018, as follows

	Thousands of euros	
	2019	2018
For audit services	225	238

	Thousands of euros	
	2019	**2018**
For other accounting verification services	26	-
For other services	-	22
TOTAL	**251**	**260**

Other audit-related services" includes fees for the audit of the merger balance sheet of Ezentis Servicos, Engenharia e Instalacao de Comunicacoes S.A. at 30 September 2019 in Brazil.

Other auditors have invoiced the Group fees and expenses for professional services during the years ended 31 December 2019 and 2018, as follows

	Thousands of euros	
	2019	**2018**
For audit services	41	24
For tax advisory services	9	11
For other services	41	41
TOTAL	**91**	**76**

23. Segment information

Segmentation criteria

The Group is organised internally by operating segments, as described below, which are the strategic business units. The strategic business units have different products and services and are managed separately because they require different technologies and market strategies.

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

Segment information is presented in a manner consistent with internal information presented to the highest decision-making body (the board of directors of the Group's parent company). Segment accounting policies are the same as those applied and described in these consolidated annual accounts.

2019 includes the effect of the adoption of IFRS 16 from 1 January 2019.

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

EZENTIS GROUP, S.A. AND SUBSIDIARIES

Notes to the consolidated annual accounts for 2019
(Thousands of euros)

Information by segments

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

Thousands of euros	Spain		Argentina		Chile		Peru		Brazil		Portugal		Colombia		Mexico		Holdings and Others		Intercompany Eliminations		Total Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income:																						
Net turnover	142.265	114.464	1.256	33.529	91.062	91.973	36.931	40.746	157.064	134.680	2.975	-	8.414	9.538	8.682	11.973	89	82	-	-	**448.738**	**436.985**
Operating income	145.388	116.623	1.322	33.543	91.329	91.973	38.752	41.889	157.064	134.680	2.975	-	8.428	9.538	8.682	11.973	1.253	148	-	-	**455.193**	**440.367**
Financial income	1.473	767	1.336	1.503	2	818	85	93	1.613	897	-	-	6	3	1	47	8.883	6.757	(12.135)	(8.413)	**1.264**	**2.472**
Results:																						
Operating profit	8.833	6.678	(623)	(5.713)	3.864	(5.997)	442	349	4.068	2.031	(149)	-	194	103	(64)	1.281	(89)	2.604	(1.327)	90	**15.149**	**1.426**
Financial result	(1.300)	(1.071)	3.952	(6.859)	(2.767)	(1.842)	(1.427)	(1.574)	(8.737)	(3.572)	(1)	-	(356)	(254)	(265)	(44)	(7.936)	(16.396)	-	-	**(18.837)**	**(31.612)**
Profit before tax	6.526	4.909	2.813	(12.572)	645	(8.283)	(917)	(1.225)	(4.519)	(2.034)	(155)	-	(626)	(643)	(329)	1.238	(7.126)	(11.664)	-	88	**(3.688)**	**(30.186)**
Taxes	(1.585)	(1.172)	(1.050)	4.011	(47)	2.017	175	288	874	555	-	-	367	131	-	(203)	12.322	12.235	-	-	**11.056**	**17.862**
Other information																						
Additions of tangible fixed assets	1.466	641	-	2.286	1.809	9.965	152	1.644	2.166	5.758	-	-	104	450	2	-	6	5	-	-	**5.705**	**20.749**
Depreciation of tangible fixed assets	(452)	(552)	-	(421)	(1.089)	(4.164)	(463)	(944)	(1.084)	(1.290)	-	-	(183)	(459)	(42)	-	(31)	(32)	-	-	**(3.344)**	**(7.862)**
Active																						
Total assets	114.139	88.170	9.604	22.973	59.695	54.814	50.800	45.501	98.781	82.017	1.140	-	5.444	6.579	3.605	5.575	35.803	16.835	-	-	**379.011**	**322.464**
Liability																						
Total liabilities	77.719	60.878	13.385	20.656	45.455	44.384	22.782	17.383	74.931	48.678	1.064	-	1.636	2.171	1.924	3.358	125.803	92.919	-	-	**364.699**	**290.427**

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

Data in thousands of euros	Net turnover		Operating income		Total Assets		Additions of Non-Current Assets (*)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Spain	142.265	114.464	145.388	116.623	114.139	88.170	42.214	3.981
Argentina	1.256	33.529	1.322	33.543	9.604	22.973	163	2.530
Chile	91.062	91.973	91.329	91.973	59.695	54.814	5.615	11.592
Peru	36.931	40.746	38.752	41.889	50.800	45.501	6.703	2.097
Brazil	157.064	134.680	157.064	134.680	98.781	82.017	29.500	7.457
Portugal	2.975	-	2.975	-	1.140	-	-	-
Colombia	8.414	9.538	8.428	9.538	5.444	6.579	1.596	786
Mexico	8.682	11.973	8.682	11.973	3.605	5.575	-	-
Holding company and others	89	82	1.253	148	35.803	16.835	1.553	149
	448.738	**436.985**	**455.193**	**440.367**	**379.011**	**322.464**	**87.344**	**28.592**

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

24. Transactions with related parties

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

- Significant shareholders of Grupo Ezentis S.A., understood as those who directly or indirectly hold shares equal to or greater than 3%, as well as shareholders who, without being significant, have exercised the power to propose the appointment of any member of the Board of Directors. See information included in Note 14.

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

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

a) Purchase of goods, services and financial expenses

During 2019 and 2018 there were no transactions of this nature with related parties.

b) Other operations

During 2019 and 2018, no other type of transactions with related parties took place.

c) Remuneration of Directors

Remuneration accrued during 2019 and 2018 by members of the board of directors of the Parent company, received from all Group companies of which they are directors or administrators, is as follows

	Thousands of euros			
Exercise	Monetary Remuneration	Diets	Other remuneration	Total
2019	1.215	278	863	2.356
2018	761	799	-	1.560

The remuneration accrued to each member during the 2019 and 2018 financial years is

Executive Director	Monetary remuneration 2019	Monetary remuneration 2018
D. Fernando González Sánchez	671	255
D. Carlos Mariñas Lage	544	196
D. Guillermo José Fernández Vidal	-	310
TOTAL	**1.215**	**761**

Non-executive and other external directors	2019 remuneration	Diets 2019	Diets 2018
D. Guillermo José Fernández Vidal	511	8	-
D. Enrique Sánchez de León	94	54	201
D. Pedro María Azcárate Palacios	44	78	153
Ms Ana María Sánchez Tejada	42	-	74
Ms Laura González Molero	44	29	107
Ms Emma Fernández Alonso	42	27	95
Ms Carmen Gómez-Barreda Tous-Monsalve	44	29	92
D. Alfonso Alonso Duran	42	53	77
TOTAL	**863**	**278**	**799**

The Company has verified compliance with the Remuneration Policy relating to the remuneration received by Board members, both individually and in an aggregate manner, in the latter case not exceeding the maximum total amount approved by the AGM of 2,700,000 euros.

The difference in the remuneration accrued by the executive directors, Mr. Fernando González Sánchez and Mr. Carlos Mariñas Lage between 2018 and 2019, is due to the fact that the accrual periods are different, being twelve months in 2019 and six months in 2018, from their appointment by the AGM held on 29 June 2018. Likewise, the remuneration of these two executive directors has not changed in financial year 2019 compared to that received in financial year 2018.

On 6 November 2018, Mr. Guillermo José Fernández Vidal changed his status as executive director to "other external", as communicated to the CNMV by means of a relevant fact on 7 November 2018.

In fiscal year 2018, non-executive directors earned remuneration in kind through the delivery of shares for a maximum amount of 30,000 euros gross to each of the directors, within the framework of the Remuneration Policy approved by the Ordinary General Meeting of Shareholders held on 29 June 2018 under point six of its agenda, published through a relevant event on the same date (registration number 267382), which contemplated remuneration in shares for directors who do not carry out delegated or executive functions. In accordance with the above, the aforementioned AGM approved, under point seven of its agenda, the awarding of shares to non-executive directors, as part of their remuneration. The total amount to which this remuneration amounted was 210,000 euros gross and the shares delivered should be held until they leave office as a Board member of the Company. This amount was included within the breakdown of "Subsistence allowances and other 2018" in the above detail.

(Thousands of euros)

The Chairmen of the Audit, Appointments and Remuneration and Executive Committee earned a gross remuneration of 25,000 euros each in 2019.

At 31 December 2019 and 2018, the Chief Executive Officer is entitled to receive compensation equivalent to two years' gross remuneration, including fixed and variable remuneration, in certain cases of termination of the contract.

At 31 December 2019 and 2018 no advances, loans or pension plans have been granted to any member of the board of directors of the Parent company. In addition, there is life insurance cover for a member of the board of directors with an insured capital of three times the amount of his salary. The Group has contracted civil liability insurance for its directors.

Monetary remuneration for both 2019 and 2018 corresponds to the salaries and wages of the board of directors performing executive functions in the Group. The allowances section corresponds to the allowances paid to board members in 2019 and 2018 for attending meetings of the board of directors and its committees in accordance with the position held in each case.

Holdings, positions, functions and activities carried out by the directors

In order to avoid situations of conflict with the Company's interests, during the year the directors who have held positions on the Board of Directors have complied with the obligations set out in article 228 of the revised text of the Law on Corporations. Likewise, both they and the people related to them have abstained from incurring in the situations of conflict of interest foreseen in article 229 of the said law.

d) Management remuneration

The remuneration of the Parent company's general managers and persons performing similar functions in subsidiaries, excluding those who are simultaneously members of the board of directors of the Parent company (whose remuneration is detailed above) during 2019 and 2018 may be summarised as follows

Exercise	Number of people	Total Salary Remuneration
2019	4	1.137

In financial year 2018, Mr. Fernando González Sánchez and Mr. Carlos Mariñas Lage are included as members of senior management until their appointment as Board Members by the Ordinary General Meeting of Shareholders held on 29 June 2018. The proportional part of the remuneration received from 1 January 2018 until said appointment was included. Likewise, the remuneration received by Mr. Manuel Merino Lanza as Chief Financial Officer until his departure from the Company on 30 September 2018 and that received by Mr. Ignacio Barón López since his appointment as Chief Financial Officer on 1 October 2018 were included.

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

The contracts of certain senior executives contain notice clauses and post-contractual non-competition clauses.

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

At 31 December 2019 and 2018, there are no outstanding balances arising from financial agreements.

25. Environment

In view of the Group's current activity, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial position and results.

Post-closing events and other matters

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread around the world, having affected more than 150 countries. Most governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restriction of the free movement of people, closure of public and private premises except for basic and sanitary ones, closure of borders and drastic reduction of air, sea, rail and land transport. In Spain, the government adopted Royal Decree 463/2020 of 14 March, declaring a state of alert for the management of the health crisis caused by COVID-19.

To mitigate the economic impact of this crisis, on Wednesday 18 March, Spain published Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to deal with the economic and social impact of the COVID-19. Article 19 of the aforementioned Royal Decree-Law obliges telecommunications providers to guarantee the universal provision of the service and to maintain, as a minimum, the set of current beneficiaries and the quality of service provision. Article 20 also establishes the temporary suspension of all fixed and mobile number portability operations. Similarly, the governments of the countries in which the Group is present have adopted similar measures, aimed in all cases at ensuring the continuity of the activity due to its strategic nature in the context of the existing emergency situation.

These provisions, together with the existing restrictions on mobility and the need to increase protection measures to guarantee the safety of its workers and customers in the new scenario, have so far led to a decrease in the level of activity of the Group, which is mainly focused on installation and maintenance in the home. Although at the date of preparation of the annual accounts it is not possible to estimate the decrease in the level of activity, the Group is adopting certain management measures aimed at reducing its costs, which are largely variable in nature, including, where applicable, personnel costs, in order to adapt them to the new market situation and until the normal course of business is recovered.

At the date of preparation of the consolidated annual accounts, no significant consequences have arisen which affect the figures and estimates for 2019. During 2020 the Group will assess the impact of these events on its equity and financial position at 31 December 2020 and on the results of its operations and cash flows for the year then ended.

ANNEX I
SUBSIDIARY COMPANIES WITHIN THE EZENTIS GROUP

2019

			Voting rights		Details of the Participating Entity						
			Controlled by the Parent Company		Thousands of Euros						
Company	Address	Activity	Directly from	Indirect	Cost	Provision	Value Net accountant	Assets	Liabilities	Heritage	Result Exercise
Ezentis Holdco Corporation, S.à.r.L. **(B)**	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the business of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.	100%	-	38.141	-	38.141	72.298	32.598	39.700	(116)

2018

			Voting rights		Details of the Participating Entity						
			Controlled by the Parent Company		Thousands of Euros						
Company	Address	Activity	Directly from	Indirect	Cost	Provision	Value Net accountant	Assets	Liabilities	Heritage	Result Exercise
Ezentis Holdco Corporation, S.à.r.L. **(B)**	Rue Eugene Ruppert, 6 L-2453 Luxembourg	To act as an investment holding company and to-ordinate the bussiness of any corporate bodies in which the company is for the time being directly or indirectly interested, and to acquire the whole of or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any	100%	-	38.141	-	38.141	71.134	31.318	39.816	(99)

		person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.										

SUBSIDIARY COMPANIES WITHIN THE EZENTIS GROUP

Subsidiaries and branches Ezentis Group, S.A.:

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	**Indirect**
Ezentis Holdco Corporation, S.à.r.l	6, rue Eugène Ruppert, L-2453 Luxembourg	Acting as an investment holding company. Acquire, in whole or in part, shares, securities and bonds of all types of commercial companies.	100%	-

Subsidiaries Ezentis Holdco Corporation, S.à.r.l.:

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	**Indirect**
Ezentis International Corporation, S.à.r.l	6, rue Eugène Ruppert, L-2453 Luxembourg	Acting as an investment holding company. Acquire, in whole or in part, shares, securities and bonds of all types of commercial companies.	-	100%

Subsidiaries Ezentis International Corporation, S.à.r.l.:

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	**Indirect**
Ezentis Technology. S.L.U.	c/ Santa Leonor, 65 Building B. Madrid (Spain)	Activities of elaboration, manufacture, engineering, design, development projects, sale, exploitation, import, export, marketing, installation, civil works, etc. of switching and network management products.	-	100%
Naverggi, S.A.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Design, development, manufacture, distribution and marketing of technology-based electronic components, especially those that integrate communications and location, as well as the management of gateways with mobile operators.	-	100%
Avanzit Infraestructuras y Servicios, S.A.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice	-	100%
Avanzit Instalaciones e Ingeniería, S.L.U.	El Guadiel Industrial Estate s/n (Jaén)	Execution and maintenance of electrical installations. Execution and maintenance of systems, equipment and components of telecommunication and computer science.	-	100%
Calatel Andalucía, S.L.U.	Calle Automoción Nº 26-28, Polígono Industrial Calonge, 41006 Sevilla, Spain	Study, promotion, construction and management of all kinds of works and installations. Execution and maintenance of electrical installations. Execution and maintenance of systems, equipment and components of telecommunication and computer science	-	100%

Ezentis International, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Purchase and sale, holding, administration, management and operation, for its own account, of shares, securities and bonds of all types of commercial companies, with the exception in all cases of activities which, in accordance with special legislation and in particular the regulations of the Law on Collective Investment Institutions and the Law on the Stock Market, require special authorisation, registration in the Public Registry or requirements not met by this company.	-	100%
Ezentis Network Management, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication and information processing elements and equipment for security applications.	-	100%

Subsidiaries of Ezentis Tecnología, S.L.U

Company	Address	**Activity**	**Voting rights Controlled by the Parent Company**	
			Directly from	**Indirect**
GTS Thaumat XXI, S.A.U.	Itzaga Industrial Estate, plot E1, Galdakao (48960 - Vizcaya)	Research and development, manufacture of new products and accessories, both active and passive.	-	100%
Grupo Comunicaciones y Sonido, S.L. U.	Itzaga Industrial Estate, plot E1, Galdakao (48960 - Vizcaya)	Telecommunication services. Acquisition, urbanization, promotion, exploitation, disposal, use, rental, construction, parcelling, etc.	-	100%
Excellence Field Factory, S.L.U.	Avenida Reino Unido 1, 3º H-I, Edificio Gyesa Palmera (41012 - Seville)	Research and development, operation, maintenance, development and integration of information systems, analysis, design, development and implementation of Information Systems, engineering design of own or third party telecommunication networks, consulting and civil engineering services, engineering, construction and maintenance of all types of electrical installations, engineering, construction and maintenance of mechanical installations, engineering, construction and maintenance of fire-fighting installations, engineering and construction of works, buildings, travel and runways, conservation and maintenance of buildings and urban furniture, provision of back office services, information capture and processing by electronic, computer and telematic means, coordination of health and safety at the project stage and execution and project management.	-	100%
Avanzit I Mas D Mas I, S.L.U.	Avda. Minister Josep Piqué, S/N 23200 La Carolina (JAÉN)	Consulting, design, network and systems engineering, application development, implementation, maintenance and sale of solutions for telecommunications networks and systems. Through the purchase, sale, exchange, operation, lease and administration.	-	100%
Raselo, S.A.	Lavalle 310 1° - C.A.B.A (Argentina)	Consulting, design, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunications systems (ii) networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, domestic, industrial, hazardous, pathogenic and any other type of waste; water and waste water treatment, air and exhaust gas purification.	-	1,09%

Subsidiaries of Ezentis Internacional, S.L.

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	Indirect
Ezentis Chile, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Holding, management and administration, on its own account, of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of those general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services of the various Group companies	-	100%
Ezentis Brasil Instalaciones, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Holding, management and administration, on its own account, of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of those general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services of the various Group companies	-	100%
Ezentis Brasil Telecom, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Holding, management and administration, on its own account, of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of those general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services of the various Group companies	-	100%
Comunicaciones y Sonido, Mexico, S.A. de C.V.	Diana 26, Colonia Nueva Industrial Vallejo, Mexico City, Gustavo A Madero, CP 07700	Carrying out and contracting engineering studies and telecommunications services; Design of towers, accessories and huts for the implementation of wireless infrastructure and Carrying out and supervising all types of works	-	99,999%
Ingeniería Celular Panamericana, S.A. de C.V.	Arbolitos s/n Nave 12 Andén 10, Colonia Texcacoa TEPOTZOTLAN Estado de México (Mexico)	Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems.	-	99,999%
Ezentis Energy, SpA	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	Provision of consultancy services, design, implementation and after-sales maintenance of "turnkey" solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	0,3%
Tecnet S.A.	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	Provision of consultancy services, design, implementation and after-sales maintenance of "turnkey" solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	5%
Ezentis Chile, S.A.	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value-added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above	-	0,01%

Subsidiaries of Naverggi, S.A.U.

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	Indirect

Navento Technologies, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Develop and market a cost-effective real-time localisation programme aimed at a mass audience	-	100%

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

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	Indirect
Networks Test, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	To carry out studies, opinions, reports, projects and technical plans related to engineering in its various branches, especially electronics; to produce designs, prototypes and technical apparatus, especially in the electrical, mechanical and electronic branches, as well as the manufacture, assembly, installation, conservation and marketing of the same, both in Spain and abroad; and to provide consultancy services related to engineering and representation of both national and foreign companies.	-	100%
Ezentis Colombia, S.A.S.	Carrera 50, No. 128, B-32 in the city of Bogotá D.C. - Colombia	Organisation, operation, provision and exploitation of activities and services related to advice and outsourcing of technical, financial and personnel services, network operation services, information systems or any other type of activity related to information and communication technologies,	-	100%
Andean Cellular Engineering, S.A.	Avenida República de Panamá 3505, piso 3 San Isidro, Lima, Perú	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of telecommunication installations. Construction of civil works. Technical advice.	-	0,001%
Comunicaciones y Sonido, Mexico, S.A. de C.V.	Diana 26, Colonia Nueva Industrial Vallejo, Mexico City, Gustavo A Madero, CP	Carrying out and contracting engineering studies and telecommunications services; Design of towers, accessories and huts for the implementation of wireless infrastructure and Carrying out and supervising all types of works	-	0,001%
Ingeniería Celular Panamericana, S.A. de C.V.	Arbolitos s/n Nave 12 Andén 10, Colonia Texcacoa TEPOTZOTLAN Estado de México (Mexico)	Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems.	-	0,001%

Subsidiaries of Calatel Andalucía, S.L.U.

Company	Address	Activity	Voting rights Controlled by the Parent Company	
			Directly from	Indirect
Calatel Spain, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Holding, management and administration, on its own account, of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of those general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services of the various Group companies	-	100%

Ezentis Argentina, S.A.	Lavalle 310 1° - C.A.B.A (Argentina)	Design, construction, installation and maintenance of telecommunication systems. The provision of services ancillary to such telecommunications. Project, construction and maintenance of low, medium and high voltage transformer lines and stations. Project, construction and maintenance of networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas, as well as sewerage and sanitation works. Consultancy, planning, construction, operation and maintenance of installations and deposit plants, treatment, use and final disposal of any solid, semi-solid, domestic, industrial, special, hazardous and any other type of waste; water and waste water treatment, air and exhaust gas purification, as well as the marketing and distribution of all types of technologies for environmental protection.	-	100%
Ezentis Chile, S.A.	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value-added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above	-	99,2%
Ezentis Energy, SpA	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	Provision of consultancy services, design, implementation and after-sales maintenance of "turnkey" solutions for telecommunication networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	99,7%
Andean Cellular Engineering, S.A.	Avenida República de Panamá 3505, piso 3 San Isidro, Lima, Perú	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of telecommunication installations. Construction of civil works. Technical advice.	-	99,999%
Teknimartek de Mexico, S.A. de C.V.	Mexico	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Calatel El Salvador, S.A.	El Salvador	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Calatel Guatemala, S.A.	Guatemala	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Calatel Suriname, Ltd.	Suriname	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Calatel Guyana, Ltd.	Guyana	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%

Calatel PNG, Ltd.	Papua New Guinea	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Calatel Vanuatu	Vanuatu	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%
Riegner & Cía, S.A.S.	Colombia	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	70%
Avanzit Technology, Ltda.	3721 Apoquindo Avenue - 13th floor. Comuna de las Condes. Santiago de Chile (Chile)	All kinds of contracts related to wireless telecommunications equipment.	-	100%
Calatel do Brasil Engenharía e Telecomunicaçoes, Ltda.	Avenida Rio Branco, nº 320, 10º andar, conjunto 103, São Paulo (Brazil)	Civil works, road works, service infrastructure works, maintenance of civil works, maintenance of road works	-	95%
Ezentis Tecnología Colombia, S.A.S. in liquidation	Colombia	Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and infrastructures for radio communications, telephony and communications in general, as well as the development and installation of advanced communications solutions.	-	95%
Calatel Honduras, S.A.	Honduras	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	0,4%

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

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**
Ezentis Redes Portugal, Unipessoal Lda.	Rua Guilherme Marconi, numbers 4,4-A, 4B and 4C, Serra da Amoreira, parish of Ramada (2620-448), municipality of Odivelas, Lisbon	a) Research and development, promotion, application, supply, maintenance and operation, in any form, of all types of technologies, equipment and materials in telecommunications, energy, industry, public works and construction, environment and security; b) Operation, maintenance, development and integration of information systems, telecommunications, security and control systems, either independently or in integrated solutions for telecommunications and associated systems; c) Analysis, design, development and implementation of Information Systems; d) Engineering design of telecommunications networks, either our own or those of third parties, consultancy and management of documentation and administrative procedures for obtaining telecommunications licences and for the operation of the network itself, or by leasing it to third parties; e) Consultancy and civil engineering services; etc.	-	100%

Subsidiary of Ezentis Chile, S.L.U.

Company	Address	**Activity**	**Voting rights**

			Controlled by the Parent Company	
			Directly from	Indirect
Ezentis Chile, S.A.	Las Hortensias 501, Comuna Cerrillos, Santiago de Chile (Chile)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value-added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above	-	0,79%

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

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**
Electrificaciones Ferroviarias Catenaria, S.A.U.	Torrent del Ninou Street, s/n. Industrial Estate Llevant Parets del Valles - Barcelona	Study, promotion, construction and management of all kinds of works and installations. Execution and maintenance of electrical installations. Execution and maintenance of systems, equipment and components of telecommunication and computer science.	-	100%

Subsidiaries of Ezentis Argentina, S.A.

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**
Raselo, S.A.	Lavalle 310 1° - C.A.B.A (Argentina)	Consulting, design, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunications systems (ii) networks, installations, machines and accessories for the treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, domestic, industrial, hazardous, pathogenic and any other type of waste; water and waste water treatment, air and exhaust gas purification.	-	98,91%
Radiotrónica Construcciones, S.A.	Lavalle 310 1° - C.A.B.A (Argentina)	Civil works, road works, service infrastructure works, maintenance of civil works, maintenance of road works	-	95%
Ezentis Peru, S.A.C.	Av. Santa Rosa nº 340 District of Ate-Vitarte, Lima (Peru)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above.	-	10%

Subsidiary of Raselo, S.A.

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**

Radiotrónica Construcciones, S.A.	Lavalle 310 1° - C.A.B.A (Argentina)	Civil works, road works, service infrastructure works, maintenance of civil works, maintenance of road works	-	5%

Subsidiary of Ezentis Energia SpA

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

Subsidiaries of Calatel Spain, S.L.U.

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**
Ezentis Peru, S.A.C.	Av. Santa Rosa nº 340 District of Ate-Vitarte, Lima (Peru)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above.	-	90%
Calatel Costa Rica	Costa Rica	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice	-	65%
Calatel Tci, Ltd.	Turks and Caicos Islands	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice	-	100%
Calatel LLC	6422 Collins Avenue, suite 504, Miami, Florida 33141	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	50%
Calatel Honduras, S.A.	Honduras	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	99,6

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

Company	Address	**Activity**	**Voting rights**	
			Controlled by the Parent Company	
			Directly from	**Indirect**

Ezentis Brazil, S.A.	Alameda Araguaia, 2.044, Centro Empresarial Araguaia, Bloco 2, 10º andar, conjunto 1.002, Alphaville Industrial, CEP: 06455-906, Barueri, Estado de São Paulo (Brazil)	Maintenance, development and control of electrical network infrastructures	-	99,99%

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

Company	Address	**Activity**	**Voting rights Controlled by the Parent Company**	
			Directly from	**Indirect**
Ezentis Brazil, S.A.	Alameda Araguaia, 2.044, Centro Empresarial Araguaia, Bloco 2, 10º andar, conjunto 1.002, Alphaville Industrial, CEP: 06455-906, Barueri, Estado de São Paulo (Brazil)	Maintenance, development and control of electrical network infrastructures	-	0,01%
Seicom Telecommunication Networks and Services, Ltda	Sorocaba, State of São Paulo, at Rua Cabreúva, nº 447, Jardim Leocádia	Communications engineering, maintenance of telecommunications systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	1%

Subsidiary of Ezentis Brasil, S.A.

Company	Address	**Activity**	**Voting rights Controlled by the Parent Company**	
			Directly from	**Indirect**
Seicom Telecommunication Networks and Services, Ltda	Sorocaba, State of São Paulo, at Rua Cabreúva, nº 447, Jardim Leocádia	Communications engineering, maintenance of telecommunications systems; maintenance of electrical installations; construction of hydraulic works; contracting of works with the State and other entities; preparation of quality control projects, etc.	-	99%

Subsidiaries of Calatel LLC

Company	Address	**Activity**	**Voting rights**

			Controlled by the Parent Company	
			Directly from	Indirect
Calatel Puerto Rico	Puerto Rico	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	-	100%

ANNEX II
SUBSIDIARY COMPANIES NOT INCLUDED IN THE EZENTIS GROUP CONSOLIDATION PERIMETER

Company	Address	Activity	Voting rights Controlled by the Parent Company Directly from	Voting rights Controlled by the Parent Company Indirect
Avanzit Ena Sgt, S.A.U. (in liquidation)	Avda Leganés Km 1,700. 28924 Alcorcón (Madrid)	The execution of projects, electrical and mechanical installations, assemblies, purchase and sale of material, exploitation of patents and execution of works of any type, in particular, earth moving, etc.	66,36%	32,01%
Comelta Distribution , S.L.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and appliances and computer equipment, etc.	-	100%
Circe Real Estate	Torrelaguna, 79. 28043 (Madrid)	Purchase, sale, leasing, construction of movable and immovable property, as well as management of companies and any other activity of lawful trade that is a precedent or complement to the above.	-	100%
Comdist Portugal, Lda.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and appliances and computer equipment, etc.	-	100%
Escandia Inmobiliaria, S.L.	Torrelaguna, 79. 28043 (Madrid)	Purchase, sale, leasing, construction of movable and immovable property, as well as management of companies and any other activity of lawful trade that is a precedent or complement to the above.	-	100%
Freeway Electronics, S.A.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, development, purchase and sale, leasing, distribution, transport and storage of computer, electronic and electrical equipment, software and components	-	100%
Radiotrónica de Galicia, S.A.	Pol. Pocomaco Parcela C-4 Nave 4. 15190 A Coruña	Execution and maintenance of electrical installations, construction of civil works, etc.	-	100%
Radiotrónica Móviles Guatemala, S.A.	14 calle3-51 zona 10 Murano Center building. Office 1003 Guatemala 01010	The implementation and maintenance of telecommunication and transmission systems, equipment and components	100%	-
Radiotrónica Móviles de México, S.A.de C.V.	Guaymas8, Office 210 Colonia Roma Mexico City (Mexico)	Services of design, planning and construction of infrastructure for cellular and fixed wireless telephony and in general the maintenance, installation of systems, equipment and components of telecommunications for the emission, transmission and reception.	100%	-
Radiotrónica do Brasil, Ltda.	Avda. da Paz, 925 room 1. Barrio Utinga. Santo Andre. Sao Paulo State (Brazil)	Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and infrastructures for radio communications, telephony and communications in general, as well as the development and installation of advanced communications solutions.	-	100%
Abradi Serviços, S.A.	Avda. da Paz, 925 room 1. Barrio Utinga. Santo Andre. Sao Paulo State (Brazil)	Assembly, operation and maintenance of telephone, electrical, mechanical and industrial equipment. The preparation of studies and projects, as well as the provision of consultancy services with assembly, telephone, electrical, mechanical and industrial installations.	-	100%

Radar Construction, Ltd.	Avda. da Paz, 925 room 1. Barrio Utinga. Santo Andre. Sao Paulo State (Brazil)	Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and infrastructures for radio communications, telephony and communications in general, as well as the development and installation of advanced communications solutions.	-	100%
Construtora de Redes de Comunicaçao e Proyectos, Ltda.	Rua Alto de Montijo, Lote 1 e 2R/C Fraccao A 2975-619 Carnaxide-Lisboa (Portugal)	Construction, expansion, transformation, installation and maintenance of any telecommunication network station. Production, execution and maintenance of systems, equipment and components of telecommunications for emission, transmission and reception.	-	100%
Radiotrónica de El Salvador, S.A. de C.V.	Jardines del Volcán, 2. Pasaje 24 planta B14 nº30.	Services of design, planning and construction of infrastructure for cellular and fixed wireless telephony and in general the maintenance, installation of systems, equipment and components of telecommunications for the emission, transmission and reception	-	100%
Tecder Grupo Radiotrónica, S.A.	Vargas Buston, 760. San Miguel. Santiago (chile)	Projects, installation, renovation and maintenance of systems, equipment and components that use combustible gases and fluids as energy, in all their extension, as well as those destined to the distribution and/or use of drinking water and sanitation.	-	99,90%
Radio CDS, S.A.	Vargas Buston, 760. San Miguel. Santiago (chile)	Projects, construction, installation and maintenance of systems, equipment and components of electricity transmission and distribution networks; the provision of value-added services to such networks	-	50%
Avanzit Chile, Ltda.	3721 Apoquindo Avenue - 13th floor. Comuna de las Condes. Santiago de Chile (Chile)	All kinds of contracts related to wireless telecommunications equipment.	100%	-
Tecder de Argentina, S.A.	Havana 370. 1603 Villa Martelli.. Buenos Aires (Argentina)	The construction and assembly of networks, plants, conduits and installations for natural gas, energy fluids and fuels throughout their extension, water, sewage, and water and sewage treatment.	-	100%
Avánzit Technology, Ltda.	Rua da Consolaçao, 247 6th floor. Room 51, D Centro Estado Sao Paulo (Brazil)	Consulting, engineering and operation of networks and systems, project development, call centres, application development, technical advice and support and implementation of after-sales networks and telecommunications systems for operators.	100%	-
Avánzit Technology, S.A	Calle 93ª, No. 14-17 Oficina 502 Bogotá DC (Colombia)	Consultancy, design, implementation and after-sales maintenance of "turnkey" solutions for telecommunication networks and systems for operators and other entities with investment in telecommunications and information technologies.	-	100%
Avánzit Wireless, S.A.U.	Avda Leganés Km.1,700. 28924 Alcorcón (Madrid)	Implementation and maintenance of telecommunication systems, equipment and components for the transmission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical advice.	100%	-
Avanzit Peru, S.A.C.	Martín Olaya, 129 Miraflores-Lima 18 (Peru)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and rail signalling, activities ancillary to the construction and telecommunications sectors, the provision of value added services to such telecommunications and the subscription, acquisition and sale of holdings in companies with similar or analogous activities to those designated above.	-	100%

Empresa Constructora Radiotrónica de Chile Ltda.	Vargas Buston, 760. San Miguel. Santiago (chile)	The preparation of projects for the construction, installation and maintenance of systems, equipment and components for electricity, electrification, road and rail signalling, gas distribution networks, drinking water and sanitary works; the development of ancillary activities in the construction and telecommunications sector, the provision of services related to the area of telecommunications.	5%	94,40%

ANNEX III
JOINT VENTURES IN WHICH EZENTIS GROUP COMPANIES HOLD STAKES

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

ANNEX IV

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Group consolidation principles

Scope of consolidation

Grupo Ezentis, S.A. has a Group formed by: Grupo Ezentis, S.A., Parent Company, its subsidiaries, associates and in joint ventures (hereinafter the Group). Appendices I, II and III to these notes contain additional information on the companies included in the scope of consolidation, companies not included in the scope of consolidation and joint ventures included in the scope of consolidation in 2019.

Holdings of less than 20% of the capital in other entities over which it does not have significant influence are considered to be financial investments.

For the purposes of preparing the consolidated annual accounts, a group is deemed to exist when the parent company has one or more subsidiaries over which the parent company has control, either directly or indirectly.

Subsidiary companies

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

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

If the business combination is achieved in stages, the carrying amount at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gain or loss arising from this remeasurement is recognised in profit or loss.

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

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

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

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

Transactions and Minority Interests

The Group accounts for transactions with minority interests as transactions with the owners of the Group's assets. For purchases of minority interest, the difference between the consideration paid and the corresponding proportion of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on the disposal of minority interest are also recognised in equity provided that control over the shareholding is not lost.

Disposal of dependents

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

Associated

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

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

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

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

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

Joint business

IFRS 11 applies to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures. Joint ventures are accounted for using the equity method (see Associates).

Year-end dates

In 2019 and 2018, the accounting close date for all companies comprising the Ezentis Group is 31 December.

Variations in the scope of consolidation

The following changes to the scope of consolidation took place in 2019:

Merger by absorption as the absorbing company Ezentis Energia Brasil and as the absorbed company Ezentis Engenharia Brasil The resulting company has been named Ezentis Brasil. S.A.

During 2018 there were changes to the scope of consolidation due to the acquisition of 100% of the company Excellence Fields Factory, S.L. and the acquisition of the remaining 40% of Radiotrónica Construcciones, S.A. which was held by minority shareholders.

2) Financial information by segment

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

Segment accounting policies are the same as those applied and described in these consolidated annual accounts.

3) Foreign currency transactions

Functional currency and presentation

Items included in the annual accounts of each group company are measured using the currency of the main economic environment in which the entity operates ("functional currency"). The consolidated annual accounts are presented in Euros, which is the functional currency of Grupo Ezentis, S.A., and the presentation currency of these consolidated annual accounts.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of these transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except when deferred in equity as qualified cash flow hedges and qualified net investment hedges.

Exchange rate gains and losses relating to borrowings and cash and cash equivalents are presented in the income statement under "Finance income" or "Finance costs". Other exchange rate gains and losses are recognised in the income statement under "other (loss)/earnings from exchange rate differences - net".

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

Group entities

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

- The assets and liabilities on each balance sheet presented are translated at the closing rate at the balance sheet date;
- Revenues and expenses on each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transaction, in which case the revenues and expenses are translated at the date of the transactions);
- Equity items (except income statement) are translated at historical exchange rates; and
- All resulting translation differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising on the translation of any net investment in foreign operations, and of financial liabilities and other financial instruments designated as hedges of these investments, are recognised in profit or loss.

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

4) Property, plant and equipment

Items of property, plant and equipment for own use are stated at cost (revalued, where appropriate, pursuant to various legislation prior to the date of transition to IFRS) less accumulated depreciation and any recognised impairment losses.

The costs of expansion, modernisation or improvements that represent an increase in productivity, capacity or efficiency, or an extension of the useful life of the assets, are capitalised as a higher cost of the corresponding assets.

Repairs that do not extend the useful life and maintenance costs are charged to the income statement for the year in which they are incurred.

The land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their costs, or revalued amounts, up to the amount of their residual values, over their estimated useful lives. Annual provisions for the depreciation of property, plant and equipment are recognised in consolidated profit and loss on a straight-line basis over the average years of estimated useful life of the various assets, as detailed below

	Estimated Lifespan Years
Construction	33 a 50
Technical installations and machinery	10 a 25
Other facilities, tools and furniture	4 a 10
Transport elements	5 a 8
Information processing equipment and other fixed assets	4 a 5

The residual value and the useful life of the assets are reviewed, and adjusted if necessary, at each balance sheet date.
When the carrying amount of an asset exceeds its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying amount and are recognised in the income statement under "Other (expenses)/operating income". Work performed by the Company for its fixed assets is measured at production cost and recognised as income in the income statement.

Expenses incurred in the refurbishment of a building in which the Group carries out its activity, held under an operating lease, which represent specific improvements made to the building, are classified under this caption in the consolidated balance sheet according to their nature (technical installations). These are depreciated over the estimated useful life of the asset (10 years), which is less than the lease term that would be payable if the useful life of the asset were shorter.

5) Intangible assets

Goodwill

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

Goodwill is allocated to Cash Generating Units (CGUs) for the purpose of testing for impairment. The allocation is made to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the business combination in which the goodwill arises.

The recoverable amount of a CGU is determined on the basis of calculations of its value in use or its fair value less costs to sell, whichever is higher. These calculations use projected cash flows based on financial budgets approved by management. Cash flows cover the periods included in the strategic plan approved by management and beyond that period are extrapolated using constant growth rates.

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

Impairment losses recognised for goodwill are recognised in the income statement under "Impairment and gains or losses on disposal of financial instruments" and are not reversed in the future.

Customers, contracts, non-competition agreements and brands

Customers, contracts and non-competition agreements" includes assets with a defined useful life identified in the purchase price allocation processes for the net assets corresponding to Ezentis Brasil, S.A. The following companies are included under "Customers": Ezentis Brasil, Grupo Networks Test, Excellence Fields Factory and Tecnet. These assets consist of the valuation of

- Contracts: corresponds to the framework contract signed with CGE for the acquisition of Tecnet, S.A. and the fixed network, FTTH and FLM contracts signed with various clients by the company Excellence Field Factory, S.L.U. which are being amortised on a straight-line basis over their estimated useful lives (10 years).

- Customer portfolio: corresponds to the commercial relationship that Ezentis Brazil has with its customers. This customer portfolio has a defined useful life and is amortised on a straight-line basis over its estimated useful life (15 years). It also corresponds to the customer portfolio from the acquisition of Tecnet, S.A. which is depreciated on a straight-line basis over its estimated useful life (10 years).

- Brand: corresponds to the value assigned to the Tecnet brand, which is amortised by the straight-line method over its estimated useful life (10 years).

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

Assets for rights of use and liabilities for leasing

From 1 January 2019, in accordance with IFRS 16 (see note 2), the Group assesses at the beginning of a contract whether it contains a lease. A contract is or contains a lease if it grants the right to control the use of the identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reassesses the conditions when there is a change in the contract.

The Group recognises an asset for right of use and a liability for lease at the inception of the lease. The asset for right of use consists of the amount of the lease liability, any lease payments made on or before the commencement date, less incentives received, initial direct costs incurred and an estimate of any decommissioning or restoration costs to be incurred, as indicated in the accounting policy for provisions.

The Group values the lease liability at the present value of the lease payments outstanding at the commencement date. The Group discounts lease payments at the appropriate incremental interest rate unless it can reliably determine the lessor's implicit interest rate.

Outstanding lease payments are composed of fixed payments, less any incentive to collect, variable payments dependent on an index or rate, initially valued at the index or rate applicable on the start date, amounts expected to be paid for residual value guarantees, the exercise price of the purchase option whose exercise is reasonably certain and payments for indemnities for cancellation of the contract, provided that the lease term reflects the exercise of the cancellation option.

The Group measures assets for rights of use at cost, less accumulated depreciation and impairment losses, adjusted for any re-estimated lease liability.

If ownership of the asset is transferred to the Group at the end of the lease term or the asset by right of use includes the price of the purchase option, the depreciation criteria indicated in the section on property, plant and equipment is applied from the start of the lease term to the end of the asset's useful life. Otherwise, the Group depreciates the asset by right of use from the beginning date to the earlier of the useful life of the right or the end of the lease term.

The Group applies the criteria for impairment of non-current assets indicated in section d above to the right of use asset.

For those lease contracts whose payments for the right to use the asset during the lease term are linked to an index such as the CPI, the initial recognition will use the index existing at the commencement date, and the liability will be reassessed and the asset adjusted in subsequent valuations by the corresponding revision of the index used.

The Group values the lease liability by increasing it by the accrued interest expense, decreasing it by the payments made and re-estimating the carrying amount for lease modifications or to reflect updates to fixed payments in substance.

The Group records variable payments that have not been included in the initial measurement of the liability in profit and loss for the period in which the events triggering the payment occur.

The Group records re-estimations of liabilities as an adjustment to the right to use assets, until the latter is reduced to zero and subsequently in profit and loss.

The Group re-estimates the lease liability by discounting the lease payments at a discounted rate if there is a change in the lease term or a change in the expectation of exercising the underlying asset purchase option.

The Group re-estimates the lease liability if there is a change in the expected amounts payable on a residual value guarantee or a change in the index or rate used to determine the payments, including a change to reflect changes in market rents once a review of the rents has taken place.

The Group recognises a lease modification as a separate lease if it increases the scope of the lease by adding one or more rights of use and the amount of the lease consideration increases by an amount consistent with the individual price for the increased scope and any adjustments to the individual price to reflect the particular circumstances of the contract.

If the amendment does not result in a separate lease, at the date of the amendment, the Group assigns the consideration to the amended contract as indicated above, redetermines the lease term and re-estimates the value of the liability by discounting the revised payments at the revised interest rate. The Group decreases the carrying amount of the asset for right of use to reflect the partial or total termination of the lease, in those cases where changes reduce the scope of the lease, and recognises the gain or loss in profit or loss. For all other changes, the Group adjusts the carrying amount of the asset for right of use.

Other intangible assets

The heading "Other intangible assets" consists of

- Computer applications

Software licences acquired from third parties are capitalised on the basis of the costs incurred in acquiring them and preparing them to use the specific software. These costs are amortised over their useful lives over a maximum period of 5 years.

Expenses related to the development or maintenance of computer programs are recognised as an expense when incurred. Costs directly related to the production of unique and identifiable computer programs controlled by the Group, and which are likely to generate economic benefits exceeding costs for more than one year, are recognised as intangible assets. Direct costs include the expenses of personnel developing the software and an appropriate percentage of overhead.

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

- Research and development expenses

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

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

b) Management intends to complete the intangible asset in question, for use or sale;

c) The ability to use or sell the intangible asset exists;

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

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

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

Other development expenses are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Research and development expenses are not amortised. Once the developed asset is in a condition to be used, amortisation begins. Computer software developed internally by the Group is amortised over a maximum period of five years.

6) Interest costs

Interest costs incurred in the construction of any qualifying asset are capitalised over the period of time necessary to complete and prepare the asset for its intended use. During 2019 and 2018 the Group has not capitalised any amount in this respect.

7) Impairment of non-financial assets

Assets which have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the carrying amount of the asset if it exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill which are impaired are reviewed for impairment at each reporting date.

Impairment losses on non-financial assets are recognised as an expense in the income statement under "Impairment and gains or losses on disposal of financial instruments". Impairment losses recognised on an asset in prior years are reversed when there is a change in estimates of its recoverable amount, increasing the value of the asset up to the limit of the carrying amount that the asset would have had if the impairment had not been made. The reversal of an impairment loss is recognised immediately as income in the consolidated income statement. In the case of goodwill, write-downs are not reversible.

8) Non-current assets (or disposal groups) held for sale

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

A discontinued operation is a component of the Group that has been disposed of or classified as held for sale and

- It represents a line of business or a geographical area of operation that is significant and can be considered separate from the rest;

- It is part of an individual and coordinated plan to dispose or otherwise dispose of a business line or geographical area of operation that is significant or can be considered separate from the rest; or

- It is a dependent entity acquired exclusively for the purpose of being sold.

A component of the Group comprises activities and cash flows that can be distinguished from the rest from an operational and financial reporting point of view.

The Group presents profit after tax from discontinued operations and profit after tax corresponding to measurement at fair value less costs of disposal or distribution or resulting from the disposal of assets or disposal groups, under profit after tax from discontinued operations in the consolidated income statement (consolidated statement of comprehensive income).

If the Group ceases to classify a component as a discontinued operation, the results previously presented as a discontinued operation are reclassified to continuing operations for all periods presented.

The Group restates the consolidated annual accounts for prior years from the date of classification of a subsidiary, associate or joint venture as discontinued operations, as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented by nature and, where appropriate, depreciation or revaluation is recognised, if not classified as disposal groups held for sale. Associates and joint ventures are accounted for retrospectively using the equity method.

9) Financial instruments

(i) Recognition and classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument, in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

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

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

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

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

-At initial recognition it is part of a portfolio of identified financial instruments, which are managed jointly and for which there is evidence of a recent pattern of short-term profit taking;

-Is a derivative, except a derivative that has been designated as a hedging instrument and meets the conditions for effectiveness and a derivative that is a financial guarantee contract or

-It is an obligation to deliver financial assets borrowed that are not owned.

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

The Group classifies a financial asset at fair value through profit or loss if it is held within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are UPPI.

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

Financial assets that are part of a business model whose objective is to hold assets to receive contractual cash flows are managed to generate cash flows in the form of contractual cash receipts over the life of the instrument. The Group manages the assets held in the portfolio to receive these specific contractual cash flows. To determine whether cash flows are obtained through the collection of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior years, the reasons for these sales and expectations regarding future sales activity. However, sales in themselves do not determine the business model and therefore cannot be considered in isolation. Instead, it is the information on past sales and future sales expectations that provides indicative data on how to achieve the Group's stated objective with regard to the management of financial assets and, more specifically, how cash flows are obtained. The Group considers information on past sales in the context of the reasons for these sales and the conditions that existed at that time compared to current sales. For this purpose, the Group considers that trade receivables and accounts receivable which are to be assigned to third parties and which will not result in the derecognition of these, remain within this business model.

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

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

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

The Group designates a financial asset at initial recognition as at fair value through profit or loss if doing so eliminates or significantly reduces any measurement or recognition inconsistencies that would otherwise arise if the assets or liabilities were measured or their results recognised on a different basis.

Other financial assets are classified as at fair value through profit or loss.

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

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

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

(ii) Principles of compensation

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

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

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

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

After initial recognition, they are recognised at fair value, with changes recorded in profit or loss. Changes in fair value include the interest and dividend component. Fair value is not reduced by any transaction costs which may be incurred on its eventual sale or disposal.

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

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

(iv) Financial assets and liabilities at amortised cost

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

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

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

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

As previously indicated, the Group has designated certain equity instruments as being measured at fair value through other comprehensive income. After initial recognition, equity instruments are measured at fair value, with the gain or loss recognised in other comprehensive income. Amounts recognised in other comprehensive income are not subject to reclassification to profit or loss, without prejudice to reclassification to reserves when the instruments are derecognised.

(vi) Financial assets measured at cost

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

(vii) Reclassifications of financial instruments

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

If the Group reclassifies a financial asset from the amortised cost category to fair value through profit and loss, it recognises the difference between fair value and carrying amount in profit and loss. The Group does not thereafter record interest on the financial asset separately.

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

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

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

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

If the Group reclassifies a financial asset from the fair value through profit or loss category to other comprehensive income, the amount deferred in equity is reclassified to profit or loss. The Group does not thereafter record interest on the financial asset separately.

(viii) Impairment

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

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

From 1 January 2018, the Group values at each closing date the valuation adjustment at an amount equal to expected credit losses over the following twelve months, for financial assets for which credit risk has not increased significantly since the initial recognition date or when it considers that the credit risk of a financial asset has not increased significantly.

The Group assesses at each closing date whether the credit risk of an individual instrument or a group of instruments considered collectively has increased significantly since initial recognition. For the collective assessment, the Group has aggregated the instruments in accordance with the shared risk characteristics.

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

In assessing whether there is a significant increase in credit risk, the Group considers all prospective information to be reasonable and supportable, in particular:

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

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

Impairment losses on non-financial assets

The Group has considered the impact of the application of IFRS 16 on estimates of the net value of assets associated with each CGU, as well as on the expected future cash flows of the CGU, considering the assets for rights of use in the carrying amount of the CGU and the impact of the new standard on the determination of operating flows, reducing the value in use of the CGU by the amount of the lease liability. These considerations have not had a significant effect on the conclusions regarding the existence of impairment at 2019 year end.

(ix) Disposals, modifications and cancellations of financial assets

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

Financial assets are derecognised when the rights to receive cash flows related to the asset have expired or have been transferred and the Group has substantially transferred the risks and rewards of ownership. Furthermore, financial assets are derecognised in circumstances in which the Group retains contractual rights to receive cash flows only when contractual obligations have been assumed which result in payment of these flows to one or more recipients and the following requirements are met

-The payment of cash flows is conditional on their prior collection;

-The Group cannot sell or pledge the financial asset; and

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

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

(x) Interest and dividends

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

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

Changes in cash flow estimates are discounted at the effective interest rate or the interest rate adjusted for the original credit risk and are recognised in profit or loss.

(xi)Derecognition and modification of financial liabilities

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

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

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

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

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

(xii) Financial liabilities

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

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

Interest-bearing bank loans are recorded at the amount received, net of direct issue costs. Interest expenses, including premiums payable on settlement or redemption and direct issue costs, are recognised on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Certain bank loans contain conditions relating to the fulfilment of financial ratios, failure to comply with which could result in the loans becoming automatically due and therefore classified as current liabilities.

The Group receives zero-rate loans from official bodies to finance development projects. These loans are initially measured at fair value and the difference between fair value and the amount received is recognised as interest rate subsidies under "Other non-current liabilities" and
are applied to the income statement in accordance with the recognition criterion in the income statement of development expense.

(xiii) Bankruptcy liabilities of Argentine companies

Liabilities in local currency have been valued at their nominal value, incorporating, where applicable, the financial results accrued up to the date of presentation of the insolvency proceedings.

Foreign currency liabilities have been valued at year-end exchange rates.

The financial interests have accrued until the date of filing of the reorganization proceeding, from which time the course of the proceeding is interrupted in accordance with Article 19 of the Argentine Bankruptcy Law

10) Stocks

This caption of the consolidated balance sheet includes non-financial assets which the consolidated entities

1. Maintain for sale in the ordinary course of business
2. Have in process of production, construction or development for that purpose, or

3. They plan to consume them in the production process or in the provision of services.

Inventories are measured at the lower of cost and net realisable value. The cost of work in progress includes direct materials and, where applicable, direct labour costs and manufacturing overheads incurred to date. Cost is calculated using weighted average cost. Net realisable value represents the estimated selling price less the estimated costs of completion and costs to be incurred in the marketing, sales and distribution processes.

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

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

11) Cash and cash equivalents

Cash and cash equivalents include cash in hand, overnight deposits with credit institutions, other short-term highly liquid investments with an original maturity of three months or less, and also short-term financial investments with a maturity of more than three months that are not subject to any restrictions or penalties on their disposal. Current account balances which are restricted at year-end to guarantees or collateral given to third parties in connection with commercial transactions are shown as other liquid assets and equivalent if such amounts are expected to become undrawn within three months of the year-end. (see note 12.d). On the balance sheet, bank overdrafts are classified as current liabilities under bank loans.

12) Social Capital

Ordinary shares are classified as equity.

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

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

The Group has calculated profit or loss per share for 2019 and 2018. Information on diluted earnings/loss per share is presented in note 14g to these consolidated annual accounts.

Basic earnings per share are calculated by dividing:

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

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

The figures used in the determination of basic earnings per share are adjusted for diluted earnings per share:

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

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

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

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

13) Grants

Grants received from the government are recognised at fair value when there is reasonable assurance that the grant will be collected and the Group will comply with all established conditions.

Government grants related to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants related to the acquisition of property, plant and equipment are included in non-current liabilities as government subsidies and are credited to the income statement on a straight-line basis over the useful lives of the related assets.

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

14) Commercial accounts payable

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

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

15) Provisions

In preparing the consolidated annual accounts, the directors of the Parent company make a distinction between

1. Provisions: credit balances covering present obligations at the consolidated balance sheet date arising from past events which could result in a loss for the entities, which is specific as to its nature but uncertain as to its amount and/or timing; and

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

The Group's consolidated annual accounts include all significant provisions with respect to which it is considered that it is more likely than not that the obligation will have to be met. Contingent liabilities are not recognised in the consolidated balance sheet, but rather are disclosed in accordance with the requirements of IAS 37 (notes 18 and 21).

16) Classification of balances between current and non-current

Balances are classified according to their maturity, with amounts falling due within 12 months of the balance sheet date considered as current liabilities and amounts falling due within 12 months as non-current liabilities.

17) Income tax

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

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

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

In accordance with International Accounting Standard No. 12, "Income Taxes", deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised:

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

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

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

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

To the extent that it is not probable that taxable profit will be available against which unused tax losses or credits can be utilised, deferred tax assets are not recognised.

Deferred tax liabilities are recognised for temporary differences arising on investments in subsidiaries and associates, except where the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities arise from income taxes levied by the same taxation authority on the same or different taxable entities or individuals seeking to settle current tax assets and liabilities on a net basis.

18) Employee benefits

Severance payments

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before normal retirement age or when the employee agrees to resign voluntarily in exchange for these benefits. The Group recognises these benefits on the earliest of the following dates (a) when the Group can no longer withdraw the offer of such benefits; or (b) when the entity recognises the costs of a restructuring within the scope of IAS 37 and this involves the payment of termination benefits. When an offer is made to encourage voluntary resignation of employees, termination benefits are measured on the basis of the number of employees expected to accept the offer. Benefits that will not be paid within 12 months of the balance sheet date are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a liability and a bonus expense based on a formula that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged or when past practice has created a constructive obligation.

19) Share-based payments

The fair value of shares granted under a variable remuneration plan for executive directors and/or senior management of the group is recognised as an employee benefits expense with the corresponding income in equity. The total amount recognised as an expense is determined by reference to the fair value of the shares granted:

- including market performance conditions (e.g. the entity's share price)
- excluding the impact of non-market performance or service conditions (e.g., profitability, sales growth targets and the remaining period of the employee's obligation to remain with the entity for a specified period), and
- including the impact of any non-vesting conditions (e.g. an obligation for employees to save or hold shares for a specified period of time).

The total expense is recognised during the vesting period, which is the period during which all the specified conditions for vesting have to be satisfied. At the end of each year, the entity reviews its estimates of the number of shares it expects to vest based on service and non-market vesting conditions. The impact, if any, of the revision of the original estimates is recognised in profit or loss, with a corresponding adjustment to equity.

20) Recognition of income and expenses

General

Income and expense are recognised on an accruals basis, i.e. when the actual flow of the goods and services which they represent occurs, regardless of when the resulting monetary or financial flow arises.

Revenues are recognised at the fair value of the consideration receivable and represent amounts receivable for goods delivered and services rendered in the ordinary course of the Group's business.

Group revenues are mainly obtained from the provision of services for the deployment, operation and maintenance of telecommunications and energy infrastructures under multi-year contracts with an average duration of between 3 and 5 years.

Infrastructure operation and maintenance services

Operation and maintenance services, in general, involve activities which, although they are covered by multiannual contracts, are of short duration. For this type of contract, each service order constitutes a separate performance obligation, since each one provides a separate benefit and is separately identifiable.

For this type of contract, income is recognised at a point in time, i.e. when the technician considers the incident to have been settled. At this time, the Ezentis Group has an unconditional right of collection. The amount to be recognised as a contractual asset (invoices pending issue) will be the result of the price of the service for the number of units carried out.

Operation and maintenance services sometimes contain fixed price contracts. In this case, income is recognised as the services are rendered and income is determined on the basis of current hours incurred in relation to total expected hours.

Infrastructure deployment services

Contracts of this type of service can define different phases for the execution of a work. In general, the different phases are considered to be tasks within a single obligation to be fulfilled which is, by way of example, the construction of a telecommunications network or an electrical substation, as they are interdependent tasks necessary for the construction of the asset to be transferred to the customer.

In this type of service, the obligation to perform is satisfied, and revenue is recognised, over time, as fulfilment of the obligation does not create an asset with an alternative use and the Ezentis Group has an enforceable right to payment for the performance completed to date. The revenue recognition method is a milestone method, i.e. a method of measuring revenue progression in which revenue is recognised on the basis of milestones achieved.

It is standard practice for contracts entered into by the Ezentis Group with its customers to contain different types of variable consideration such as bonuses or penalties passed on by the customers. The Group includes part or all of the variable consideration in the transaction price only to the extent that it is highly probable that, when the uncertainty regarding the variable consideration is resolved, there will be no significant reversal of the amount of cumulative revenue recognised.

If the services provided by the Group exceed the unconditional right to receive payment, a contractual asset is recognised. If the collection received by the customer exceeds the revenue recognised, a contractual liability is recognised.

Costs of obtaining and fulfilling a contract

The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover such costs. Incremental costs of obtaining a contract are costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained (e.g. a sales commission).

Under certain circumstances, the Group activates certain costs incurred in the fulfilment of a contract with customers. Some of these costs are direct labour costs (e.g. wages and salaries of employees providing the services committed directly to the customer), direct materials (e.g. supplies used to provide the services committed to the customer), cost distributions that relate directly to the contract or to activities under the contract, costs that are explicitly attributable to the customer under the contract and other costs incurred only because the contract has been performed.

21) Leasing

In 2018, leases were classified as financial leases provided that the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Financial leasing

Leasing operations are therefore those in which the risks and rewards relating to the leased asset are transferred to the lessee, who usually has the option of acquiring it at the end of the contract under the conditions agreed when the operation was formalised.

Financial income and expenses arising from these contracts are credited and charged, respectively, to the consolidated income statement so that the yield remains constant over the life of the contracts.

Operating leases

In operating leases, the ownership of the leased asset and substantially all risks and rewards relating to the asset remain with the lessor.

22) Consolidated cash flow statements

The following terms are used in consolidated cash flow statements, prepared under the indirect method, with the meanings specified

Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments with a low risk of changes in value.

Operating activities: typical activities of the entities that form the consolidated group, as well as other activities that cannot be classified as investment or financing activities.

3. Investing activities: the acquisition, disposal and other forms of investment in long-term assets and other investments not included in cash and cash equivalents.

Financing activities: activities that result in changes in the size and composition of equity and of liabilities that are not part of operating activities.

23) Related parties

Transactions carried out by the Group with related parties are at market prices. Related parties are defined in IAS 24.

ANNEX V

Metrics and indicators included in these consolidated annual accounts and in the consolidated directors' report not included in EU-IFRS

These are financial metrics not contemplated or included as such in EU-IFRS, which we consider to be indicators that measure, among other aspects, the Group's performance.

In this regard, it should be noted that the Group has included these metrics or financial indicators as complementary indicators to measure its performance. In this regard, the Group considers that these metrics are significant given that they do not contemplate elements that have, among other considerations, a lesser relationship with the Group's recurrent and future performance and that, therefore, highlight trends in our business that might otherwise not be evident when based solely on the financial indicators or metrics contemplated in EU-IFRS.

EBITDA:

i) Definition/Conciliation: The Group defines EBITDA as the consolidated operating profit for the year before taxes (excluding profit from discontinued operations), before deducting interest, commissions, discounts and other financial payments by any member of the Group and also excluding financial expenses provisioned, adding expenses attributable to depreciation, amortisation and impairment of assets, before other results considered to be of an exceptional nature, before deducting any costs associated with the transaction from the financing itself, after deducting the profit or loss associated with minority interests, excluding the share of results of associates, before taking into account recognised gains or losses on changes in the fair value of derivative instruments or the revaluation of any other asset and before taking into account any impact of pension plans and share option plans.

ii)

	2019	**2019(*)**	**2018**
Result of the year	**4.014**	**4.014**	**(14.697)**
Income tax	11.056	11.056	17.862
Financial result	(18.837)	(15.543)	(31.612)
Amortization and depreciation	(27.713)	(12.243)	(12.945)
Variation in provisions	(10.438)	(10.438)	416
Other results - non-recurring (note 22)	(4.772)	(4.772)	(16.185)
Profit for the year from discontinued operations net of tax	(3.354)	(3.354)	(2.373)
EBITDA	**58.072**	**39.308**	**30.140**

(*)Not considering IFRS 16

iii) Explanation of use: financial indicator used to measure the approximation to the operational result and determines the productive profitability.

iv) Consistency of the criterion used: No change of criterion has occurred with respect to the employee in the previous year.

OPERATING INCOME:

i) Definition/Conciliation: The revenue figure corresponds to the sum of the items of the Net Turnover, the variation in work executed pending invoicing, the work carried out by the company for its assets and the other operating income.

Thousands of euros	**31 12 2019**	**31 12 2018**
Operating income		
Net turnover	448.738	436.985
Other operating income	3.561	1.451
Work carried out by the Group for its assets	2.894	1.931
Total	**455.193**	**440.367**

ii) Explanation of use: financial indicator used to measure the total operating income generated in a financial year.

iii) Consistency of the criterion used: No change of criterion has occurred with respect to the employee in the previous year.

FINANCIAL EXPENSE RATIO (base 12 months) / DEBTS WITH FINANCIAL COST:

i) Definition/Conciliation: This is the ratio calculated by dividing Financial and similar expenses (12-month basis) by Debts with a financial cost.

Thousands of euros	**31.12.2019**	**31.12.2018**
Financial liabilities	169.501	121.930
Other non-current liabilities	15.454	6.883
Total liabilities with financial cost	**184.955**	**128.813**
Financial and similar expenses	(27.551)	(40.435)
Annualised financial expenses/ Debts with financial cost	**14,9%**	**31,4%**

ii) Explanation of use: financial indicator that reflects the level of financial expenses generated on the total debts with financial cost.

iii) Consistency of criteria used: There have been no changes in criteria with respect to employees during the prior year, except for the application of IFRS 16, which has resulted in the recording of non-current debt amounting to Euros 15,130 thousand and current debt amounting to Euros 11,976 thousand. In addition, financial expenses of Euros 3,294 thousand have been recorded on application of the aforementioned standard.

LEVERAGE RATIO:

Definition/Conciliation: The leverage ratio is calculated by dividing net financial debt by net financial debt + equity

	Thousands of euros	
	As of December 31st	
	2019	**2018**
Debts with credit institutions	129.810	106.905
Leasing liabilities	37.167	-
Financial lease liabilities	-	14.043
Other financial liabilities	1.412	3.707
Cash and cash equivalents and current financial assets	(29.585)	(23.508)
Net debt	**138.804**	**101.147**
Net equity	14.312	32.038
Total capital employed in the business	**153.116**	**133.185**
Leverage rate	90,7%	75,9%

i) Explanation of use: This is a financial indicator that the Company uses to measure the indebtedness of the company and the ability to repay its financial debt.

ii) Consistency of criteria used: There have been no changes in criteria with respect to employees during the prior year, except for the application of IFRS 16, which has increased debt by a total of Euros 27,106 thousand, as shown in the table above, and decreased equity by Euros 2,211 thousand.

WORKING CAPITAL:

i) Definition/Conciliation: It is the Current Assets minus the Current Liabilities.

Thousands of euros	**2019**	**2018**
Current assets	182.631	189.411
Current liabilities	204.390	175.021
Working Bottom	(21.759)	14.390

ii) Explanation of use: this is a financial indicator that reflects the Group's ability to meet its immediate payment commitments.

Consistency of criteria used: No change of criteria has occurred with respect to the previous year except for the application of IFRS 16.

CONTRACT PORTFOLIO:

i) Definition: It is the amount of the accumulated contracting minus executed sales plus/minus adjustments for exchange rate and contract renegotiation, among others. It is the amount of the sale pending until the end of the contract.
Contracting is the amount of contracts won/awarded over a period.

ii) Explanation of use: this is an indicator of the future development of the Group's business.

iii) Consistency of the criterion used: No change of criterion has occurred with respect to the employee in the previous year.

Management Report

Ezentis Group Consolidated

January - December 2019

February 2020

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1. - MAIN FIGURES

During 2019, the Group has continued with its strategy of focusing on key businesses and regions, achieving, among other milestones, entry into the mobile telephone network market in Portugal and increasing its presence in Spain, which now represents 31.9% of the Group's revenues (compared to 26.5% in 2018 and only 9% in 2017).

Consolidated operating income for 2019 amounted to Euros 455.2 million, representing an increase of 3.4% (+ Euros 14.8 million) compared to 2018. This increase is due both to organic growth in its main markets, Spain, Brazil and Chile, as a result of the securing and implementation of new contracts (order intake in the year totalled Euro 608.8 million compared to Euro 577.5 million in 2018), and to inorganic growth, as the results for this period include those relating to the entire year of the company Excellence Field Factory (hereinafter EFF), which has been consolidated since June 2018 and the telecommunications network operation and maintenance business acquired from Liteyca in September 2019.

The integration of EFF has enabled the expansion of business in Spain through the award of new contracts throughout 2019. Likewise, in January 2019, activity began in Portugal through a subsidiary incorporated in that country with client Nos for the maintenance of mobile sites.

Variations in the currencies of the Latin American countries in which the Group operates had a negative effect of Euros 6.3 million on the Group's consolidated turnover (1.4% of total income). In this context, in view of the macroeconomic and market deterioration experienced by Argentina, which led to the resizing of Ezentis' activity in this country in the second half of the prior year, the Group's Argentinean companies filed for bankruptcy protection in December 2019 in order to restructure their liabilities. Furthermore, a process has been initiated to seek different alternatives for the continuation of current telecommunications and energy activities, which could include strategic alliances with third parties, whereby the results of activities to be discontinued have been classified as results of discontinued operations in accordance with IFRS 5. This classification has led to a reduction in income of Euros 11.0 million in the consolidated income statement for 2019.

The Group ends 2019 by strengthening its position as a benchmark O&M supplier with a global and diversified presence by sector (Telecommunications 79.1%, Electricity 19.0% and Other 1.9%) and by country, as detailed in section 2 of this consolidated management report.

The Group's EBITDA without the effect of IFRS 16 (earnings before interest, taxes, depreciation, amortisation and non-recurring items) stood at Euros 39.3 million at the end of 2019, which represents an increase of 30.6% compared to 2018, reflecting the Group's focus on profitability and efficiency. The EBITDA margin without the effect of IFRS 16 on operating income stood at 8.6% (6.8% in 2018).

Consolidated financial results for 2019 amount to Euros -18.8 million (Euros 15.5 million excluding the impact of financial expenses related to IFRS 16) compared to Euros -31.7 million for 2018, representing a decrease of 41% (51.7% excluding the effect of IFRS 16). This decrease is due to the financial restructuring of corporate debt carried out at the end of 2018, resulting from the signing of a new loan agreement with a group of financial institutions and funds led by Banco Santander, which matures in six years, and to the Group's optimum financial management.

Non-recurring profit for 2019 amounts to Euros -4.8 million, which mainly corresponds to personnel restructuring costs in various Group companies and other non-recurring or exceptional effects.

The Ezentis Group's net financial debt at 31 December 2019 totals Euros 144.7 million (Euros 108.0 million at 31 December 2018). If the amount corresponding to contracts classified as debt under IFRS 16 is excluded, net debt totals Euros 120.3 million, which represents 2.73 times EBITDA for 2019, taking into account the EBITDA for the last twelve months of the aforementioned branch of activity acquired (Euros 4.8 million). The main change in debt during the year corresponds to the increase in corporate financing by Euro 30 million for the acquisition of the aforementioned branch of activity.

The Group's net profit at 31 December 2019 stands at Euros 4.0 million compared to a net loss of Euros -14.7 million in the prior year.

The portfolio contracted at the end of 2019 amounts to Euro 934.4 million (2.1 times the income for 2019), compared to Euro 791.0 million in 2018 (1.8 times the income for 2018). The portfolio consists of multi-year contracts with a duration of between three and five years with the main operators in the activity sectors in which the Group operates in Europe and Latin America. The increase in the backlog associated with new contracts during the year totalled Euros 608.8 million (Euros 577.5 million in 2018), of which Euros 478.8 million corresponded to new contracts or renewals and Euros 130.0 million to the backlog of contracts in the branch of activity acquired by EFF in September.

Operating cash flow for 2019 stands at 41.6 million euros (28.4 million euros in fiscal year 2018). The conversion ratio of EBITDA to operating cash flow is 106%.

Our aim for the coming years in terms of resource management is to continue to maximise efficiency in the management of projects/contracts, comply with safety and quality standards and maximise value creation for our stakeholders, strengthening our presence in the three main markets (Spain, Brazil and Chile) and reducing exposure to currency risk.

2. - DETAILS BY COUNTRY

The Ezentis Group operates in Spain, Brazil, Chile, Argentina, Peru, Colombia, Mexico and, from 1 January 2019, in Portugal. As a continuation of the strategy of focusing investment on its key markets, in September 2019 the Group acquired a branch of activity which provides fixed telecommunications network deployment and maintenance services in various Spanish provinces.

The breakdown of the Ezentis Group's operating income by country is as follows

Operating income (in thousands of euros)

	2019	2018	Variation %.
Brazil	157.064	134.680	16,6%
Chile	91.329	91.973	-0,7%
Spain	145.388	116.623	24,7%
Argentina1	1.322	33.543	-96,1%
Peru	38.752	41.889	-7,5%
Colombia	8.428	9.538	-11,6%
Mexico	8.682	11.973	-27,5%
Portugal2	2.975	-	-
Others	1.254	148	744,9%
Total	455.193	440.367	3,4%

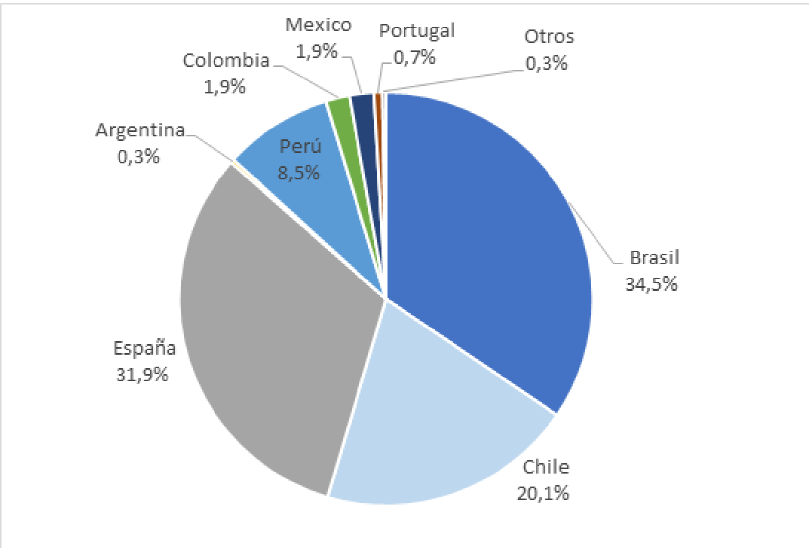
(1) Revenues from telecommunications and energy activities in Argentina are presented as a result of discontinued operations in the 2019 consolidated annual accounts in accordance with IFRS 5. This income amounts to Euros 11.0 million.

(2) Since 1 January 2019 Ezentis has been present in Portugal through a mobile network maintenance contract with the Portuguese telecommunications operator Nos.

(3) Operating income is the sum of net sales, changes in stocks of finished products and work in progress, work carried out by the company on its assets and other operating income.

The relative weight of each country's income over the Group's total for 2019 is shown in the attached graph:

Operating income by country as a percentage of consolidated income



2.1. SPAIN

Spain continues on a clear path of revenue growth, which in 2019 amounted to 145.4 million euros, compared to 116.6 million in 2018, an additional 24.7%. The revenue recorded in 2019 incorporates the part corresponding to the branch of activity acquired in September 2019.

In the contracting section, it is worth highlighting the renewal in May 2019 of a contract with Ericsson for the maintenance of the mobile network on behalf of its customers in Spain within the framework of the commercial agreement in force between the two.

2.2. BRAZIL

In 2019, revenues in Brazil amounted to Euro 157.1 million compared to Euro 134.7 million in 2018, representing growth of 16.6%, as a result of the renewal and extension of the scope of certain contracts in 2019 in the energy and telecommunications activities. At constant exchange rates, the variation with respect to 2018 would be an increase of 19.6%, which shows that activity in this market is growing, highlighting the increase in activity in the various contracts for the provision of fixed and mobile network services with TIM in some of the country's main states: São Paulo, Rio de Janeiro, Bahia and Amazonas.

Other contracts include the award of a contract renewal by the telecommunications operator Vivo, Telefónica's Brazilian subsidiary, for the operation and maintenance of more than 14,000 mobile telecommunications sites in the South, Northeast, Rio de Janeiro, Espírito Santo and São Paulo metropolitan regions for a total of Euro 117 million and a three-year period, as well as the renewal of the contract for the deployment of the electricity distribution network with Neoenergía.

2.3. CHILE

Chile reached a revenue figure of 91.3 million euros in 2019 compared to 92.0 million euros in 2018, a reduction of -0.7%, impacted by a negative exchange rate against the euro and by the social crisis situation during the last quarter of 2019. However, at a constant exchange rate, the variation with respect to 2018 would be an increase of 2.5%.

PERU

In 2019, Peru's total revenue reached 38.8 million euros, compared to 41.9 million euros in 2018. Despite this drop of -7.5%, in mid-year the Group renewed the loop contract with Telefónica for four years for an estimated volume of 90 million euros.

2.5. ARGENTINA

Revenues in Argentina at the end of December 2019 amounted to 1.3 million euros compared to 33.5 million euros in 2018, representing a reduction of -96.1% due to a triple effect: Firstly, the reduction in activity as a result of the country's macroeconomic or market situation; secondly, the impact of the currency, which depreciated by 35% during the year; and finally, the reclassification to profit from discontinued operations of operating income related to certain activities and contracts for which various continuity alternatives are being sought, including strategic alliances with third parties. Despite these conditioning factors, from an operational point of view, the execution of contracts is proceeding normally within the framework of the preventive tender requested.

2.6 COLOMBIA

In 2019, Ezentis Colombia's revenue amounted to 8.4 million euros, 11.6% less than in 2018 due to the change in strategy of our main client. However, the impact on the group as a whole is limited given that this country represents less than 2% of the group's turnover.

2.7 MEXICO

The Group's operations in Mexico generated revenues of Euro 8.7 million, down 27.5% on 2018. This drop is mainly due to the change in strategy of our main client in the country.

3. - DETAIL BY ACTIVITY

The Ezentis Group is operationally organised into the following activities:

- Telecommunications (79.1% of 2019 operating revenues)
- Electricity (19.0% of 2019 operating revenues)
- Others (1.9% of 2019 operating revenues)

The breakdown of the Ezentis Group's income from each of these activities is as follows

Thousands of Euros	2019	2018	Variation %.
Telecommunications	360.154	336.242	7,1%
Electricity	86.670	85.300	1,6%
Others (*)	8.369	18.826	-55,5%
Total	455.193	440.367	3,4%

(*) Includes: Water, Gas and others

Revenues from the telecommunications activity are both organic, thanks to the implementation of new contracts awarded in 2019, and inorganic.

In the electricity business, the increase is mainly due to the growth in activity in Chile and Brazil, which is negatively offset by the reclassification of part of the activity in Argentina to discontinued operations.

Finally, in the "Others" section, there was a reduction of -55.5% in income, due to the fact that part of the activities which in 2018 were classified under this heading, in particular technology and network projects, in 2019 were classified as telecommunications activities as the grouping criterion was modified according to the end customer sector.

4. - FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

The Group's results at the end of 2019, compared to the same period in the prior year, are as follows (EU-IFRS Thousands of Euros)

Thousands of Euros	2019	2018
Income	455.193	440.367
EBITDA	58.072	n.a.
EBITDA/Revenues	*12,8%*	
Amortisation IFRS 16	-15.471	n.a.
EBITDA without IFRS 16 effect	39.308	30.139
EBITDA/Revenues	*8,6%*	*6,8%*
Depreciation and provisions rest	-22.680	-12.530
EBIT	19.921	n.a.
EBIT/Revenue	*4,4%*	
EBIT without IFRS 16 effect	16.628	17.610
EBIT/Revenue	*3,7%*	*4,0%*
Financial income and expenditure	-18.494	-31.457
Changes in financial instruments	-	32
Exchange rate differences	-342	-188
Non-recurring results	-4.772	-16.185
Profit before tax	-3.687	-30.187
Taxes	11.056	17.862
Minority, discontinued and non-strategic holdings	-3.354	-2.372
Net result	4.015	-14.697

Group operating income totals Euros 455.2 million, compared to Euros 440.3 million in the prior year. This increase is due to organic growth based on new contracts (order intake of Euros 608.8 million compared to Euros 577.5 million in 2018), as well as the incorporation into the Group's consolidation scope of the branch of activity acquired in September 2019.

Operating profit before interest, tax, depreciation and amortisation and non-recurring items (EBITDA) for the year, without considering the impact of IFRS 16, amounted to Euros 39.3 million, compared to Euros 30.1 million in the prior year, improving the ratio of EBITDA to income by almost two percentage points. This improvement in the margin represents the achievement of one of the Group's main strategic objectives: the improvement of profitability through an appropriate process of rationalisation and cost optimisation, focused on taking advantage of economies of scale, the centralisation of certain contracts with reference suppliers at country or global level, the obtaining of synergies between the telecommunications and energy activities and, especially, the firm commitment to the digital transformation of the business.

Consolidated financial results for 2019 have improved significantly, from Euros -18.8 million in 2019 (Euros 15.5 million without the effect of IFRS 16) compared to Euros -31.6 million in 2018. The reduction in financial expenses is mainly due to the corporate debt restructuring carried out at the end of 2018, which enabled an improvement in financing conditions and cost. Profit for 2019 includes Euros 1.4 million as a result of the application of IFRS 9 Financial Instruments, as there was a change in financing conditions due to the increase in debt. Likewise, profit for 2018 includes costs linked to the cancellation of the financing of the previous corporate debt amounting to Euros 6.5 million, which have not been incurred in 2019.

Non-recurring profit for 2019 amounting to Euros 4.8 million mainly relates to personnel restructuring costs in various Group companies.

The Group's net profit at 31 December 2019 amounted to Euros 4.0 million compared to Euros -14.7 million in 2018, mainly due to an improvement in EBITDA and EBIT, a significant decrease in financial expenses as a result of the aforementioned and a lower amount of non-recurring profit.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

Thousands of Euros

Active	Dec 2019	Dec 2018
Non-current assets	196.380	133.053
Tangible fixed assets	22.903	31.093
Intangible assets	108.367	50.946
Real estate investments	-	-
Long-term investments in group and associated companies	50	56
Long-term financial investments	18.783	17.151
Deferred tax assets	46.277	33.807
Current Assets	182.631	189.411
Assets held for sale	7.037	6.750
Stocks	23.929	20.425
Trade and other receivables	122.080	138.728
Other current assets	7.731	4.430
Cash and cash equivalents	21.854	19.078
TOTAL	379.011	322.464

Liability	Dec 2019	Dec 2018
Net Worth	14.312	32.038
Non-current liabilities	160.309	115.405
Debts with credit institutions	114.616	87.067
Other financial liabilities	20.607	10.452
Provisions	2.511	6.534
Deferred tax liabilities	8.533	8.015
Other non-current liabilities	14.042	3.337
Current liabilities	204.390	175.021
Liabilities associated with assets held for sale	3.585	3.346
Debts with credit institutions	17.718	20.820
Other financial liabilities	17.972	7.298
Commercial Creditors	132.426	115.676
Provisions	2.563	3.596
Current tax liabilities	30.126	24.285
TOTAL	379.011	322.464

The main changes in the balance sheet relate to the acquisition by the subsidiary EFF of the loop and outside plant business for Telefónica, recorded under intangible assets, and the increase in bank debt due to the increase in corporate loans by Euros 30 million to finance this incorporation.

In addition, the adoption of IFRS 16 Leases for application from 1 January 2019 is reflected in the financial statements at 31 December 2019, representing an increase in intangible assets and bank loans of Euros 25.1 million and Euros 27.1 million, respectively, with no significant impact on consolidated net profit (see note 5 on accounting policies).

Finally, consolidated equity has decreased by Euros 17.7 million mainly as a result of translation differences due to the depreciation of Latin American currencies and the impact of the initial adoption of IFRS 16 Leases and changes in the value of interest rate hedging instruments. Furthermore, the individual equity of the Parent, Ezentis, S.A. amounts to Euros 129.3 million.

5. - ACCOUNTING POLICIES

In accordance with the new accounting pronouncements IFRS 9 (Financial instruments) and IFRS 15 (Revenue from customer contracts) issued by the International Accounting Standards Board (IASB) applicable from January 2018, the Ezentis Group adapted its accounting policies to reflect the correct adoption of these standards in its financial statements at 31 December 2018.

The new impairment model requires the recognition of impairment provisions on the basis of expected credit losses rather than only incurred credit losses, which is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 *Revenue from contracts with customers,* lease receivables, loan commitments and certain financial guarantee contracts.

In relation to IFRS 15 (Revenue from contracts with customers), which replaced IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts, the Group discloses in the financial statements the assets and liabilities associated with each customer contract.

Most of the income generated by the Group relates to the execution of contracts for the provision of operation and maintenance services in the telecommunications and energy infrastructure and services sectors, which have a short-term execution period and, therefore, the application of IFRS15 does not have a significant impact on the Group's income recognition.

The application of IFRS 15 has also involved the identification of separate enforcement obligations in relation to customer contracts, which may affect the timing of revenue recognition in the future.

Finally, the Group has adopted IFRS 16 Leases since 1 January 2019, the main impacts of which at 31 December 2019 are as follows

Indicador	Impacto	Descripción del impacto	Efecto 2019
Activo	↑	Incremento, por reconocimiento de los "derechos de uso" relativos a los arrendamientos	**+25,1 M**
Pasivo financiero	↑	Incremento, por reconocimiento de una "deuda financiera por arrendamiento NIIF 16" derivada del reconocimiento de los "derechos de uso" relativos a los arrendamientos	**+27,1 M**
Fondo de maniobra	↓	Disminución, por el reconocimiento de la porción a corto plazo de la "deuda financiera por arrendamiento NIIF 16"	**-12,0 M**
EBITDA	↑	Incremento, porque el coste de la renta se reconoce como amortización e intereses en lugar de "Otros gastos de explotación"	**+18,8 M**
Resultado de explotación	↑	Incremento, porque el coste de la renta se reconoce parte como amortización y parte como intereses financieros	**+3,3 M**
Resultado financiero	↓	Disminución, porque el coste de la renta se reconoce como amortización e intereses en lugar de "Otros gastos de explotación"	**-3,3 M**
Efecto fiscal	—	No relevante dado que se trata, en todos los aspectos significativos, de un gasto deducible en el cálculo de la provisión del Impuesto sobre Sociedades	—
Resultado neto	—	No significativo, dado que el efecto sobre el resultado de explotación se ve compensado en la práctica totalidad por el efecto en el resultado financiero y sin tener impacto significativo en la provisión del Impuesto sobre Sociedades	—

6. - EXPOSURE TO RISK

The Ezentis Group carries out its activities in different sectors, countries and socio-economic and legal environments that involve exposure to different levels of risk inherent in the businesses in which it operates.

The Ezentis Group has an Integrated Risk Management System through which it identifies, assesses, prioritises and manages the Group's relevant risks systematically, with uniform criteria and establishing them within the established risk tolerance levels.

This system is constantly being updated and works in a comprehensive and continuous manner. It is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies that make up or have made up part of the Ezentis Group throughout 2019.

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

The Audit and Compliance Committee, as the Board's delegated body, is responsible for supervising the internal control systems and periodically guaranteeing the risk management system, so that the main risks are identified, managed and appropriately publicised, as well as periodically reviewing the risk control and management policy and proposing its modification and updating to the Board.

This responsibility for supervising the risk management system is carried out by the Group's Head of Internal Audit, supported by the heads or owners of risks in the various business units/countries. These send a periodic report on the various risks that threaten their respective business units, the existing control processes and the improvement actions to be implemented.

The Ezentis Group is exposed to various risks derived from its own businesses, as well as to specific risks of a financial nature that have been identified in the Comprehensive Risk Management System.

The categories of risk considered in the Ezentis Group's Comprehensive Risk Management System, in accordance with the international COSO methodology, and the main risks to which the Group is exposed at 31 December 2019, are as follows

i) Strategic Risks:

- Risk of falling prices for the renewal of contracts with customers. For each new tender, the group carries out a detailed economic evaluation in which it determines minimum values to be offered so as not to put the expected profitability of the business at risk. In addition, the Group continuously seeks to improve efficiency in relevant Group processes, as well as reviewing the unit costs charged to the activity in order to reduce costs and increase the profitability of contracts.

- Risk of losing key customers due to consolidation of competitors The risk lies in the loss of customers due to the consolidation of service providers that develop greater competitive advantages. The Group is making a strategic commercial effort to diversify the business in different clients, geographical areas and the development of new activities. Likewise, special emphasis is placed on investment in security as a key element of competitiveness in the eyes of customers.

-Exchange risk of the type of services required by our clients. A change in the type of services requested, with longer duration projects or those requiring greater investment, could require greater financing of working capital. The Group has an appropriate financial structure for long-term debt, complemented by short and medium-term loans and lines of credit that enable it to finance the value chain and improve cash flows.

ii) Compliance/Reporting Risks

-Risks arising from the failure to comply with existing regulations in the countries in which the group operates, especially tax, legal and labour regulations. There is an internal legal, human resources and tax department, which supervises compliance with the legislation in force in each country where the Group is present, as well as external advisors for those specific matters that are required. There is also a corporate tax policy, a procedure for managing and controlling tax risks and tax risk matrices in all the Group's subsidiaries.

Open labor contingencies are also continuously monitored by the internal lawyers of each country. In addition, we have the advice of external lawyers who are experts in labour matters and who supervise compliance with current labour legislation.

-Risks of non-compliance with financial and non-financial obligations arising from the financing contract signed The Group has implemented procedures for the periodic monitoring of covenants committed in the financing contract, as well as early warnings in the event of potential non-compliance. The Group also periodically reports on compliance with these procedures.

iii) Financial risks:

-Risk of exchange rate changes. The Group attempts to match, wherever possible, cash flows referenced to the same currency, as well as the amounts and maturities of assets and liabilities deriving from transactions denominated in currencies other than the euro. Furthermore, the increase in activity in Spain following the acquisitions of Excellence Field Factory in 2018 and the loop and outside plant branch in 2019, as well as the commencement of operations in Portugal, have significantly reduced the Group's exposure to currencies other than the euro.

- Risk of difficulty in accessing sources of financing to undertake new projects of organic or inorganic growth, as well as to finance operational activity. The Group determines cash flow and financing needs, using various budgetary and monitoring tools for working capital management.

iv) Operational risks:

- Staff safety risks at work. Given the high volume of workers in the operation and its characteristics, this is always a risk present in the Group, to which the highest priority is given. We have specialised risk prevention personnel for the energy and telecommunications industries, as well as policies, safe working procedures, safety protocols, safety committees and risk prevention activities, in order to mitigate this risk.

- Inadequate revenue cycle management (billing and collection). Given the business in which the Group operates, it is common for there to be discrepancies between the date on which services are actually provided and the date on which they are invoiced and collected. The revenue cycle is considered one of the key processes of Internal Financial Information Control Systems (IFICCS), for which the Group has implemented specific procedures and controls to efficiently manage the revenue cycle (work in progress/invoicing/collection). The Group carries out regular and detailed monitoring of different ratios to evaluate the transformation of work carried out into cash.

7. - EVENTS AFTER THE END OF THE YEAR

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus COVID-19 a pandemic, due to its rapid spread around the world, having affected more than 150 countries. Most governments are taking restrictive measures to contain the spread, including: isolation, confinement, quarantine and restriction of the free movement of people, closure of public and private premises except for basic and sanitary ones, closure of borders and drastic reduction of air, sea, rail and land transport. In Spain, the government adopted Royal Decree 463/2020 of 14 March, declaring a state of alert for the management of the health crisis caused by COVID-19.

To mitigate the economic impact of this crisis, on Wednesday 18 March, Spain published Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to deal with the economic and social impact of the COVID-19. Article 19 of the aforementioned Royal Decree-Law obliges telecommunications providers to guarantee the universal provision of the service and to maintain, as a minimum, the set of current beneficiaries and the quality of service provision. Article 20 also establishes the temporary suspension of all fixed and mobile number portability operations. Similarly, the governments of the countries in which the Group is present have adopted similar measures, aimed in all cases at ensuring the continuity of the activity due to its strategic nature in the context of the existing emergency situation.

These provisions, together with the existing restrictions on mobility and the need to increase protection measures to guarantee the safety of its workers and customers in the new scenario, have so far led to a decrease in the level of activity of the Group, which is mainly focused on installation and maintenance in the home. Although at the date of preparation it is not possible to estimate the decrease in the level of activity, the Group is adopting certain management measures aimed at reducing its costs, which to a large extent are variable in nature, including, where applicable, the cost of personnel, in order to adapt them to the new market situation and until the normal course of business is recovered.

At the date of preparation of this consolidated directors' report, no significant consequences have arisen which would affect the figures and estimates for 2019. During 2020 the Group will assess the impact of these events on its equity and financial position at 31 December 2020 and on the results of its operations and cash flows for the year then ended.

8. - ACQUISITION OF OWN SHARES

At 31 December 2019 Grupo Ezentis, S.A. holds a total of 533,538 treasury shares. Transactions carried out during 2019 are as follows

Purchases:	776,059 shares
Sales:	950,070 shares

9. - RESEARCH AND DEVELOPMENT ACTIVITIES

The Ezentis Group is committed to the digital transformation in all its areas, both in operations and fleet, and in its economic and financial systems, with a clear commitment to global technological partners, cloud technology and the strengthening of cyber security. The objectives to be achieved with this transformation are, the improvement of the efficiency in the processes, the increase in the quality of our works and the security of our people, an improvement in the customer service and in short, a cultural change that places the Ezentis Group in the best position to face the future growth.

10. - USE OF FINANCIAL INSTRUMENTS BY THE GROUP

In order to hedge against interest rate risk, the Group has financial instruments to cover 65% of total corporate debt at nominal value at 31 December 2019.

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

Derivatives contracted by the Group at 31 December 2019 are as follows

Classification	Type	Nominal (Thousands of Euros)	Expiry date (*)	Fair value (Thousands of Euros)	
				Active	Liability
Swap interest	Variable to Fixed	24.112	31/07/2024	-	567
Swap interest	Variable to Fixed	36.000	31/07/2025	-	1.559
Swap interest	Variable to Fixed	8.444	31/07/2024	-	199
Swap interest	Variable to Fixed	8.444	31/07/2024	-	199

		77.000		-	2.524

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

The interest rate is covered by an interest rate swap. In the Interest Rate Swap, interest rates are swapped so that the Company receives a floating interest rate from the bank in exchange for a fixed interest payment. The Interest Rate Swap has been designated as a cash flow hedge.

At 31 December 2019 the fair value of interest rate hedges denominated in foreign currency is estimated to amount to a net liability position of Euros 2,524 thousand (Euros 982 thousand at 31 December 2018).

11. - CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. formulated the Annual Corporate Governance Report for 2018 on 27 March 2019.

12. - CAPITAL STRUCTURE

In accordance with article 5 of the Company's bylaws, the share capital of Grupo Ezentis, S.A. at 31 December 2019 comprises 331,172,000 shares of Euros 0.30 par value each, all of the same class and series, fully subscribed and paid up. The shares are represented by book entries.

13. - RESTRICTION ON THE TRANSFER OF SHARES

As part of the transaction with Ericsson España, S.A., commitments were made that condition the transfer of the shares it holds:

- The Seller shall be entitled to sell, transfer or dispose of, at any time, any Ezentis Shares which, at the Closing Date, exceed 10% of the Ezentis Group's share capital;
- The Seller shall refrain from selling or transferring or otherwise disposing of, until 1 January 2019, Ezentis Shares representing between 5% and 10% of the Ezentis Group's share capital on the Closing Date;

- The Seller shall not sell or transfer or otherwise dispose of, until 24 months after the Closing Date, the Ezentis Shares corresponding to 5% of the Ezentis Group's share capital on the Closing Date.

For the avoidance of doubt, (a) the Seller shall be entitled to pledge the Ezentis Shares as security for the financing incurred in the conduct of its business, which shall not be deemed to be a provision for the purposes of this Clause, and (b) the Seller may not transfer any Ezentis Shares as a loan of shares.

14. - SIGNIFICANT HOLDINGS IN THE CAPITAL, DIRECT OR INDIRECT

The significant direct or indirect holdings in the capital, excluding the directors at 31 December 2019 listed on the CNMV's website, are

Shareholder	Direct actions	% Directly	Indirect actions	Indirect part	Total
Eralan Inversiones, S.L.	12.296.664	4,170	-	-	4,170
Santander Asset Management, S.A., SGIIC	-	-	16.635.584	3,412	3,412
Santander Small Caps Spain, FI	8.041.018	3,412	-	-	3,412
Telefonaktiebolaget L.M. Ericsson	-	-	31.914.880	9,637	9,637

The Members of the Board of Directors of the parent company who hold voting rights over the shares are as follows:

Name of the Director	Direct actions	Indirect actions	Total actions	(%) of capital
D. Guillermo José Fernández Vidal	606.631	-	606.631	0,183
D. Enrique Sánchez de León García	206.978	-	206.978	0,062
D. Fernando González Sánchez	433.537	-	433.537	0,131
D. Carlos Mariñas Lage	899.483	-	899.483	0,272
D. Pedro María Azcárate Palacios	30.516	-	30.516	0,009
Ms. Ana María Sánchez Tejeda	30.516	-	30,516	0,009
Ms. Emma Fernández Alonso	30.516	-	30.516	0,009
Ms. Laura González-Molero	30.516	-	30.516	0,009
Ms Carmen Gomez de Barreda	30.516	-	30.516	0,009
D. Alfonso Alonso Duran	30.516	-	30.516	0,009
TOTALS	2.329.725	-	2.329.725	0,702

15. - RESTRICTION ON VOTING RIGHTS

The restrictions on the exercise of the right to vote are those common to any public limited company, and there are no specific restrictions on this right in the articles of association.

Article 527 of the Revised Text of the Law on Corporations, approved by Royal Legislative Decree 1/2010 of 2 July, establishes that in listed companies the clauses in the articles of association that directly or indirectly establish the maximum number of votes that can be cast by a single shareholder, companies belonging to the same group or those acting in concert with them shall be rendered ineffective if, following a takeover bid, the offeror has reached a percentage of 70% or more of the capital carrying voting rights, unless the offeror is not subject to or has not taken equivalent measures to neutralise the situation. The articles of association of Grupo Ezentis, S.A. do not contain any clause limiting the maximum number of votes that can be cast by a single shareholder or companies belonging to the same group.

16. - PARASOCIAL AGREEMENTS

There are no parasocial agreements communicated to the Company.

17. - APPLICABLE RULES

The organisational rules of Grupo Ezentis, S.A. are available on the Company's website (www.ezentis.com), which includes, essentially, the Company's Bylaws and the Board of Directors' Regulations.

The appointment of the members of the Board of Directors corresponds to the General Shareholders' Meeting, in accordance with the provisions of the Spanish Companies Act and the Company's articles of association. In the event of vacancies occurring, the Board can co-opt the people who are to occupy these positions from among the shareholders until the first AGM is held.

The persons who are proposed for the post of director must meet the requirements established at all times by current legal provisions and the company's articles of association, as well as being of recognised honour, solvency, competence, experience, qualification and availability to carry out the post.

Those who are unable to sit on the Board, are prohibited from sitting on it or are incompatible with it, in accordance with current legislation, the Company's By-Laws and the Board of Directors' Regulations, may not sit on the Board. Proposals for the appointment or re-election of Board members submitted by the Board to the AGM of Shareholders, as well as provisional appointments by co-option, should be preceded by the corresponding report from the Appointments and Remunerations Committee.

The statutory term of office for directors is four years and they can be re-elected indefinitely, once or more times, for periods of the same duration. Once this period has expired, the appointment will expire when the next AGM has been held or when the legal period for holding the ordinary AGM has elapsed.

Board members appointed by co-optation should be ratified in their post at the first AGM held after their appointment.

Board members shall leave the post when the period for which they were appointed has elapsed or when the AGM so decides in accordance with the powers legally and statutorily conferred on it. Likewise, the Board of Directors may propose the removal of a Board member from office to the AGM.

The modification of the articles of association is the exclusive competence of the General Shareholders' Meeting. It requires the following requirements established in the Law on Corporations and in the Articles of Association to be met

- The directors or, where appropriate, the shareholders who made the proposal should prepare a written report justifying the proposal.
- That the call for proposals expresses with due clarity the points to be modified.
- The notice of call should state the right of all shareholders to examine the full text of the proposed amendment and the report on it at the registered office and to request that these documents be delivered or sent free of charge.
- The resolution should be adopted by the AGM in accordance with the provisions of article 201.2 of the Spanish Companies Act.
- In any case, the agreement will be recorded in a public deed that will be registered in the corresponding Trade Register and published in the Official Gazette of the Trade Register.

POWERS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING

The Annual General Meeting of Shareholders held on 31 May 2019 agreed to authorise the Board of Directors to acquire treasury shares, either directly or through Group companies, in accordance with current legislation. The maximum number of shares to be acquired shall not exceed the legally established limit and all this provided that the other applicable legal requirements can also be complied with. Acquisitions may not be made at a price that is 5% higher or lower than the weighted average price on the day the purchase is made. The duration of this authorisation shall be eighteen (18) months as of the date of thisAGM.

In accordance with the provisions set out in Article 30 of the Company's By-Laws and Article 24 of the Board of Directors' Code of Conduct, the Chairman of the Board of Directors shall in all cases be the maximum representative of the Company and shall exercise the leadership of the Board of Directors and in the exercise of his position, in addition to the powers that correspond to him by law and by the By-Laws.

In addition, Mr. Fernando González Sánchez has been delegated all the powers of the Board of Directors, except those that cannot be delegated. He was appointed on 6 November 2018 to the Board of Directors with wide powers to represent, direct and manage the Company.

19. - SIGNIFICANT AGREEMENTS WITH CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

There are no significant agreements of this kind.

20. - AGREEMENTS WITH DIRECTORS, MANAGEMENT AND EMPLOYEES WHO RECEIVE COMPENSATION

The contracts of the directors and senior management of Grupo Ezentis, S.A. currently do not contain any compensation clauses, except as indicated below for the Chairman, Mr. Guillermo Fernández Vidal, and the Chief Executive Officer, Mr. Fernando González Sánchez. The contracts of certain senior executives contain notice and post-contractual non-competition clauses which in no case exceed the annual payment.

D. Guillermo Fernández Vidal is entitled to compensation equivalent to three gross monthly payments of the fixed remuneration in force at the time the decision to terminate the contract is taken, in certain cases of termination of the contract, including unilateral withdrawal without cause by Ezentis, unfair dismissal, failure by Ezentis to fulfil its contractual obligations or a change of control of Ezentis. In the event that Mr. Guillermo Fernández Vidal decides to unilaterally withdraw from his contract, he must give at least three months' notice, unless he compensates for the lack of notice, in whole or in part, with compensation equivalent to the fixed remuneration in force, in proportion to the part of the notice not given.

The Chief Executive Officer is entitled to compensation corresponding to two years' salary, including fixed and variable salary, in certain cases of termination of the contract, including unilateral withdrawal without cause by Ezentis, unfair dismissal, revocation of powers essential to the exercise of his position, failure by Ezentis to fulfil its contractual obligations or a change of control of Ezentis.

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

Finally, if the Chief Executive Officer decides to unilaterally terminate his contract, he must give at least three months' notice, unless he compensates for the lack of notice with a part of the fixed remuneration in force, in proportion to the part of the notice that has not been served.

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

21. - INFORMATION CONCERNING PERSONNEL

The number of people employed on average during the 2019 financial year, distributed by professional category, was as follows:

	Men	Women
Top management	12	1
Executives / Graduates	161	34
Intermediate Command / Higher or Medium Degree	658	82
Site personnel / Technicians / Operators	9.526	642
Structural staff / Administrative staff	1.135	549
	11.492	1.308

22. - STATEMENT OF NON-FINANCIAL INFORMATION

INTRODUCTION

For the second consecutive year, the Ezentis Group has complied with the provisions of Law 11/2018, of 28 December, by including the Non-Financial Information Statement (NFS) in the Management Report accompanying the consolidated financial statements of Grupo Ezentis, S.A. (hereinafter the Ezentis Group) for 2019.

The identification of material issues and the regular updating of the risk matrix are two key elements in the preparation of this EINF and the Sustainability Report (formerly CSR) which will be made public, as every year, in the first half of 2020.

For the sake of greater transparency and homogeneity in the communication of the performance of organisations, the above-mentioned law refers to the minimum framework of contents on which companies must report if they are material to their activity. On the contrary, it does not specify the monitoring of any particular reporting standard. For this reason, and in exercise of the freedom to choose a reporting framework, Ezentis Group has decided to report its non-financial performance, once again, in accordance with the guidelines set out in the *Global Reporting Initiative* (GRI) Guidelines in its version SRS 2016 and additionally, under an internal reporting framework in those cases where the contents of the law are not directly reflected in the GRI Guidelines.

Last but not least, it should be noted that the Ezentis Group's commitment goes beyond mere legal compliance. As a sign of voluntary transparency, over the last three years important initiatives have been undertaken in the field of Corporate Social Responsibility which have led to the company's Sustainability project.

In this regard, it is important to highlight the improvement that the Ezentis Group has experienced in the process of collecting and reporting non-financial information with respect to previous years. The Ezentis Group is a dynamic company which has been integrating sustainability into all its processes and proof of this is the qualitative and quantitative improvements in the information it makes available to its stakeholders, placing the company in an increasingly solid and sustainable position.

1. BUSINESS MODEL

Business environment

Ezentis is a company with a 60-year history and has been listed on the stock exchange for 32 years.

Its main activity focuses on the deployment, maintenance and operation of telecommunications and energy infrastructures in 8 countries, although 87% of the business is concentrated in Spain, Brazil and Chile.

Within its activities of Deployment, Operation and Maintenance (O&M) of telecommunications and energy infrastructures, the offer is composed of the following services:

Telecommunications: services for both fixed and mobile telecommunications systems, covering the entire service life cycle from deployment and internal plant operation and maintenance to user support:

- Fixed external network
- Mobile network
- Fibre deployment
- Customer services
- Network Operations for Companies
- Operation Support Systems (OSS)

Ezentis carries out two types of deployment:

- Optical fibre: carrying out the infrastructure of civil works for the laying of the fibre, either aerial or buried. In addition, it replaces the old technology with copper and "switch-off" of power stations and replaces it with fibre.
- Equipment: Rolling out 4th Generation technology equipment, and soon 5th Generation technology.

Energy: services for the transmission, distribution, marketing and deployment networks

- Overhead and underground distribution and transport lines
- Substations and transformation and distribution centres
- Control systems
- Digital transformation of the network. Smart Grids
- Commercial services

Other services:

- Water distribution networks
- Gas distribution networks
- Development of support systems for infrastructure management

79% of revenues come from the telecommunications sector, 19% from the energy sector and the remaining 2% from other services.

Ezentis has a diversified customer portfolio consisting of the main operators and *utilities in* the sector.

Organisation and structure

Ezentis Group's multinational presence means that its organisational structure is geographically segregated. Each country is led by a General Manager and its subsidiary companies are managed under their own Board of Directors.

Grupo Ezentis, S.A. is the parent company of the Ezentis Group and its subsidiaries located in Spain and Latin America, therefore its activity only corresponds to corporate services and portfolio activity.

From the Corporate areas and the Board of Directors of Grupo Ezentis, S.A., the common guidelines and business strategies applicable to all the Group's subsidiaries are defined, with a certain margin for adaptation to local needs.

Markets in which it operates

In 2019, Ezentis Group was present in 8 countries: Spain, Brazil, Chile, Peru, Colombia, Argentina, Mexico and Portugal.

Objectives and strategies

Our activity is subject to the direction set by our Mission and Vision, and to the implementation of some Values in which we work every day, as defined in our Code of Ethics and Conduct.

In order to achieve our strategic and business objectives, we are firmly committed to ethical principles, the safety of people and the quality of our services, as well as to directing our activity towards the sustainability of the company, in the broadest sense of the term.

Our main objective in the short term is to strengthen the services we are already working on, improving every day so that our clients continue to trust our professionals. The growth of the previous years has been organic and inorganic. By 2020 we expect an increase in the volume of business in current contracts and activities and greater efficiency in their margins.

Main factors and trends

At a general level:

- Strategic relevance of telecommunications and energy infrastructures as a basis for the development of current and future technology.
- Outsourcing by clients of certain phases of the sector's value chain: design, logistics, deployment, operation and maintenance.
- Consolidation in the services market in all sectors; reduced number of suppliers.
- Management of health and safety at work as an element of prevention and improvement of the competitiveness of organisations supported by the Spanish Strategy for Health and Safety at Work 2015-2020.
- Effective management of cybersecurity and data protection against the new security threats that have developed in the digital world due to the emergence of new technologies.
- Proliferation of sustainable mobility regulations promoting the use of electric, hybrid or less polluting fossil fuel vehicles.

Telecommunications area:

- Fixed network growth in all geographies: less than 15% FTTH (*Fiber To The Home)* penetration rate in Europe with high growth potential
- Development of 5G mobile telephony

Opportunities for Ezentis:

- Fiber Optic Deployment, Operation and Maintenance
- Deployment, operation and maintenance of the 5G network
- Dismantling of obsolete infrastructure
- Incorporation in the business of operation and maintenance of security systems

Energy area:

- 10-year electrification plan set by the European Union for the period 2021 to 2030 to achieve the energy and climate objectives established by the European Union itself: to increase the weight of electrical energy in total EU energy demand set for 2050 to 32%.

- In Spain, the National Integrated Energy and Climate Plan (PNIEC) has been approved, which establishes a reduction in emissions of 23% and an increase in final consumption of renewable energy of 42%.

- *Utilities* evolve their business model towards a multi-service model for electricity, communication and gas in an integrated manner

Opportunities for Ezentis:

- To become a relevant agent in the Deployment, Operation and Maintenance of energy assets and in the strong process of electrification in Spain and Europe.
- To be a reference partner for the main energy companies.

This was done during the development of the EINF:

As indicated in Note 7 to the directors' report, a significant event occurred after the end of the year in relation to COVID-19. During 2020 the Group will assess the impact of these events on its equity and financial position at 31 December 2020 and on the results of its operations and cash flows for the year then ended.

2. RISK MANAGEMENT

As described above in the risk exposure chapter of this management report, the Ezentis Group has an Integrated Risk Management System in line with reference standards (COSO, ISO 31000) through which it identifies, assesses, prioritises and manages the Group's relevant risks, for which the Group's Board of Directors is responsible.

The implementation of our Risk Management System is based on the following principles

- Consider risk as any threat that an event, action or omission, may prevent Ezentis Group from achieving its objectives, executing its strategies successfully, the correct performance of its operations or the loss of opportunities.

- Establish mechanisms for adequate risk management, considering its identification, evaluation, response, monitoring and reporting.

- Promote and implement the strategy, culture, resources and processes that constitute Integrated Risk Management, which will be reviewed periodically to ensure that it is adapted to the situation of the Organisation and its environment.

- To assign, among the different levels of the Organisation, the responsibility for identifying, analysing, assessing, evaluating and supervising the Risk Management System.

- To encourage the establishment and implementation of guidelines, limits and mechanisms that contribute to risk management in accordance with the Risk Appetite accepted by the Ezentis Group.

- Promote, encourage and disseminate, through training and communication, the Risk Management System, guaranteeing the dissemination of this Policy, together with the documentation that develops it.

The Risk Management System is updated periodically, operates integrally and continuously and is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies that form or have formed part of the company during 2019.

From the analysis carried out, the risks are classified into four possible categories:

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

The main risks to which the Group has been exposed during 2019 in each of the above categories, as well as the various mitigating measures, are described in chapter 6 of this Management Report, as well as in section E of the Annual Corporate Governance Report.

It is envisaged that, in the successive updates, both the Risk Map and the Internal Control System will evolve towards a greater presence and relevance of non-financial aspects (social, security, environmental, corporate governance, etc.) such as climate change, equal opportunities or corporate reputation issues.

In addition, it is checked that non-financial matters that have been found to be material (Materiality Analysis described in section 4) are aligned with the Company's Risk Map.

On the other hand, an analysis was also carried out on the control mechanisms for non-financial information, with the result that the main mechanisms available to the Company in 2019 are

- Internal Control System for Financial Reporting (IFRS)
- Budgetary control
- Ethics Committee and Compliance Officer
- Crime Prevention Model (Spain)
- Internal Control over Non-Financial Information

3. EZENTIS GROUP APPLICATION POLICIES

The Ezentis Group has many policies and procedures that apply to all subsidiaries and investee companies.

Some examples are:

- Code of Ethics and Conduct
- Regulations of the Board of Directors
- Policy for selection of candidates for board members
- Corporate Social Responsibility Policy
- Integrated Policy on Safety, Health at Work, Quality and the Environment
- ISO14001 Environmental Management System Certification in Spain, Brazil, Colombia and Peru.
- Integrated Pay Policy
- Communications policy and involvement with shareholders, institutional investors and voting advisors
- Accounting Policies and Standards Manual
- Corporate Tax Policy
- Information Security Policy
- Information Privacy Policy
- Digital Disconnection Policy

In order to better disseminate all the policies in force and applicable in each of the countries where we are present, a project was launched in 2018 to give greater coverage and visibility to all the Group's companies.

This is a *sharepoint* based platform to which all the Group's employees have access and can consult the internal regulations in force. Throughout 2019, access to certain profiles has been made easier, however, the process of access and dissemination to the entire workforce has not been completed, which is expected to happen by 2020.

The result of these policies can be inferred in each of the company's management areas described in this report.

Diversity on the Board of Directors

At 31 December 2019, the Board of Directors of Grupo Ezentis, S.A. was made up of 50% independent directors and 40% women. All the members of the Board have extensive professional experience and come from the world of telecommunications, energy, information technology or economic and business sciences, among others.

All this shows that at Ezentis, diversity is a factor that is taken into account by the highest decision-making body, although, for the time being, there is no formalised Diversity Policy in the Board of Directors, it is expressly included in the different rules of corporate governance of the Company.

The Council's diversity related elements are included in the following public documents:

1. Articles of Association of the Group
2. Regulations of the Board of Directors
3. Policy for the Selection of Candidates for Directors
4. Corporate Governance Policy
5. Annual Corporate Governance Report

None of these documents mentions age or disability limitations for directors, which shows that there is no discriminatory criterion in this regard. On the contrary, the Policy for the Selection of Candidates for Board Members does mention other aspects of diversity. Below are two textual quotations from the Policy for the Selection of Candidates for Board Member:

"*The Policy will seek to comply with the provisions of the Code of Good Governance for Listed Companies with regard to the number of female directors representing at least 30% of the total members of the Board of Directors in 2020. 50% of independent directors*".

"*The selection process for board members will ensure that the composition of the Board of Directors reaches an adequate balance of profiles, knowledge, skills, career paths and experience, which will contribute different points of view to the discussion of issues and enrich decision-making*".

4. MATERIALITY AND RELIABILITY OF THE INFORMATION

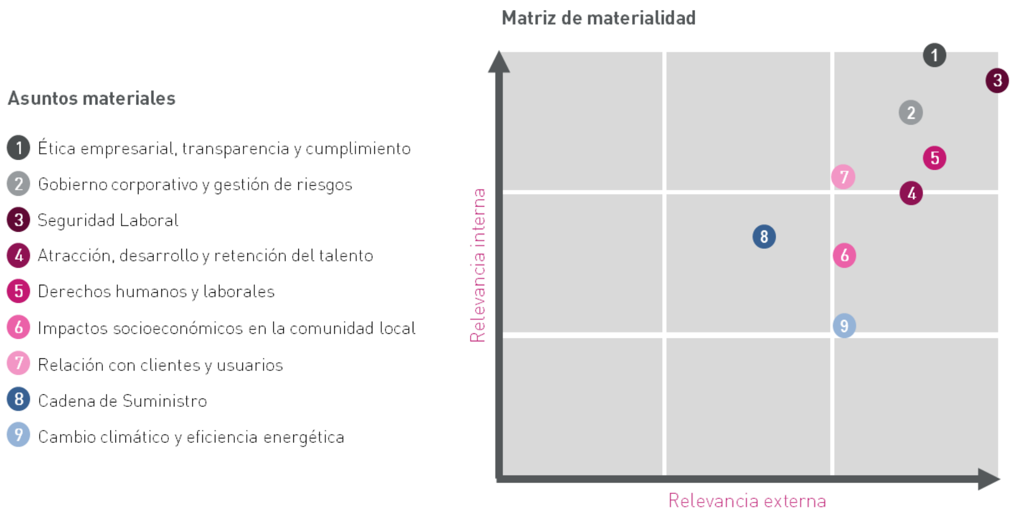
Ezentis Group regularly carries out Materiality Analysis of its non-financial affairs in order to

1. Involve our stakeholders in the process and be aware of their expectations.
2. To dedicate the necessary efforts and resources to those matters that are most relevant to the Company.
3. Establish priorities in the definition of specific actions in each management area (CSR Master Plan 2017-2020).
4. Define the contents of external reports on non-financial information based on management and performance in each area.

In its Materiality Analysis, the Ezentis Group considers environmental, social and governance aspects from both an external and internal perspective.

In the external phase, the opinion of all the stakeholders with whom Ezentis interacts in the development of its activity (customers, suppliers, subcontractors, employees, shareholders and unions) was considered; the analysis of public documents from prescribers such as Forética, *World Economic Forum* or Global Compact was also included, and a review of public information from comparable companies was carried out. In the internal phase, a sample of the Company's executives took part.

This has resulted in the following materiality matrix:



As can be seen from the matrix, the issues that deserve most attention from the Ezentis Group are

- Safety at work
- Business ethics, transparency and compliance
- Corporate governance and risk management
- Human and labour rights

In a block of intermediate relevance they are located:

- Attracting, developing and retaining talent
- Customer and user relations

Finally, the aspects which, although not very relevant today, we have observed have grown with respect to the previous analysis of materiality:

- Supply chain
- Socio-economic impacts on the local community
- Climate change and energy efficiency

With regard to the latter issues, we consider them to be of undeniable current relevance in the business world, and for this reason and as a sign of our commitment to the social and environmental environment, they are included in this EINF.

The criterion of materiality is applied to the rest of the contents required by Law 11/2018 of 28 December, without exception. In other words, all aspects that do not apply or are not material for the Ezentis Group will be accompanied by an explanation.

With regard to the reliability of the information present in the Statement of Non-Financial Information, it should be mentioned that it has been subject to external verification by an independent third party.

Our commitment is based on the continuous improvement of internal control and information completeness, progressively increasing information maturity and implementing the culture of non-financial information reporting in the organization.

5. INFORMATION ON ENVIRONMENTAL ISSUES

Ezentis, as a company whose business model is based on the construction, operation and maintenance of infrastructures, must take special care on all occasions when it exposes the environment to an environmental risk derived from its activity.

Ezentis' operational centres can be broadly categorised as

- Field work centres: Made up of an administrative office, a warehouse and a parking area for vehicles.
- Administrative offices: Located in the main cities of the regions where the company is active.

Although environmental issues are not among the most relevant for the company in the material aspects matrix, Ezentis is aware of the importance of environmental efficiency management in achieving two key challenges for the company:

- Improve production processes and therefore contribute to greater profitability in the costs associated with operations.
- To demonstrate the organisation's commitment to environmental sustainability in each and every one of its activities, in line with increasingly demanding regulatory requirements and the growing importance for customers and end users.

The continuous acquisition of companies in recent years has made it difficult to establish common policies and alignments in terms of environmental management and efficiency. Therefore, at present, some geographies maintain their environmental policies and the certification of their Environmental Management Systems, and those that do not have them aim to obtain certification of their system in accordance with the ISO 14001:2015 standard in the near future.

With regard to provisions and guarantees to cover environmental risks, it should be mentioned that the Ezentis Group's activity is not susceptible to causing serious environmental damage, which is why it does not have this type of specific resources aimed at preventing or mitigating possible damage.
However, it is important to mention that our actions are governed by the principle of precaution and prevention of environmental risks, in accordance with both our own alignment and the requirements of our clients.

5.1 Sustainable use of resources

In line with the key challenges in environmental matters mentioned above, at the Ezentis Group we work under the premise of efficiency in the use of resources, understanding that responsible consumption helps environmental and economic sustainability.

Consumption of raw materials

As it is not a production company, the Ezentis Group does not make significant consumption of raw materials. In our activity it is usual that the materials used in the services are property of our customers, acting the company as a depositary and being in charge of its adequate management.

Water consumption

As the Ezentis Group's activity is not water-intensive, this issue can be considered not to be material at present.

Energy consumption

The main sources of energy consumption at the Ezentis Group are of non-renewable origin and correspond mainly to the fuel consumption of its fleet of vehicles and electricity consumption in offices and warehouses:

Energy consumption (GJ)	2018	2019
Consumption of electricity ?	11.452	15.098
Vehicle fleet consumption	500.174	540.612
Fuel consumption by other sources	47.072	41.810
TOTAL	**558.698**	**597.521**

*Consumption in Brazil and Peru is based on an estimate.

Although energy consumption is increasing with respect to 2018 due to an increase in activity, it is important to mention that, in the case of vehicles, consumption per unit has been significantly reduced.

An important aspect of the operational systems implemented in the company is the control and management of the fleet of vehicles and the fuel they consume.

The Group currently has a record of information on each vehicle in use, such as geographical location from GPS tools, or refuelling through a coin card. This information, together with the fact that the team's supervisors are free in some cases to design the most efficient service route in terms of distance and time, favours the reduction of fuel consumption and, therefore, emissions into the atmosphere.

On the other hand, this application also helps to identify vehicles that require more maintenance due to their age or accumulated faults, so that they can be included in the vehicle replacement plan. As a general rule, older vehicles generate more emissions into the atmosphere as they do not incorporate the efficiency improvements of the latest generation models, so this cost-saving measure is also an environmental advantage. The Group is constantly renewing its oldest fleet, as, in addition to environmental reasons, it is required to do so in many of its contracts with customers.

In Spain, for example, in 2019 EFF incorporated 50 Compressed Natural Gas (CNG) vehicles, which provide greater efficiency in fuel consumption, with a corresponding reduction in greenhouse gas (GHG) emissions.

As detailed in this section, to date the Ezentis Group has dedicated its efforts to the search for energy efficiency in the areas where it has an impact. As regards the use of renewable energies, this is an aspect that is being studied in order to identify the renewable sources that best suit the company's needs.

5.2 Pollution

The field activity, which accounts for more than 80% of the company's business, is supported by a high number of Technicians and Operators who travel in fleet vehicles daily to the locations of operations. Consequently, the main environmental impact of Ezentis' activity as a whole is related to vehicle transport, whose fuel consumption, in its different types, accounts for more than 90% of the energy consumption of the entire organisation in 2019.

As this is the fourth year in which emissions from the Ezentis Group's activity are calculated, a change in criteria has been applied to the 2019 data with regard to the reporting of Scope 1 and 3. To date, emissions derived from the consumption of vehicles under leasing contracts were included in Scope 3. However, in the activity we carry out, there is no distinction between our own vehicles and those which are not, and therefore it has been determined that emissions from all vehicles are included in Scope 1 and that only emissions derived from business trips are included in Scope 3.

Distribution of emissions according to scope:

Emissions [1] (TCO2eq)	2018*	2018 (comparable to 2019)	2019
Scope 1	7.477	36.223	32.761
Scope 2	949	949	1.159
Scope 3	29.471	725	532
TOTAL	**37.897**	**37.897**	**34.453**

*Breakdown reported in EINF 2018

As can be seen in the table in comparative terms, the work carried out by the Ezentis Group towards efficiency in fuel consumption and the gradual decarbonisation of its vehicle fleet is beginning to be reflected in the figures. In 2019, there will be a reduction of almost 10% in emissions from vehicles and fuels used in equipment and 26% in emissions from business trips.

[1] Fuente: UK Government Conversion Factors for greenhouse gas (GHG) reporting (2019); CO2 Emissions From Fuel Combustion 2019, (International Energy Agency); https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

Despite the increase in emissions from electricity consumption, we have managed to reduce our carbon footprint in global terms, by approximately 9% compared to 2018.

Other aspects related to the emission of noise or light pollution are not applicable in the case of the Ezentis Group since its activities are not susceptible to generating this type of nuisance in the towns or places where we provide our services.

5.3 Climate change

For Ezentis, the perception and opinion of investors is key in its strategy of growth and international expansion. For this reason, the Company responds to all information requirements that demonstrate its transparent management, and not only in strictly financial matters.

An example of this is the completion, for the third consecutive time, of the *Carbon Disclosure Project (CDP)* questionnaire on Climate Change, one of the instruments that investors use as a reference in their decisions. Furthermore, we can be proud of the improvement recorded in the last financial year, obtaining a "C" rating, although we are not satisfied because our objective is to continue improving.

In addition, we are committed to meeting the Sustainable Development Goals (SDAs). In particular, ODS 13 (Climate Action) is present in our CSR Master Plan (2017-2020) and will be part of one of the axes of the future Sustainability Master Plan 2020-2022.

5.4 Protection of biodiversity

The activities carried out by the Ezentis Group do not have a significant impact on the natural environment because most of the services are not carried out in areas of special protection. Although the protection of biodiversity is currently a non-material issue for the Ezentis Group, a detailed analysis will be carried out on services outside urban areas in subsequent years, in order to take action if necessary.

5.5 Circular economy and waste prevention and management

Issues related to waste management do not appear in our Materiality Analysis with special relevance so we understand that it is not currently material for the company. Having said this, it is worth mentioning that our service provision involves the correct disposal and management of the waste that may be generated, in accordance with current local legislation and the requirements that, on occasion, our own clients establish in the contracts.

6. INFORMATION ON SOCIAL AND PERSONNEL ISSUES

As a service company, Ezentis' business model is strongly based on its human capital. Below is the information referring to several areas related to personnel:

6.1 Employment

Ezentis is a company that is constantly growing and considers the attraction of talent to be a fundamental pillar in achieving business success. The Ezentis Group's team works under the premise of giving priority to the stability and well-being of the employee.

Employees by country, age, gender and occupational category

Number of employees as at 31 December by country	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Argentina	487	35	**522**	303	22	**325**
Brazil	4.674	419	**5.093**	4.693	450	**5.143**
Chile	2.570	246	**2.816**	2.399	235	**2.634**
Colombia	697	161	**858**	450	149	**599**
Spain	1.425	219	**1.644**	1.740	233	**1.973**
Mexico	221	42	**263**	159	20	**179**
Peru	1.475	177	**1.652**	1.423	174	**1.597**
Portugal**	-	-	**-**	4	1	**5**
TOTAL	**11.549**	**1.299**	**12.848**	**11.171**	**1.284**	**12.455**

*The figure for Mexico includes own and subcontracted employees.
**Ezentis Group enters Portugal in 2019

Number of employees at 31 December by age	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
<30 years	3.076	449	**3.525**	2.560	405	**2.965**
31-45 years old	5.743	646	**6.389**	5.809	661	**6.470**
46-55 years old	2.032	163	**2.195**	2.061	160	**2.221**
>55 years of age	698	41	**739**	841	58	**899**
TOTAL	**11.549**	**1.299**	**12.848**	**11.171**	**1.284**	**12.455**

Number of employees as at 31 December by professional category	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Top management	10	0	**10**	12	1	**13**
Qualified and non-qualified technicians	834	106	**940**	722	116	**838**
Administrative staff	766	596	**1.362**	896	489	**1.385**
Site personnel	9.939	597	**10.536**	9.541	678	**10.219**
TOTAL	**11.549**	**1.299**	**12.848**	**11.171**	1.284	**12.455**

Average annual number of permanent and temporary contracts: by gender, age and professional category

Type of employment contract by gender	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Indefinite	8.947	936	**9.883**	8.856	953	**9.809**
Temporary	2.602	363	**2.965**	2.636	355	**2.992**
TOTAL	**11.549**	**1.299**	**12.848**	**11.492**	**1.308**	**12.800**

*Temporary includes trainees, interns and staff

Type of employment contract by age	2018			2019		
	Indefinite	Temporary	TOTAL	Indefinite	Temporary	TOTAL
<30 years	2.325	1.200	**3.525**	2.053	1.132	**3.185**
31-45 years old	5.072	1.317	**6.389**	5.183	1.417	**6.600**
46-55 years old	1.866	329	**2.195**	1.839	327	**2.166**
>55 years of age	620	119	**739**	734	115	**849**
TOTAL	**9.883**	**2.965**	**12.848**	**9.809**	**2.991**	**12.800**

*Temporary includes trainees, interns, and interns

Type of employment contract by professional category	2018			2019		
	Indefinite	Temporary	TOTAL	Indefinite	Temporary	TOTAL
Top management	10	0	**10**	13	0	**13**
Managers/Senior graduates	158	17	**175**	188	8	**196**
Middle control/T.S/M	660	105	**765**	637	103	**740**
Site personnel/Technicians/Operators	8.021	2.515	**10.536**	7.485	2.683	**10.169**
Staff Structure/Staff/Administration	1.034	328	**1.362**	1.487	197	**1.684**
TOTAL	**9.883**	**2.965**	**12.848**	**9.809**	**2.992**	**12.800**

*Temporary includes trainees, interns and staff

Employees with part-time contracts

Part-time work at the Ezentis Group accounts for approximately 1% of the Group's total workforce. As 2019 is the first year in which we include this detail, it is not possible to provide a comparative overview of previous years.

The breakdown by gender, age and occupational category is given below:

Part-time employees by gender	2019		
	Man	Woman	TOTAL
Part-time employees by gender (No.)	51	75	**126**

Part-time employees by age	2019
<30 years	66
31-45 years old	39
46-55 years old	15
>55 years of age	6
TOTAL	**126**

Part-time employees by professional category	2019
Management	0
Middle management	0
Technical and Administrative	5
Operators	121
TOTAL	**126**

Dismissals by gender, age and occupational classification

Given that the Ezentis Group's activity is carried out by means of medium-term contracts/projects, and given that the majority of the workforce joins the company on a permanent contract, in the event that a project is completed and it is not possible to relocate the worker to another project of similar characteristics, we are obliged to terminate the employment relationship.

For this reason, the tables below cover all the company's non-voluntary extinction concepts:

Number of non-voluntary departures by age	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
<30 years	643	84	**727**	752	90	842
31-45 years old	899	76	**975**	1.064	72	1.136
46-55 years old	282	31	**313**	346	29	375
>55 years of age	110	6	**116**	104	3	107
TOTAL	**1.934**	**197**	**2.131**	**2.266**	**194**	**2.460**

Number of non-voluntary departures by professional category	2018			2019		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Management	26	3	**29**	8	0	8
Middle management	108	9	**117**	90	8	98
Technical and Administrative	590	56	**646**	252	90	342
Operators	1.210	129	**1.339**	1.916	96	2.012
TOTAL	**1.934**	**197**	**2.131**	**2.266**	**194**	**2.460**

Remuneration and the wage gap

Directors' remuneration

The Board of Directors of the Ezentis Group in 2019 is made up of 2 executive directors, 1 "other external" director and 7 non-executive directors, of whom 3 are men and 4 are women.

The average monetary remuneration received by directors during the last two financial years is as follows:

Remuneration of executive directors	2018		2019	
	Man	Woman	Man	Woman
Average remuneration of executive directors (thousands of euros)	253,6	-	607,5	-

The variation in 2019 is due to the fact that the calculation accrued for the 2018 salary corresponding to two directors was 6 months, and in 2019 it was for the entire year. Likewise, the remuneration of these two executive directors did not vary in 2019 compared to that received in 2018.

Remuneration of non-executive and "other external" directors	2018		2019	
	Man	Woman	Man	Woman
Average remuneration of non-executive directors (thousands of euros)	143,6	92	221*	64,5

*In 2019 a director who was previously an executive became "other external

The average monetary remuneration received by non-executive directors corresponds to remuneration and allowances paid in financial years 2018 and 2019 for belonging to and attending meetings of the Board of Directors and its committees, as well as for the position held in each case.

The Company's Remuneration Policy applies to the members of the Board of Directors without any distinction based on gender, and is applied identically to all directors without any distinction between men and women. The difference between the amounts received is due to the fact that both the Chairmen of the Board of Directors and the different Committees and the Independent Coordinator Director are men.

At the Ezentis Group we have a firm commitment to pay equity, promoting an equal and fair environment. We have an Integrated Remuneration Policy and we carry out a control and monitoring work of the personnel expenses derived from the activity of the different companies of the Ezentis Group, so that a correct planning of resources can be made and the work of our staff can be optimized.

In all the companies in the respective countries in which our Group is present, we ensure that no salary discrimination exists or is promoted, but that work is always carried out under criteria of internal and external equity based exclusively on reasons linked to the professional's performance. In this way, the development and professional career of our employees is based on their individual performance and teamwork, without paying attention to other issues that go beyond their own development in the workplace, such as gender or age, or any other discriminatory concept that may define the employee.

During the 2019 financial year, work was carried out on the collection of remuneration data, and this report presents the information for Spain, Brazil, Chile and Peru. The Ezentis Group is committed to continuing to work towards increasing the scope of this information for future years, so that the remuneration situation of all our staff can be presented, thereby carrying out an exercise in transparency in accordance with our commitment to our stakeholders.

[2]The average remuneration for the 2019 financial year, expressed in euros, and for the staff belonging to our main geographical areas, is as follows[3] :

Remuneration by professional category (Spain) year 2019	MEN				WOMEN			
	<30 years	30- 45 years old	45- 55 years old	> 55 years of age	<30 years	30- 45 years old	45- 55 years old	> 55 years of age
Senior Management	N/A	206.427	320.621	276.834	N/A	N/A	N/A	N/A
Managers/Senior graduates	N/A	88.974	82.766	96.354	N/A	58.660	72.701	N/A
Middle management	30.762	46.393	45.902	50.902	N/A	45.953	33.821	35.004
Site personnel/Technicians/Operators	21.465	25.683	29.225	23.403	19.449	25.483	31.711	29.695
Structural Staff/Staff/Administration	22.449	28.035	31.971	27.610	15.342	24.382	25.860	25.983

Remuneration by professional category (Brazil) year 2019	MEN				WOMEN			
	<30 years	30- 45 years old	45- 55 years old	> 55 years of age	<30 years	30- 45 years old	45- 55 years old	> 55 years of age
Senior Management	N/A	N/A	171.173	N/A	N/A	N/A	N/A	N/A
Managers/Senior graduates	N/A	47.049	53.098	40.329	N/A	46.124	N/A	N/A
Middle management	11.148	17.934	17.012	18.989	10.787	17.710	8.151	17.003
Site personnel/Technicians/Operators	6.787	7.938	7.994	8.047	5.659	5.693	6.755	5.801
Structural Staff/Staff/Administration	4.667	8.817	7.584	6.356	4.435	6.736	5.247	2.267

[2] The average remuneration is defined as the average of the salaries received by the staff in the financial year 2019. It includes all staff who have been active in the financial year 2019.
[3] In the cases where N/A is shown it is due to the inexistence of staff that complies with the categorization established for the presentation of the calculation.

Remuneration by professional category (Chile) year 2019	MEN				WOMEN			
	<30 years	30- 45 years old	45- 55 years old	> 55 years of age	<30 years	30- 45 years old	45- 55 years old	> 55 years of age
Senior Management	N/A	N/A	N/A	189.158	N/A	N/A	N/A	N/A
Managers/Senior graduates	N/A	54.579	61.581	83.816	N/A	62.887	58.396	N/A
Middle management	15.981	23.936	23.103	22.676	13.667	17.054	18.081	N/A
Site personnel/Technicians/Operators	12.228	14.651	15.307	13.860	9.262	10.629	9.168	13.318
Structural Staff/Staff/Administration	11.667	16.952	16.733	21.289	9.328	11.393	11.577	7.402

Remuneration by professional category (Peru) year 2019	MEN				WOMEN			
	<30 years	30- 45 years old	45- 55 years old	> 55 years of age	<30 years	30- 45 years old	45- 55 years old	> 55 years of age
Senior Management	N/A	133.880	N/A	N/A	N/A	N/A	N/A	N/A
Managers/Senior graduates	N/A	26.866	23.306	18.632	23.399	21.997	56.433	N/A
Middle management	15.273	12.608	7.780	17.439	N/A	11.874	N/A	N/A
Site personnel/Technicians/Operators	3.882	5.158	5.326	5.554	3.859	4.956	9.089	N/A
Structural Staff/Staff/Administration	4.593	9.571	13.268	6.347	5.293	8.881	6.626	N/A

As mentioned above, the Ezentis Group ensures that there is no salary gap due to gender, age, race, religion or any other concept that may define the employee beyond his/her own performance and professional evaluation. We have not identified any cases of salary discrimination among our employees, although there are certain salary differences that take into account various aspects such as the nature of our sector, the seniority of the staff or their geographical distribution, among others.

The nature of the sector to which we belong and how it has evolved over the years is a key factor in understanding the wage differences presented. In this sense, the telecommunications sector, and in particular in the deployment and maintenance of its infrastructures, as well as its construction and engineering, is characterised by a greater male presence.

For example, in Spain, only 15.6%[4] of women in 2017 were working in the information and communication technology sector. In this case, the seniority factor should be mentioned.

4 http://www.mineco.gob.es/stfls/mineco/ministerio/ficheros/libreria/LibroBlancoFINAL.pdf

The male gender has historically been more representative in this sector, so that their salaries have this differential component which explains part of the wage differences when compared with the female gender, which has been more recently incorporated into this sector, which is strongly polarised towards the male gender.

In spite of this, over the years and the evolution of society itself, there are more and more women trained in this field who are progressively joining the labour market, occupying the positions that make up our operational structure.

As can be seen in the tables below in this same chapter, remuneration differences tend to increase when the different variable remuneration items received by our employees are incorporated into the calculation. This is mainly due to the fact that there is a greater proportion of men in senior positions, whose variable remuneration generates a wage difference compared to women, who are less present in this type of position. Likewise, it should be highlighted that our staff are distributed throughout the different geographies of the countries in which we are present, which means that different remuneration is received depending on the location of the job.

In the case of Spain, and due to the disparity in the workforce of the companies that make up the Group, it was decided to present this information for the two main companies, Spain Tecnología and EFF. Both companies account for 89% of the workforce in Spain. The wage gap data[5] obtained are as shown below:

Wage gap by professional category (Spain) year 2019	Ezentis Technology		EFF	
	Remuneration fixed	Remuneration fixed and variable	Fixed remuneration	Fixed and variable remuneration
Senior Management	N/A	N/A	N/A	N/A
Managers/Senior graduates	13,74%	22,07%	-7,26%	12,44%
Middle management	9,39%	15,23%	21,11%	25,02%
Site personnel/Technicians/Operators	6,96%	7,16%	-10,47%	-3,85%
Structural Staff/Staff/Administration	0,23%	2,25%	4,82%	17,53%

Likewise, we must highlight the situation in Latin America, a region that brings together a large part of our workforce. In this case, the incorporation of women into the working world, and especially into sectors that have traditionally been considered male, has come later than in European countries. The same is true

5 The wage gap has been calculated as the average of men's and women's wages expressed as a percentage of men's wages.

of equality rules and regulations, the development and implementation of which is more important in Europe.

We make a considerable effort at Group level to ensure that, regardless of the geographical area, wage equity criteria are applied in all processes, both internally and externally, for all our employees.

Wage gap in other geographies where we are present:

Wage gap by occupational category (Brazil) year 2019	Brazil	
	Remuneration fixed	Remuneration fixed and variable
Senior Management	N/A	N/A
Managers/Senior graduates	2,13%	5,07%
Middle management	-1,54%	4,24%
Site personnel/Technicians/Operators	8,98%	25,30%
Structural Staff/Staff/Administration	16,13%	20,63%

Wage gap by occupational category (Chile) year 2019	Chile	
	Remuneration fixed	Remuneration fixed and variable
Senior Management	N/A	N/A
Managers/Senior graduates	4%	2%
Middle management	26%	30%
Site personnel/Technicians/Operators	13%	29%
Structural Staff/Staff/Administration	35%	35%

Wage gap by occupational category (Peru) year 2019	Peru	
	Remuneration fixed	Remuneration fixed and variable
Senior Management	N/A	N/A
Managers/Senior graduates	-26,58%	-26,21%
Middle management	-1,23%	-0,66%
Site personnel/Technicians/Operators	-0,79%	3,45%
Structural Staff/Staff/Administration	12,95%	12,63%

In order to achieve the aforementioned salary equity and to be able to offer the same conditions to all our employees, at the Ezentis Group we have measures that allow the reconciliation of work and personal life, as well as equality plans, so that our staff can adapt to the different personal situations they face.

Disconnection policies

As an area of improvement or progress with respect to the previous Non-Financial Information Statement (2018), in November 2019 the Board of Directors of the Ezentis Group approved a document containing the company's position regarding the digital switch-off.

This positioning of the Ezentis Group goes beyond pure disconnection from the workplace, as its objective is to promote the responsible use of technology by all workers, both inside and outside the workplace, thus helping to balance personal and family life, with all the implications this entails in terms of productivity, health and safety at work.

The main lines of action regarding digital switch-off can be summarised in three:

- Encourage respect for workers' leisure, rest and holiday time
- To generate a flexible, motivating and inclusive working environment
- To raise awareness and promote a reasonable use of electronic devices in the personal and work environment

People with disabilities

At the Ezentis Group, we are aware of the added difficulties faced by people who, due to birth, illness or accident, have some kind of disability and, like many other associations and entities, we believe that this term is not accurate since these workers have important skills to work and play a relevant role in society.

Regardless of the decline recorded in 2019, the Ezentis Group is firmly committed to promoting the integration of people with disabilities into the workplace in all functions of the company wherever possible and in all the geographical areas in which it is present, guaranteeing at all times that there are no negative discrimination criteria towards these groups in the selection and promotion processes and complying with the company's Code of Ethics and Conduct.

Employees with a disability contract as at 31 December	2018	2019
Employees with a disability contract (no.)	37	32

6.2 Organisation of work

Organisation of working time

The organisation of working time is adapted to the activities carried out by the workers. The Operations areas work, usually in shift roles, with the aim of providing continuity to telecommunications and energy services mainly. The administrative and office staff, however, have their working hours adapted to the usual working week from Monday to Friday. A comparison of working hours shows that the range between all countries and staff activities is between 40 and 48 hours per week with the corresponding rest days, according to the legislation in force in each country.

Absenteeism

Regardless of the differences in criteria and definition of absenteeism in each of the countries, the overall calculation of the absence of workers from the Ezentis Group's work centres has been determined. This data does not include holiday periods, leave to care for family members, study leave or paternity/maternity leave.

On the contrary, following the GRI guidelines, absences due to accidents at work and occupational diseases should be included. In general terms, field activity carries a greater weight in the accident rates, and given that in 2019 a company with more than 1,000 workers has been included in the calculation, the absenteeism figure has increased with respect to 2018

In any case, the company records and analyses absenteeism on a monthly basis with the aim of identifying improvements and specific action plans where necessary.

Absenteeism	2018	2019
Hours of absenteeism (hours)	755.182	942.370

*The 2018 data does not contain information on the company EFF

Measures aimed at reconciling work and family life

At the Ezentis Group we ensure that the needs of our employees to reconcile family life are met and therefore, in addition to offering legal guarantees such as reduced working hours for childcare or elder care - in countries where this is applicable - the company offers flexible hours so that workers can reconcile their daily work with their personal lives, in cases where the needs of the service allow this.

In 2018, a teleworking system was implemented and formalised in the companies Ezentis Tecnología, Navento Technologies, EFF, Grupo Ezentis S. A (Spain) by which, at present, more than 100 people opt for this type of work two days a week.

6.3 Health and Safety

Health and safety conditions

Occupational Safety and Health (OSH) is an area in which Ezentis is firmly committed. So much so, that within the values that guide the company's activity, it is included: "There is nothing more important than the safety of our employees, customers, subcontractors and the communities where we carry out our work, transmitting this principle of action to the whole organisation".

In its more than 50 years of business history, the company has demonstrated that Safety is the top priority in the development of its activities, complying with the standards applicable in each geography where the Group is present. The company provides workers with the best personal safety equipment necessary to carry out their functions, training sessions are held on the risks to which they are exposed, and a detailed analysis is made of each incident to prevent it from being repeated in the future.
During 2019, initiatives were developed that allowed the value of safety to remain high, communicating each time there was an incident or accident related to the critical risks of the operation through "Safety Alerts" that were disseminated to the entire organization through different channels and were especially used as reflection material in the safety talks in the field.
With the commemoration of International Occupational Safety and Health Day on 28 April, we decided to implement that month, "Safety Month", with the 2019 slogan "I am committed to a culture of safety". During the month, preventive activities in the field led by executives and middle management were reinforced, carrying out safety inspections, behavioural observations and safety talks, together with video contests "Safety in a minute" and stories "Safety with words", and at the APP Ezentis Comunica, a quiz with questions and relevant information, anecdotes and downloadable material, among others.

In 2019, employees have received more than 270,000 hours of training in courses related to safety in their workplaces, such as electrical risk, handling and

control of mechanical tools and powered equipment, welding and working at heights, among others.
At Ezentis we believe that all accidents, illnesses and work-related damage are preventable. We believe in risk prevention and with it, in systematic and permanent work to avoid injuries and illnesses.

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

The exposure of our field team - technicians - to risks such as driving vehicles, working at heights, working in the presence of tension (energy), working in confined spaces and/or moving equipment, as well as, to the errors of the operator himself, are elements or factors that can cause injuries during the development of the work, and that is why our priority is to achieve an accident free working environment and a Safety Culture based on commitment, teamwork, leadership and participation.

Continuing with the Group's permanent commitment to safety, the company's senior management has undertaken an action plan which it included during 2019:

- Implementation of the internal communication campaign "I am committed to the Safety Culture" supported by the Ezentis Comunica PPP, April Month of Safety and Health at Work, emails with relevant information on safety in operations and the sending of "Safety Alerts" when there are incidents or accidents related to the critical risks of the operation.

- Implementation of the "Leadership Matrix", which includes the minimum number of preventive actions to be taken by each supervisory, managerial or executive role, the activities being: safety talks, safety inspections, safety observations, among others.

- Two workshops on Occupational Safety and Health, the first held in Santiago de Chile on 11 and 12 March 2019, with the aim of discussing and agreeing on measures that will contribute to the knowledge, dissemination and implementation of good practices and that will allow further progress in the development of a safety culture in the Group. The second workshop was held in the same place on 21 and 22 October 2019, with the aim of reviewing the year's performance, correcting and planning the main lines of work for 2020.

- Implementation of systems, PRAXIS as support to the field activities and eGestiona to maintain the traceability of the necessary documentation for the accreditation of our technicians in all the subsidiaries, businesses and contracts.

- Maintenance of all the certifications obtained in previous years and the incorporation of a new one in Sao Paulo, Brazil

As far as Safety Management Systems are concerned, Ezentis is certified in the OHSAS 18001 or ISO 45001 standard for all O&M activities located in Brazil Energy, Chile (Tecnet), Colombia, Spain and Peru.

The following are the Occupational Safety and Health performance indicators for the year 2019, broken down by sex:

Health and Safety at Work[6] indicators (Ezentis Group own staff)	2019		
	Man	Woman	TOTAL
Net Frequency Rate	12,15	2,56	**11,16**
Gravity Index	1,22	0,00	**1,10**
Index of Occupational Diseases	0,09	0,00	**0,09**

*Comparison with 2018 is not possible because gender differentiation is only available for 2019 data.

6.4 Social relations

In all the countries where the Ezentis Group is active there is a close and direct relationship with the representation of the workers through the trade unions.

Works Councils are the main tool for dialogue and communication of workers' needs, expectations and complaints.

In most countries there are sector-specific collective agreements to which workers are attached. Otherwise, workers' rights are governed by the corresponding Workers' Statute. This is the case, for example, in Colombia, Mexico or Peru.

Employees covered by collective agreements* (%)	2018	2019
Average number of employees covered by collective agreements (%)	76,2%	67,4%

*Average number of employees in countries with collective agreements.

The sectoral agreements that apply usually refer to the State Laws on the Prevention of Occupational Risks in each country to deal with this matter. Some of them do devote more specific regulations to certain jobs.

Regardless of this circumstance, and given that Occupational Safety is a clear priority at the Ezentis Group, the company's management has determined that Occupational Safety issues should be dealt with in detail in

[6] Calculation formulas:
Frequency Rate (Net) = (No. of accidents at rest + fatalities) /Total no. of hours worked) * 1.000.0000
Severity Rate = (Total number of days lost / Total number of hours worked) * 1,000
Rate of occupational diseases = (N° of occupational diseases with sick leave / N° Total hours worked) * 1.000.000

1. Health and Safety Committee: Formed by representatives of the company and workers. They are formed according to the legal requirements in force in each country and meet every two months.

2. Management Committee: Weekly meetings in each country, made up of the general managers and business managers, at which they start with the latest developments in Occupational Safety and Health.

6.5 Training

Ezentis' talent management aims to ensure that all its professionals have the training they need to do their jobs and to provide them with the resources to develop them as effectively and efficiently as possible.

Each country identifies training needs and develops its training plan adapted to the requirements of the clients and services being provided. For example, in Colombia the Annual Training Plan is prepared, which is segmented by projects, profiles and client requests, and additionally structured to provide strong competencies (operational) and soft competencies (structural staff/administrative profile).

Technical training by professional category (hours)	2019
Management	287
Middle management	2.018
Technical and Administrative	30.448
Operators	70.537
TOTAL	**103.290**

*Data 2019 does not include information from Peru.
**It is not possible to show the comparison with 2018 of technical training by professional category.

Training in Occupational Safety and Health (hours)	2019
Total hours of OSH training	270.000

6.6 Universal accessibility for people with disabilities

All Ezentis Group work centres are prepared for access by employees, customers and suppliers with reduced mobility. Likewise, the workplaces are adapted to the special needs required by the employees.

6.7 Equality

In each and every one of the areas in which the company operates, from selection to promotion, including wage policy, training, working conditions, health at work, organisation of working time and work-life balance, the principle of equal opportunities between women and men is assumed, paying special attention to indirect discrimination, understood as "the situation in which an apparently neutral provision, criterion or practice puts a person of one sex at a particular disadvantage with regard to persons of the other sex".

Companies in Spain with more than 250 employees have an Equality Plan as established by Royal Decree-Law 6/2019, on imminent measures to guarantee equal treatment and opportunities between women and men in the workplace, which modifies some aspects of Organic Law 3/2007, of 22 March, for effective equality between women and men. This applies in 2019 to the companies Networks Test, S.A. and Ezentis Tecnología, S.A. The integration of the company Excellence Field Factory in the middle of the year has made it impossible to implement this measure, which will be implemented throughout 2020. Likewise, together with the Equality Plan, there is a Protocol for the Prevention of Harassment.

Proof of the commitment to diversity and equal opportunities is that 40% of the Board of Directors is made up of women, and Ezentis is one of the few listed companies that complies with the CNMV's Good Governance recommendations in this regard.

Women's presence at Ezentis on 31 December	2018	2019
Women in the workforce (%)	10%	10%
Women on the Board of Directors (%)	40%	40%

7. INFORMATION ON RESPECT FOR HUMAN RIGHTS

Ezentis is a company present in several geographies whose values and standards of conduct are universally understood and applied. Therefore, in October 2014, the Board of Directors of the Ezentis Group approved the first Code of Ethics and Conduct (hereinafter, the Code) with the aim of ensuring professional, ethical and responsible behaviour by all employees and other parties bound by the Code (suppliers, customers, shareholders, investors...), in the development of the company's activities and in the fulfilment of their duties.

Under the Code, Ezentis and those to whom the Code applies are committed to comply with and enforce the law, to promote ethical behaviour consistent with corporate values and to subscribe to all points including the United Nations Universal Declaration of Human Rights and the International Labour Organisation Conventions.

Within the framework of the growing development of corporate social responsibility and compliance with good corporate governance standards in the company, in July 2017 the Code was renewed[7] with the aim of creating a business culture based on the integrity of its behaviour and in coherence with the corporate image it aims to project to the social and business environment.

Section 6 of the Code details a number of specific standards of conduct covering aspects of ethical behaviour such as respect for the law, human rights and public freedoms, and support for equal opportunities and non-discrimination.

Since the drafting of the Code, the organisation has encouraged the communication and dissemination of these values to all its members through regular talks and meetings with the different area managers, and by sending the document to all its employees. In line with the above, Ezentis carries out training sessions on the Code of Ethics and Conduct through an on-line platform in all the geographies where it is present. Every six months (July and December) a more exhaustive campaign is carried out, integrating the employees who have joined the Group during that period.

Allegations of human rights violations

Throughout 2019, the company has not received any complaints regarding human rights through the usual channels provided for this purpose

[7] https://www.ezentis.com/media/2018/07/Codigo-de-Etica-y-de-Conducta-Aprobado-en-CdA.pdf

8. INFORMATION ON THE FIGHT AGAINST CORRUPTION AND BRIBERY

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

1. Duty of loyalty and conflict of interest
2. Measures against bribery and corruption
3. Gifts and hospitality
4. Money laundering and payment irregularities
5. Financial Records

In addition, the organisation has a Crime Prevention Model[8] , in accordance with the amendment of the Spanish Criminal Code, which is reviewed annually and which describes the measures for the prevention and control of those operations and/or actions that may be considered a crime by the legal person. The company has Crime Prevention protocols and criminal risk matrices and controls at corporate level (Ezentis Group, S.A.) and separately, the rest of the Group companies in Spain. For this reason, a global *Compliance Officer* was appointed in the organisation, who is responsible for supervising and managing issues related to regulatory compliance.

In addition to the internal dissemination of the Code of Ethics and Conduct, the company makes available to all employees a Whistleblower Channel through which they can report possible breaches, anonymously if desired, whose treatment is absolutely confidential and limited to the members of the Ethics Committee.

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

In order to guarantee the security of personal information and to maintain the independence of the processes, Ezentis has internal procedures that establish the functions and guidelines to be followed from the reception of a complaint for

[8] https://www.ezentis.com/media/2018/07/Protocolo-de-Prevencion-de-Delitos-de-Grupo-Ezentis-SA.pdf

behaviour contrary to the Code of Ethics, until the resolution of the complaint. (Complaints Channel Procedure and Ethics Committee Regulations).

The Ethics Committee is obliged to report to the Audit and Compliance Committee and must also resolve and implement the action plan determined in each specific case.

Both the Code of Ethics and Conduct and the Crime Prevention Model contain, among other aspects, express mention of the crimes of corruption, bribery and money laundering.

In 2019, the Ezentis Group's contribution to foundations and non-profit organisations was not significant.

9. INFORMATION ON SOCIETY

9.1 The company's commitment to sustainable development

The Ezentis Group, through its presence in 2 continents and 8 countries, generates an unquestionable impact on the societies where it carries out its activities.
In terms of employment, 2019 has been a year in which the Ezentis Group has reduced its activity in some of the countries where it is present but has, in turn, increased its presence in other key geographies. Such is the case in Spain with a variation in employees of +20% and the entry into a new market (Portugal).

Ezentis' presence in these countries is relevant, not only because of its contribution to the Group's income statement, but also because the company's business model helps to solve some of the communities' needs.
Infrastructure is still the means by which people access basic services. For this reason, Ezentis plays a double key role in the communities in which it operates: on the one hand, it maintains the networks for the supply of basic services to people and organisations and on the other hand, as a professionally intensive activity, it contributes significantly to the creation of employment in the areas where it operates and to the development of new infrastructures, participating in their deployment.

In addition, partnership actions with social organisations and/or public bodies are closely linked to the generation of employment and to favouring the employability of young people, women and groups that are difficult to integrate into the labour market.

For example, the following initiatives:

- In Chile there are agreements with technical colleges that train professionals in the area of telecommunications and energy, who do their professional practices in our company, promoting future employability once they complete their academic studies. Some examples are: Father Joseph Kentenich Multipurpose School or Duoc UC Professional Institute.

- Ezentis Colombia has worked together with institutions such as SENA (Servicio Nacional de Aprendizaje) in order to promote the linkage of qualified labour, through joint training with this public institution. Through this agreement 58 people were linked in the form of apprentices. On the other hand, labour recruitment is carried out through the SENA national platform, which guarantees that any person can apply for a job offer when their profile meets the requirements.

- In Peru, an agreement is in force with the Peruvian Government within the framework of the "*Projoven*" programme, in which they prepare young people for technical careers and subsequently facilitate their access to the labour market.

Another aspect of impact creation is constituted by the development of the local economy through the purchase of goods and services from companies whose headquarters are located in the same country as our activity in each case. The figures speak for themselves, as around 98% of our suppliers are local. Specifically, the global contribution in local purchases has exceeded 175 million euros for the second consecutive year.

Ezentis understands its social contribution through 4 main axes on which it has direct capacity of action: Health and Safety of people - Access to education - Improvement of employability - Environmental sustainability. These lines of action make up the Corporate Social Action policy which is currently being drawn up and will govern the actions and dialogue with the local communities.

9.2 Subcontracting and suppliers

Ezentis has a close relationship with its subcontractors, a fundamental part of the development of our activities. After all, they are employees who carry out their daily activities together with our own workforce, which is why we consider that the same behavioural requirements and action protocols apply. Without carrying out detailed audits or monitoring of the social and environmental aspects in contracts with suppliers and subcontractors, the contracts establish compliance with labour obligations and working conditions such as health and safety conditions.

Going one step further, as part of the project to standardise the Group's suppliers, the Safety area is drawing up an Occupational Health and Safety Regulation for subcontractor companies in order to transfer the same criteria and requirements regarding the prevention and control of worker safety as we have been doing with our own staff.

We believe that the extension of our social and environmental policies and procedures is a key issue for a better control of our entire value chain. Impact is no longer measured only in internal terms within the organisation, but also through interactions with other elements such as suppliers and subcontractors.

9.3 Consumers

Ezentis Group is a B2B company, that is to say, our client does not correspond to the final consumer in any case. This gives us the particularity of considering customers and users (consumers) separately.

In the first case, we maintain a fluid relationship and periodically analyse your satisfaction with our services. In the case of end users, the only direct capacity for dialogue is through the channels enabled in the company to receive communications (e-mail and social network profiles). The Communication area evaluates and transfers the incidents and comments received through these channels to the Operational areas.

As part of the new sustainability strategy that will begin in 2020, work will be done on a project to standardise criteria to be taken into account when drawing up customer and user satisfaction surveys (the latter to the extent that the customer involved allows) .

9.4 Tax information

Profits obtained by country (before taxes)

Benefits obtained by country (thousands of euros)	2018	2019
Argentina	-12.572	2.813
Brazil	-2.034	-4.519
Chile	-8.283	645
Colombia	-643	-626
Spain	7.930	4.247
Luxembourg	-14.596	-4.847
Mexico	1.237	-329
Peru	-1.225	-917
Portugal	NA	-155
TOTAL	-30.186	-3.688

Taxes on profits paid in each year

Taxes on profits paid by country (thousands of euros)	2018	2019
Argentina	313	81
Brazil	104	0
Chile	742	81
Colombia	0	0
Spain	1.773	1.361
Luxembourg	10	10
Mexico	1	562
Peru	201	0
Portugal	NA	0
TOTAL	3.143	2.095

Public subsidies received

In 2019, the Ezentis Group did not receive any public subsidies.

Annex I: Table of contents and GRI indicators

Information required by the Non-Financial Information Act	GRI reference indicators	Statement Non-Financial Information
Business model		
Brief description of the group's business model (business environment and organisation)	102-2 Activities, brands, products and services 102-7 Size of the organisation	P. 28-29
Markets in which it operates	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	Page 29
Objective and strategies of the organization	-	Page 30
Main factors and trends that may affect its future development.	102-15 Main impacts, risks and opportunities	P. 30-31
General		
A description of the group's policies on these issues, including the due diligence procedures applied to identify, evaluate, prevent and mitigate significant risks and impacts and to verify and control, including what measures have been adopted.	103-2 The management approach and its components	Page 35
The results of these policies should include relevant non-financial key performance indicators that allow progress to be monitored and evaluated and that promote comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-3 The management approach and its components 103-3 Evaluation of the management approach 102-15 Main impacts, risks and opportunities	Page 35
The main risks related to these issues associated with the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on these areas, and how the group manages these risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject area. Information should be included on the impacts that have been identified, providing a breakdown of	102-15 Main impacts, risks and opportunities	Page 32-34

these impacts, in particular on the main risks in the short, medium and long term. Mention in the report of the national, European or international reporting framework used for the selection of non-financial key performance indicators included in each of the sections.	102-54 Statement on reporting in accordance with GRI standards	Page 27

ENVIRONMENTAL ISSUES

General information		
On current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	-	P. 39-43; 56-59
On environmental assessment or certification procedures	-	Page 39
On the resources dedicated to the prevention of environmental risks	-	Page 39
On the application of the precautionary principle	102-11 Precautionary principle or approach	Page 39
On the amount of provisions and guarantees for environmental risks	-	Page 39
Pollution		
The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.	305-1 Direct GHG emissions (Scope 1) 305-2 Indirect GHG emissions from power generation (Scope 2)	Page 42
Voluntary medium- and long-term reduction targets set to reduce greenhouse gas emissions and the means implemented to that end.	305-5 Reduction of GHG emissions	P. 42-43
Circular economy and waste prevention and management		
Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste; actions to combat food waste	301-1 Materials used by weight or volume	Page 43
Sustainable use of resources		
Water consumption and water supply according to local constraints	303-1 Water extraction by source	Page 40
Consumption of raw materials and measures taken to improve the efficiency of their use	301-1 Materials used by weight or volume	Page 40

Direct and indirect energy consumption	302-1 Energy consumption within the organisation	Page 40
Measures taken to improve energy efficiency	302-4 Reduction of energy consumption	P. 40-41
Use of renewable energies	302-1 Energy consumption within the organisation	Page 41
Climate change		
Measures taken to adapt to the consequences of climate change	-	Page 43
Protection of biodiversity		
Measures taken to preserve or restore biodiversity	-	Page 43
Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products and services on biodiversity	Page 43

SOCIAL AND PERSONNEL ISSUES

Employment		
Total number and distribution of employees according to criteria representative of diversity (gender, age, country, etc.)	102-8 Information on employees and other workers 405-1 Diversity in governing bodies and employees	P. 44-45
Total number and distribution of types of employment contracts, annual average of part-time contracts by sex, age and professional classification.	102-8 Information on employees and other workers	P. 45-46
Number of dismissals by sex, age and occupational classification	401-1 New recruitment and staff rotation	P. 46-47
Average wages and their evolution disaggregated by sex, age, and occupational classification or equal value	102-38 Total annual compensation ratio 102-39 Ratio of percentage increase in total annual compensation	P. 48-51
Wage gap, pay for equal or average jobs in society	405-2 Ratio of basic wage and women's pay to men's pay	Page 52-53

The average remuneration of directors and managers, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any other payment broken down by gender.	201-3 Obligations of the defined benefit plan and other pension plans	Page 48
Implementation of labour disconnection policies	-	Page 54
Organisation of work		
Organisation of working time	-	Page 55
Number of hours of absenteeism	403-2 Types of accidents and accident frequency rate, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	Page 55
Measures designed to facilitate the enjoyment of work-life balance and to encourage both parents to take joint responsibility for it	401-3 Parental leave	P. 55-56
Health and Safety		
Health and safety conditions at work	403-3 Workers with high incidence or high risk of illnesses related to their activity.	P. 56-59
Occupational accidents, in particular their frequency and severity, and occupational diseases; disaggregated by sex	403-2 Types of accidents and accident frequency rate, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	Page 59
Social relations		
Organization of social dialogue, including procedures for informing, consulting and negotiating with staff.	403-1 Workers' representation in formal worker-employer health and safety committees	Page 59
Percentage of employees covered by collective agreements by country	102-41 Collective bargaining agreements	Page 59
The balance of collective agreements, particularly in the field of occupational health and safety	403-4 Health and safety issues addressed in formal agreements with trade unions	P. 59-60

Training		
The policies implemented in the field of training	404-2 Skill enhancement programmes	Page 60
The total number of training hours per professional categories	404-1 Average number of hours of training per year per employee	Page 60
Universal accessibility for people with disabilities		
Universal accessibility for people with disabilities	-	Page 60
Equality		
Measures taken to promote equal treatment and opportunities between women and men	-	Page 61
Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for effective equality between women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of people with Disability.	-	Page 61
Policy against all forms of discrimination and, where appropriate, diversity management	406-1 Cases of discrimination and corrective actions undertaken	Page 62

RESPECT FOR HUMAN RIGHTS		
Application of human rights due diligence procedures; prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and redress possible abuses.	102-16 Values, principles, standards and rules of conduct. 102-17 Advisory mechanisms and ethical concerns 410-1 Security personnel trained in security policies or procedures human rights. 412-1 Operations under review or impact assessment	Page 62-63

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Promotion and enforcement of the provisions of the Conventions respect for the freedom of association and the right to freedom of association right to collective bargaining; elimination of discrimination in employment and occupation; elimination of forced or compulsory labour; effective abolition of child labour.	-	Page 62-63

FIGHT AGAINST CORRUPTION AND BRIBERY

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Measures to combat the laundering of capitals	205-3 Confirmed cases of corruption and measures taken. 102-16 Values, principles, standards and rules of conduct 102-17 Mechanisms for advice and ethical concerns	P. 63-64
Contributions to foundations and organisations without profit-making intention	201-1 Direct economic value generated and distributed	P. 63-64

INFORMATION ON SOCIETY

The company's commitment to sustainable development

The impact of society's activity on employment and local development	204-1 Proportion of supplier spending premises	Page 65
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Subcontracting and suppliers

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