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

Consolidated Annual Accounts,
in accordance with International Financial Reporting Standards
adopted in the European Union,
and the corresponding Consolidated Management Report
for the year ending 31 December 2021

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Annexes:

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021
(Thousands of euros)

ACTIVE	Note	31 12 2021	31 12 2020 Restated (*)
Non-current assets		**92,447**	**192,209**
Intangible Assets		**42,947**	**76,379**
Goodwill	6	8,326	30,032
Other intangible assets	7 a	34,621	46,347
Rights of use on leases	**7 b**	**22,312**	**31,729**
Tangible fixed assets	**8**	**10,171**	**14,548**
Land and buildings		272	312
Technical installations and machinery		3,676	5,200
Tools and furniture		4,573	3,958
Transport Elements		837	2,977
Information equipment and other fixed assets		813	2,101
Investments accounted for using the equity method	**10**	**36**	**72**
Non-current financial assets	**11**	**8,184**	**17,719**
Deferred tax asset	**19**	**8,797**	**51,762**
Current assets		**104,561**	**134,378**
Inventories	**12**	**10,783**	**22,019**
Debtors		**68,355**	**89,115**
Customers for sales and services	13	18,005	21,275
Customers, work completed and not yet invoiced	13 & 22	34,314	49,305
Sundry debtors	13	6,453	10,575
Current tax assets	19	9,583	7,960
Other current assets	**13**	**15,338**	**6,497**
Cash and cash equivalents	**13**	**10,085**	**16,747**
Total assets		**197,008**	**326,587**

(*) Restated data, see details in note 2.2.

The Notes to the consolidated financial statements and Appendices I to V are an integral part of these IFRS-EU consolidated financial statements.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021
(Thousands of euros)

LIABILITIES AND EQUITY	Note	31 12 2021	31 12 2020 Restated (*)
Equity	**14**	**(163,287)**	**(51,153)**
Subscribed capital		139,092	99,352
Share premium		58,485	58,485
Other reservations		(174,509)	(123,369)
Own shares and equity investments		(4)	(168)
Profit and loss attributable to the parent company		(144,149)	(43,083)
Other equity instruments	3.1	(1,468)	(2,439)
Conversion differences		(40,734)	(39,931)
Non-current liabilities		**34,006**	**182,424**
Provisions	**18**	**3,858**	**2,831**
Non-current financial liabilities		**16,366**	**151,916**
Amounts owed to credit institutions	15	1,973	128,919
Lease liabilities	15	12,758	20,259
Derivative financial instruments	15	1,467	2,438
Other financial liabilities	16	168	300
Deferred tax liabilities	**19**	**2,603**	**8,438**
Other non-current liabilities	**16**	**11,179**	**19,239**
Current liabilities		**326,289**	**195,316**
Current financial liabilities		**161,025**	**42,158**
Amounts owed to credit institutions	15	149,876	27,924
Lease liabilities	15	10,503	13,916
Other financial liabilities	16	646	318
Trade and other payables	**17**	**162,098**	**143,105**
Suppliers	17	97,607	82,692
Other creditors	17	19,870	14,136
Remunerations to be paid	17	11,780	13,453
Current tax liabilities	19 & 17	27,775	26,160
Liabilities associated with contracts with customers	17 & 22	5,066	6,664
Other current liabilities	**5 & 16**	-	**2,050**
Provisions for current liabilities and charges	**18**	**3,166**	**8,003**
Total liabilities		**360,295**	**377,740**
Total equity and liabilities		**197,008**	**326,587**

(*) Restated data, see details in note 2.2.

The Notes to the consolidated financial statements and Appendices I to V are an integral part of these IFRS-EU consolidated financial statements.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR 2021
(Thousands of euros)

	Note	31 12 2021	31 12 2020 Restated (*)
Operating income			
Net turnover	22 & 23	361,405	367,202
Other operating income	22	5,553	8,097
Work carried out by the Group for its assets		2,407	2,237
Operating costs			
Consumption and other external costs	22	(134,820)	(118,529)
Staff costs	22	(163,892)	(179,552)
Provisions for fixed asset depreciation	7 & 8	(22,959)	(25,515)
Impairment losses and changes in provisions	18	(60,416)	(25,045)
Other operating expenses	22	(62,340)	(51,675)
Other results	22	(10,991)	(14,100)
Consolidated operating profit/(loss)	**23**	**(86,053)**	**(36,880)**
Financial income and expenses			
Other interest and similar income	22 & 23	2,389	3,497
Financial and similar expenses	22	(28,856)	(23,764)
Net exchange rate differences	22	(856)	(698)
Hyperinflationary currency corrections	2	7,024	7,001
Financial profit/(loss)	**23**	**(20,299)**	**(13,964)**
Consolidated profit/(loss) before taxation	**23**	**(106,352)**	**(50,844)**
Profit tax	19 & 23	(37,797)	7,761
Profit/(loss) for the year from continuing operations		**(144,149)**	**(43,083)**
Basic earnings/(loss) per share of parent company result	14	(0.344)	(0.130)
Basic earnings/(loss) per share from continuing operations	14	(0.344)	(0.130)
Diluted earnings/(loss) per share of parent company result	14	(0.344)	(0.130)
Diluted earnings/(loss) per share from continuing operations	14	(0.344)	(0.130)

(*) Restated data, see details in note 2.2.

The Notes to the consolidated financial statements and Appendices I to V are an integral part of these IFRS-EU consolidated financial statements.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR 2021
(INCOME AND EXPENSES RECOGNISED IN EQUITY)
(Thousands of euros)

	Note	31 12 2021	31 12 2020 Restated (*)
Consolidated result for the year		**(144,149)**	**(43,083)**
Items that can subsequently be classified to profit or loss			
Cash flow hedging	**3.1**	971	85
Foreign currency translation differences	**14 c**	(803)	(10,335)
Other comprehensive income for the year, net of tax		**168**	**(10,250)**
Total comprehensive income for the year		**(143,981)**	**(53,333)**
Attributable to:			
Owners of the Parent Company		(143,981)	(53,333)
Total comprehensive income for the year		**(143,981)**	**(53,333)**
Total comprehensive income attributable to equity shareholders:			
Continuing activities		(143,981)	(53,333)
		(143,981)	**(53,333)**

(*) Restated data, see details in note 2.2.

The Notes to the consolidated financial statements and Appendices I to V are an integral part of these IFRS-EU consolidated financial statements.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007 31 DECEMBER 2020

(Thousands of euros)

Thousands of euros	Subscribed Capital (Note 14)	Share premium (Note 14)	Other reservations	Profit attributable to Parent's prop.	Translation differences (Note 14)	Parent Company shares (Treasury shares) (Note 14)	Other equity instruments (Note 3)	Net Equity attributable to owners of Dom. Net Equity Attributable to Owners of Dom. (Note 14)	Total Equity
Net assets as at 31.12.2019	**99,352**	**58,485**	**(115,114)**	**4,014**	**(29,596)**	**(305)**	**(2,524)**	**14,312**	**14,312**
Accounting adjustments (note 2.2)	-	-	-	(4,622)	-	-	-	(4,622)	(4,622)
Equity restated as at 01.01.2020	**99,352**	**58,485**	**(115,114)**	**(608)**	**(29,596)**	**(305)**	**(2,524)**	**9,690**	**9,690**
Profit for the year (restated) (note 2.2)	-	-	-	(43,083)	-	-	-	(43,083)	(43,083)
Other comprehensive income for the year	-	-	-	-	(10,335)	-	85	(10,250)	(10,250)
Total comprehensive income for the year	**-**	**-**	**-**	**(43,083)**	**(10,335)**	**-**	**85**	**(53,333)**	**(53,333)**
Transactions in own shares	-	-	(16)	-	-	137	-	121	121
Transactions with owners	**-**	**-**	**(16)**	**-**	**-**	**137**	**-**	**121**	**121**
Implementation of previous year's results	-	-	(608)	608	-	-	-	-	-
Hyperinflation Argentina	-	-	(5,952)	-	-	-	-	(5,952)	(5,952)
Other changes in equity	-	-	(1,679)	-	-	-	-	(1,679)	(1,679)
Total movements in equity	**-**	**-**	**(8,255)**	**(42,475)**	**(10,335)**	**137**	**85**	**(60,843)**	**(60,843)**
Net assets as at 31.12.2020	**99,352**	**58,485**	**(123,369)**	**(43,083)**	**(39,931)**	**(168)**	**(2,439)**	**(51,153)**	**(51,153)**

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

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007 31 DECEMBER 2021

(Thousands of euros)

Thousands of euros	Subscribed Capital (Note 14)	Share premium (Note 14)	Other reservations	Profit attributable to Parent's prop.	Translation differences (Note 14)	Parent Company shares (Treasury shares) (Note 14)	Other equity instruments (Note 3)	Net Equity attributable to owners of Dom. Net Equity attributable to owners of Dom. (Note 14)	Total Equity
Equity restated as at 31.12.2020	**99,352**	**58,485**	**(123,369)**	**(43,083)**	**(39,931)**	**(168)**	**(2,439)**	**(51,153)**	**(51,153)**
Result for the year	-	-	-	(144,149)	-	-	-	(144,149)	(144,149)
Other comprehensive income for the year	-	-	-	-	(803)	-	971	168	168
Total comprehensive income for the year	**-**	**-**	**-**	**(144,149)**	**(803)**	**-**	**971**	**(143,981)**	**(143,981)**
Transactions in own shares	-	-		-	-	164	-	178	178
Capital increases	39,740	-	(354)	-	-	-	-	39,386	39,386
Transactions with owners	**39,740**	**-**	**(340)**	**-**	**-**	**164**	**-**	**39,564**	**39,564**
Implementation of previous year's results	-	-	(43,083)	43,083	-	-	-	-	-
Hyperinflation Argentina	-	-	(7,723)	-	-	-	-	(7,723)	(7,723)
Other changes in equity	-	-	6	-	-	-	-	6	6
Total movements in equity	**39,740**	**-**	**(51,140)**	**(101,066)**	**(803)**	**164**	**971**	**(112,134)**	**(112,134)**
Net assets as at 31.12.2021	**139,092**	**58,485**	**(174,509)**	**(144,149)**	**(40,734)**	**(4)**	**(1,468)**	**(163,287)**	**(163,287)**

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

GRUPO EZENTIS, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(Thousands of euros)

Thousands of euros	Note	2021	2020 Restated (*)
(A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4)		**(2,754)**	**(12,587)**
1. Profit (loss) before taxes		**(106,352)**	**(50,844)**
2. Adjustments to results:		**74,844**	**37,610**
Depreciation of fixed assets	7 & 8	22,959	25,515
Impairment losses and changes in provisions		31,586	-
Allocation of subsidies		-	-
Financial income		(2,389)	(3,497)
Financial expenses		28,856	23,764
Exchange rate differences		856	(698)
Other adjustments to profit or loss		(7,024)	(7,474)
3. Changes in current capital:		**28,754**	**17,058**
Inventories		13,793	810
Trade and other receivables		26,012	37,864
Trade and other current liabilities		(2,739)	(27,448)
Other non-current assets and liabilities		(8,312)	5,832
4. Other cash flows from operating activities:		**-**	**(16,411)**
Taxes paid		-	(102)
Other (payments) receipts		-	(16,309)
(B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)		**(7,132)**	**(5,691)**
1. Investment payments (-)		**(8,750)**	**(6,539)**
Acquisition of dependents, cash acquired (+)		-	1,898
Acquisition of subsidiaries, other assets and liabilities acquired (-)		-	(1,645)
Property, plant and equipment, intangible assets and investment property (-)	7 & 8	(8,750)	(6,792)
Other financial assets (-)		-	-
2. Divestment proceeds (+)		**1,618**	**848**
Property, plant and equipment, intangible assets and investment property (-)		1,581	-
Other financial assets (+)		37	848
(C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2+3)		**(2,536)**	**7,857**
1. Proceeds and (payments) for equity instruments		**40,186**	**40**
Issue (+)		39,740	-
Acquisition (-)		(418)	(150)
Disposal (+)		864	190
2. Proceeds and (payments) for financial liability instruments	**15 & 16**	**(16,255)**	**23,639**
Issue (+)		4,167	57,533
Repayment and amortisation (-)		(20,422)	(33,894)
3. Cash flows from financing activities		**(26,467)**	**(15,822)**
Interest payments (-)		(28,856)	(16,998)
Interest income (+)		2,389	1,176
(D) EFFECT OF EXCHANGE RATE CHANGES		**5,760**	**5,314**
(E) NET INCREASE/(DECREASE) IN CASH OR CASH EQUIVALENTS (A+B+C+D)		**(6,662)**	**(5,107)**
F) Cash and cash equivalents at the beginning of the period		**16,747**	**21,854**
(G) CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (E + F)	**14.d**	**10,085**	**16,747**

(*) Restated data, see details in note 2.2.

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

Notes to the consolidated annual accounts for the financial year 2021
(Thousands of euros)

1. General information

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

The registered office of the Parent Company is located at Calle Automoción No. 26-28, Polígono Industrial Calonge, 41007 Seville, Spain. The Parent Company is registered in the Mercantile Register of Seville.

As of 31 December 2021, the Parent Company carries out its business in the domestic market and its subsidiaries carry out their business in Spain, Argentina, Brazil, Chile, Colombia, Peru, Mexico, Germany and Portugal, and their corporate purpose is related to:

1. The execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people, be it signs, sound or images, by mechanical, electrical, magnetic and optical means, as well as the provision of value-added services for such telecommunications.

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

3. Complete construction, repair and maintenance of civil works, hydraulic works, buildings, sanitation, paving and water and waste supply and treatment systems.

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

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

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

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

The subsidiaries included and not included, respectively, in the scope of consolidation are shown in Annexes I, II and III, as follows:

- Appendix I: Subsidiaries included in the consolidated financial statements of Grupo Ezentis, S.A. and Subsidiaries.
- Appendix II: Subsidiaries not included in the scope of consolidation of the Ezentis Group because they are dormant or in the process of liquidation.
- Appendix III: Joint ventures in which Group companies have interests.

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

Basis of presentation, comparison of the consolidated financial statements and significant accounting policies

2.1) Basis of presentation

The consolidated financial statements of the Ezentis Group for 2021 have been authorised for issue:

1. By the Directors of the Parent Company at a meeting of its Board of Directors held on 25 March 2022.

In accordance with the International Financial Reporting Standards adopted for use in the European Union (EU-IFRS) and approved by the European Commission regulations in force as of 31 December 2021, IFRIC interpretations and applicable commercial legislation, and no mandatory standards have not been applied. The most significant accounting policies and measurement bases applied in preparing these consolidated financial statements are summarised in Appendix IV.

3.Taking into account all the mandatory accounting principles and rules and measurement bases that have a material effect on the consolidated annual accounts.

4. So that they present fairly the Group's consolidated equity and financial position as as of 31 December 2021, and the results of its operations, the changes in consolidated equity and the consolidated cash flows that have occurred in the Group in the year then ended.

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

6. Applying the going concern principle. See Note 2.3.

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

The Group's consolidated financial statements for 2020 were approved by the Parent's shareholders at the Annual General Meeting held on 13 May 2021 and are included for comparative purposes. In this regard, the Group has restated the consolidated balance sheet, income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for 2020 as a result of error corrections identified in 2021 affecting prior periods (see Note 2.2).

These consolidated financial statements and the financial statements of the Group companies for 2021 have not yet been approved by their respective shareholders at their respective Annual General Meetings. However, the Board of Directors of Grupo Ezentis, S.A. considers that these consolidated financial statements will be approved without material changes.

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

2.2) Comparison of information and accounting corrections

The information contained in these consolidated financial statements for the financial year 2020 is presented for comparative purposes with that for the financial year 2021.

In the context of a routine internal audit review carried out in the second half of the financial year 2021 on certain financial information, the Group identified potential mismatches which, if confirmed, could have accounting implications. As a result of the aspects that were revealed preliminarily, the directors of the Parent Company decided to engage an independent advisor in November 2021 to carry out an analysis in this regard in order to clarify the facts, delimit the impacts that could be derived from an accounting point of view and delimit possible responsibilities. As a result of this analysis, certain accounting irregularities affecting the information presented in previous years have been identified in one Group company. The assessment of the accounting impacts arising from these irregularities has been completed and is detailed below. No irregularities other than accounting irregularities have been identified. The Group is in the process of assessing the liabilities that may arise from them.

The issues identified have highlighted the need to strengthen the internal controls implemented by the Group. As a consequence, the Group will proceed to analyze possible new policies and procedures with the objective of reinforcing in the short term its firm commitment to improve its internal control.

In application of International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has corrected prior period material errors retrospectively by restating comparative information for the prior periods in which the error originated.

As a result of the identified misstatements, the year 2020 figures presented for comparative purposes have been restated as follows:

			Thousands of euros
ACTIVE	**Submitted as of 31 December 2020**	**Error corrections**	**Restated as of 31 December 2020**
Non-current assets	192,209	-	192,209
Current assets	142,186	(7,808)	134,378
Total assets	**334,395**	**(7,808)**	**326,587**
Equity	(38,753)	(12,400)	(51,153)
Non-current liabilities	182,424	-	182,424
Current liabilities	190,724	4,592	195,316
Total equity and liabilities	**334,395**	**(7,808)**	**326,587**

A breakdown of the restatement by item is shown below:

				Thousands of euros	
ACTIVE	**Advances granted to suppliers a)**	**Buying and selling Inventories Group b)**	**Overvaluation of work in progress c)**	**Invoices to be received d)**	**Totals**
Inventories		(2,557)	-	-	(2,557)
Debtors	-	-	(5,251)	-	(5,251)
Current assets	**-**	**(2,557)**	**(5,251)**	**-**	**(7,808)**
LIABILITIES AND EQUITY					
Other reservations	-	(2,557)	(2,065)	-	(4,622)
Profit and loss attributable to the parent company	(1,217)	-	(3,186)	(3,375)	(7,778)
Equity	**(1,217)**	**(2,557)**	**(5,251)**	**(3,375)**	**(12,400)**
Trade and other payables	1,217	**-**	**-**	3,375	4,592
Current liabilities	**-**	**-**	**-**	**3,375**	**4,592**
Total equity and liabilities	**-**	**(2,557)**	**(5,251)**	**-**	**(7,808)**
INCOME STATEMENT					
Net turnover	-	-	(3,186)	-	(3,186)
Consumption and other external costs	(1,217)	-	-	(3,375)	(4,592)
Total consolidated result	**(1,217)**	**-**	**(3,186)**	**(3,375)**	**(7,778)**

a) Advances granted to suppliers:
The origin of the correction lies in the absence of the recording of expenses associated with services rendered by suppliers at year-end 2020. The correction of this irregularity has led to an increase in the heading "Suppliers" in the consolidated balance sheet as of 31 December 2020, amounting to 1,217

thousand euros. It has also led to an increase in the balance of "Consumables and other external expenses" in the consolidated income statement for 2020 by the same amount.

b) Purchase and sale of inventories between Group companies:
As a result of a purchase and sale of inventories between Group companies in 2019, it became apparent that the inventories shown in the consolidated balance sheet as of 31 December 2019 and 31 December 2020 were intentionally overstated. As a result, the balance of "Inventories" in the consolidated balance sheet for the year 2020 has been reduced by EUR 2,557 thousand. The heading "Other reserves" has also been reduced by the same amount.

c) Overestimation of the work in progress:
The Group recognised income under "Revenue" in 2019 and 2020 amounting to Euros 2,065 thousand and Euros 3,186 thousand, respectively, associated with both alleged bonuses to be received from third parties (variable consideration) and current services, for which it has been concluded that there was inadequate supporting documentation to justify the services provided or the documentation had been manipulated. As a result, the balance of "Accounts receivable" and "Other reserves" in the consolidated balance sheet as of 31 December 2020 was reduced by EUR 5,251 thousand and EUR 2,065 thousand, respectively. The balance of "Revenue" in the consolidated income statement for 2020 has also been reduced by Euros 3,186 thousand.

d) Invoices to be received:
At year-end 2020, provisions for invoices receivable were intentionally understated by an amount of € 3,375 thousand. The correction of this irregularity has led to an increase in "Trade and other payables" in the consolidated balance sheet as as of 31 December 2020 in the amount of € 3,375 thousand. The balance of "Consumables and other external expenses" in the consolidated income statement for 2020 has also been increased by the same amount.

The tax effect of the corrections of prior years' errors is nil as the affected company has presented a negative tax base, which has not been capitalized.

Basic and diluted earnings per share for the previous year have also been restated. The amount of the adjustment for both basic and diluted earnings was a decrease of EUR 0.023 and EUR 0.024 per share, respectively.

The correction also affected some of the amounts presented in notes 3, 12, 13, 14, 17, and 22 of the notes to the consolidated financial statements and in Annex V thereto.

2.3) Going concern principle

As of 31 December 2021, the Group's equity is negative EUR 163,287 thousand (negative EUR 51,153 thousand in 2020, restated figure). This negative equity includes a negative impact of EUR 40,734 thousand (negative EUR 39,931 thousand in 2020, restated figure) corresponding to accumulated translation differences due to the evolution of Latin American currencies. In addition, the Parent Company's equity is positive and amounts to Euros 95,753 thousand as of 31 December 2021.

The consolidated operating profit is negative EUR 86,053 thousand (negative EUR 36,880 thousand in 2020, restated) and the consolidated loss for the financial year 2021 amounts to EUR 144,149 thousand (loss of EUR 43,083 thousand in 2020, restated). The Group's EBITDA amounts to EUR 15,615 thousand (EUR 39,297 thousand in 2020, restated) (see definition and reconciliation of EBITDA in Appendix V to these consolidated financial statements). The Group has negative working capital of Euros 221,728 thousand (negative working capital in 2020 of Euros 60,938 thousand, restated).

In addition, the financing agreement and the drawdown of funds under it are subject to certain financial and non-financial covenants (see Note 15). As of 31 December 2021, the Group was in breach of two of the four ratios set out in the original financing agreement.

Below are some of the aspects that have had a negative impact on the results, equity and working capital for the year 2021.

Financial terms and conditions of the financing contract

In relation to the financing agreement and the respective financial and non-financial obligations, as of 31 December last, all the entities participating in the syndicated financing and the ICO-Covid loan agreed to modify the measurement of two of the four ratios established in the original financing agreement. Among other conditions, this waiver established the obligation to submit a ratio compliance report no later than 21 March 2022, for the twelve-month period ending on 28 February 2022.

Despite the aforementioned agreement and waiver, given that as of 31 December 2021 the Group was in breach of the established ratios and did not hold at that date an unconditional right to defer payment of this loan for at least a period of twelve months, international accounting standards (IAS 1) require that the financial debt related to this financing, amounting to Euros 116,976 thousand as of 31 December 2021, be reclassified to "Current financial liabilities" in the consolidated balance sheet. However, this situation does not necessarily imply that the financial institutions will immediately demand payment of the debt. If it were not for the aforementioned accounting obligation, the Group would have a negative working capital of Euros 104,752 thousand.

The debt maturity table is detailed in note 15 without taking into account the reclassification made.

Similarly, on 3 February 2022, the entities participating in the syndicated financing and the ICO-Covid loan agreed to approve the Group's request to defer to 30 April 2022 the payment of part of the interest on tranche B (amounting to 1,578 thousand euros) and all of the principal of tranche A (4,100 thousand euros) due on 31 January 2022.

Transformation Plan

The Group's strategy and Transformation Plan in recent years has been aimed at redirecting its strategy to growth in European markets and reducing its exposure to Latin America, mainly in markets where it is difficult to achieve volumes that will enable it to improve efficiency, and especially in contracts and customers which, because of their characteristics, are difficult to obtain profitability.

In this line, the Transformation Plan had the following objectives:

- i) The restructuring of personnel costs to achieve a more flexible cost structure, with a reduction in fixed costs and an increase in outsourced activity, which will allow to adapt to the volatility of volumes in the sector and to reduce levels of under-activity;
- ii) the focus on higher-volume, higher-density contracts, which will allow more services to be provided with fewer resources and increase margins, and;
- iii) diversification into other industries, as well as focusing business in Europe as a way to limit exposure to exchange rate variability.

To this end, the Group has taken and implemented a number of important decisions:

1. Divest or close unprofitable projects with difficulty in achieving profitability in the short/medium term.
2. For closed projects, the cost of termination by unilateral decision, the costs of associated labour liabilities and the impairment of assets assigned to the activity have been assumed.
3. Maintain profitable projects that can outperform currency depreciations.
4. In future live projects, change the production model to make costs more variable and more flexible to variations in demand levels.

During 2021, the implementation of these measures has entailed a cost of 15,889 thousand euros in the income statement. The main costs were as follows:

- Compensation and other labour matters, at a cost of approximately EUR 4.5 million;
- Occupational contingencies: EUR 2.7 million;
- Costs related to the abandonment of unprofitable contracts (mainly in Brazil (TIM Live and Celpe), amounting to approximately EUR 4.4 million;
- Fines related to cancelled contracts: 0.7 million euros;
- Impairment of work in progress on completed contracts: EUR 3 million.

To the extent that these issues have entailed cash outflows or affect working capital items, working capital has been reduced by a similar amount.

Cessation of business in Chile, Peru and Mexico

On 25 June 2021, the Group entered into a sale and purchase agreement whereby it transferred to an independent third party all the shares it holds in the following companies: Ezentis Chile S.A., Ezentis Energía SpA y Tecnet, S.A. (Chile), Ezentis Perú, S.A.C. (Peru), Ezentis Colombia S.A.S. (Colombia) and Ezentis México S.A. de C.V. (Mexico) for a total amount of 43 million. After expiry of the deadline set in the sale and purchase agreement for consummation of the transaction, the circumstances for its sale have not arisen.

Subsequently, in February 2022, the Board of Directors of the parent company, after an exhaustive evaluation of different scenarios and alternatives, agreed to cease the businesses in Chile, Peru and Mexico.

The impact of this decision on the Group's consolidated profit for 2021 amounted to Euros 38,125 thousand (see Note 9), mainly due to impairment of goodwill and intangible assets (Euros 21,581 thousand), cancellation of tax credits (Euros 4,358 thousand) and impairment of current assets (inventories, work in progress and others) amounting to Euros 12,185 thousand. These impairments have had a negative impact on the Group's working capital for this amount.

Covid 19

As described in the notes to the consolidated financial statements for 2020, in March 2020 the World Health Organization declared the outbreak of the COVID-19 coronavirus to be a pandemic. During the financial year 2021, the governments of the various countries in which the Group operates have maintained many of the restrictive measures decided in the financial year 2020. These measures included limitations on telephone portability and restrictions on power cuts.

The application of mobility restrictions, confinement, limitations on telephony portability and restrictions on energy supply cuts have meant, from the beginning of the pandemic until the end of the financial year 2021, a significant limitation in the Group's activity, both in the business volume and profitability of the historical projects and, given the limitation in the levels of new investment and Capex suffered by its customers, in the capacity for growth and development of new projects and businesses. In addition, in relation to other costs, the impact of this situation on the Group has meant an amount of 918 thousand euros of non-recurring expenses in the year (3,663 thousand euros in 2020) derived from the temporary lay-offs and labor restructuring, as well as the acquisition of PPE and medical equipment related to the pandemic.

Other aspects

The decision to cease business in Chile, Peru and Mexico, as well as the foreseeable decrease in activity in the short term as a result of the aforementioned demobilization of contracts, have led the Group to revise downwards its earnings projections for 2022 and subsequent years. This has resulted in the cancellation of deferred tax assets amounting to Euros 33,620 thousand in addition to those described for Peru, Chile and Mexico; of this amount, Euros 25,072 thousand correspond to the Spanish Tax Group.

The Group has also recorded impairments other than those mentioned above on work in progress and inventories, which have reduced the Group's result and working capital by a combined amount of EUR 4.5 million.

Lastly, as indicated in note 2.2 *Comparison of accounting information and corrections*, in 2021 the Group has identified certain accounting irregularities affecting the information presented in previous years. This aspect has led to a reduction in consolidated equity as of 31 December 2021 amounting to Euros 12,400 thousand.

Mitigating factors

The decision to close loss-making and liquidity-draining businesses and contracts has had a significant impact on the 2021 result, although it is expected to have a positive impact on cash flow in the coming years.

The fiber rollout in Germany has started later than expected and at a slower pace than expected, but the Group maintains its growth forecasts in this European market and the delay will result in a higher volume of activity in the coming years.

The contracted portfolio as of 31 December 2021 amounted to EUR 470,228 thousand. The portfolio consists mainly of multi-year contracts with a duration of between 3 and 5 years with the main operators in the sectors in which Ezentis operates in Europe and Brazil.

The entry in 2021 as a relevant investor of Eléctrica Nuriel S.L.U., a company wholly owned by the businessman Francisco José Elías Navarro, reinforces the Group's options to develop business opportunities in the renewable energy sector and to take advantage of synergies between the business models of both Groups. In this sense, progress is being made in the development of possible commercial, industrial and financial agreements.

The Group is also in constant talks with its financial creditors with the aim of reaching an agreement to refinance the structural debt and with its main customers in order to reach agreements that will enable it to match the commitments and conditions of its debt instruments and ensure project contracting volumes to reinforce the new situation. In addition, a process has begun to seek new sources of financing to provide the Group with an adequate debt structure to meet the liquidity needs that the update of the Transformation Plan will require and the payment commitments in the normal course of operations.

In line with the above, in recent days the Group has achieved significant progress and commitments on key issues for the re-launch of the Transformation Plan, and in particular:

- In a letter dated 24 February 2022, the Group's main customer confirmed its commercial relationship with the Group and specifically two very relevant issues: (i) the agreement to extend two of the main contracts in Spain until 31 December 2023 and (ii) Ezentis' option to participate in the award of contracts related to the deployment of the customer's activity in Brazil and Germany, which are the two key markets, in addition to Spain, in the relaunch of the Group's Transformation Plan.
- The main investor has confirmed, in a letter dated 25 February 2022, its commitment to select Ezentis as one of its contractors for the provision of construction works and operation and maintenance services for photovoltaic plants for a portfolio of around 2,500 MW, on market terms and financial conditions favorable to both parties, which would enable a substantial increase in turnover for the Group over the next 3 years.

In view of the foregoing, although the situation described above casts material uncertainty on the Group's ability to continue as a going concern, the directors of the Parent reasonably expect that, in the short term, the following will be completed: (i) the formalization of agreement with financial creditors to refinance the Group's structural debt; (ii) the materialization of the aforementioned agreements with customers that ensure the stability and volume of business in the future, (iii) the materialization of commercial agreements with the main investor and; (iv) the consolidation of the positive impacts associated with the measures being implemented of the aforementioned Transformation Plan. The Group is taking all the necessary measures and actions to enable it to meet all the milestones, and the directors have therefore considered it appropriate to prepare these consolidated annual accounts on a going concern basis.

2.4) Argentina's qualification as a hyperinflationary country

During 2018, several factors became evident in the Argentinean economy that made it necessary to reconsider the treatment followed to date by Ezentis in the translation of the financial statements of its investees in Argentina, as well as the recovery of its financial investments in Argentina. These factors include the inflation rate in 2018 and the cumulative inflation rate in the last three years, restrictions on the official currency conversion market and, finally, the devaluation of the Argentinean peso, as a result of a decision taken by the Argentinean government. These factors have been maintained during 2021.

Consequently, in accordance with International Financial Reporting Standards (IFRS), the Argentine economy has been considered as hyperinflationary in 2021 and 2020, which has meant, as main aspects:

- The historical cost of the non-monetary assets and liabilities and the various equity items of the companies concerned, from the date of acquisition or inclusion in the statement of financial position to year-end, should be adjusted to reflect changes in the purchasing power of the currency due to inflation.

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

- 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 (loss/gain in purchasing power) in the net monetary position.

- That the various items in the income statement and cash flow statement should be adjusted for the inflationary index as soon as they are generated, with a balancing entry in financial results and in a reconciling item in the cash flow statement, respectively.

- And finally, that all components of the financial statements of the Argentinean companies should be converted at the closing exchange rate (1 euro = 116.94672 Argentinean pesos as of 31 December 2021 and 1 euro = 102.856545 Argentinean pesos as of 31 December 2020).

The general price indices applied were as follows:

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

The value of the general price index used as of 31 December 2021 amounted to 577.75 basis points and the change compared to the previous year was 49.72% (385.88 basis points as of 31 December 2020).

Accordingly, the main impacts on Ezentis' consolidated financial statements for 2021 and 2020 are as follows:

Thousands of euros	2021	2020
Revenue	1,108	(1,787)
EBITDA	711	(1,046)
Net result	7,156	5,363
Reservations	(7,100)	(6,141)
Net Equity Effect	(31)	238

2.5) Accounting policies

2.5.1)New IFRS and Interpretations of the IFRS Interpretations Committee (IFRIC)

The accounting policies adopted for the preparation of the consolidated financial statements for the year ended 31 December 2021 are the same as those followed for the preparation of the consolidated financial statements for the year 2020, except for the following new standards and amendments issued 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 2021:

Title	Key requirements	Effective date
Benchmark interest rate reform (published in August 2020) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS *16*	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to benchmark reform (second phase)	1 January 2021
Deferral of the application of IFRS 9 (published in June 2020)- Amendment to IFRS *4*	Deferral of the application of IFRS 9 to 2023	1 January 2021

In addition, the following amendments and/or interpretations have entered into force in 2021 but have not yet been approved by the EU

Title	Key requirements	Effective date
Amendment to IFRS 16 Leases Leasehold Improvements (published in March 2021)	Amendment to extend the deadline for application of the practical expedient of IFRS 16 for leasehold improvements related to COVID-19	1 April 2021

The Group did not have to change its accounting policies or make retrospective adjustments as a result of the adoption of these standards.

2.5.2) New standards and interpretations not yet adopted

At the date of preparation of these consolidated financial statements, the following standards and amendments to standards had been issued by the IASB, but are not mandatory:

Title	Key requirements	Effective date
Insurance Contracts - IFRS 17	The new rules will affect the financial statements and key performance indicators of all entities issuing insurance contracts or investment contracts with discretionary participation components. This standard has no impact on the Group's interim financial statements.	1 January 2023

(Thousands of euros)

Title	Key requirements	Effective date
Classification of liabilities as current or non-current - Amendments to IAS 1	The limited scope amendments to IAS 1 clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by an entity's expectations or events after the reporting period end. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities. The Group is assessing the potential future impact on the Group's financial statements.	1 January 2022 (possibly deferred to 1 January 2023)
Property, plant and equipment: Revenue before intended use - Amendments to IAS 16	It is prohibited to deduct from the cost of an item of property, plant and equipment any revenue from the sale of items produced while the entity is preparing the asset for its intended use. The Group is assessing the potential future impact on the Group's financial statements.	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	Minor amendments to IFRS 3 to update references to the 2018 Framework and to add an exception for the recognition of contingent liabilities and contingent liabilities within the scope of IAS 37 and Interpretation 21. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The Group is assessing the potential future impact on the Group's financial statements.	1 January 2022
Onerous contracts - Cost of fulfilling a contract - Amendments to IAS 37	The amendment clarifies that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to the performance of contracts. Before recognising a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on assets used to fulfil the contract. The Group is assessing the potential future impact on the Group's financial statements.	1 January 2022
Annual Improvements to IFRS - 2018-2020 Cycle	IFRS 9 "Financial instruments": Clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases: Illustrative Example 13 has been amended to remove the illustration of lessor payments in relation to leasehold improvements. IFRS 1 "First-time Adoption of IFRS": allows entities that have measured their assets and liabilities at the carrying amounts recorded in their parent's books to also measure cumulative translation differences using the parent's carrying amounts. IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for taxation when measuring fair value under IAS 41. The Group is assessing the potential future impact on the Group's financial statements.	1 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	The amendments clarify the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-cash assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 *Business Combinations*). The Group is assessing the potential future impact on the Group's financial statements.	Deferred date

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

In December 2019, the Group's Argentinean companies filed for insolvency proceedings in order to reorganise their liabilities. A process was also initiated to seek different alternatives for the continuity of the current telecommunications and energy activities, which led to the transfer of the telecommunications (Ezentis

Argentina, S.A.) and energy (Raselo, S.A.) businesses to the Argentinean company Rowing, S.A., which was formalised in June 2020, having received all the necessary authorisations, including that of the court in which the insolvency proceedings of the three companies are being processed. In February 2021 the Court issued the judgment with the creditor claims verified and admitted, among which the alleged claim insinuated by the Federal Administration of Public Revenues (AFIP) in the amount of approximately 492 million Argentinean pesos was not admitted.

On the other hand, in August 2021, the companies were granted an extension to begin the exclusivity period (process of negotiating reductions and deferrals with suppliers), which was granted until 1 July 2022. Therefore, the company will not have to make the agreed payments until the end of this exclusivity period, and therefore until the second half of 2022.

3. Financial risk management

3. 1 Financial risk factors

The Ezentis Group has a Comprehensive Risk Management System through which it identifies, evaluates, prioritizes and manages the Group's relevant risks systematically, using uniform criteria. This system is constantly updated, operates in a comprehensive 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 in 2021.

The purpose of this Integrated Risk Management System is to ensure that risks that may affect the Ezentis Group's strategies and objectives are systematically identified, analyzed, evaluated, managed and controlled using uniform criteria.

Pursuant to the Regulations of the Board of Directors of the Ezentis Group, the Board of Directors is responsible for defining the Risk Control and Management Policy, identifying the Company's main risks, especially tax risk, and organizing, implementing and monitoring the appropriate internal control and information systems.

The Audit and Compliance Committee, as a delegated body of the Board of Directors, is responsible for supervising the internal control systems and periodically guaranteeing the risk management system, so that the main risks are properly identified, managed and disclosed, as well as periodically reviewing the risk control and management policy and proposing its modification and updating to the Board of Directors.

Risks are managed through the risk managers or owners of the various business units/countries of the Group, all in accordance with the guidelines and criteria set out 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 assesses and hedges financial risks in collaboration with the Group's operating units, providing policies for overall risk management as well as for specific areas. Financial risks are risks associated with financial markets, cash generation and cash management. They include those related to liquidity and working capital management, access to financial and capital markets, credit risk, and exchange rate and interest rate variations.

3.2 Financial instruments

The financial instruments held by the Group as of 31 December 2021 and 2020 are as follows:

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

Notes to the consolidated annual accounts for the financial year 2021

(Thousands of euros)

	Thousands of euros			
	As of 31 December			
	2021		2020 Restated	
	Valuation at amortised cost	Fair Value Measurement. Hedging instruments	Valuation at amortised cost	Fair Value Measurement. Hedging instruments
Financial asset instruments				
Deposits and bonds	8,184	-	17,719	-
Non-current financial assets	**8,184**	**-**	**17,719**	**-**
Debtors	**68,355**	**-**	**89,115**	**-**
Deposits and bonds	15,338	-	6,497	-
Other current financial assets	**15,338**	**-**	**6,497**	**-**
Cash and cash equivalents	**10,085**	**-**	**16,747**	**-**
Current financial assets	**93,778**	**-**	**112,359**	**-**
Total	**101,962**	-	**130,078**	-
Liability financial instruments				
Amounts owed to credit institutions (Note 15)	**1,973**	**-**	**128,919**	-
Non-current lease liabilities	**12,758**	**-**	**20,259**	**-**
Non-current finance lease liabilities	**-**	**-**	**-**	**-**
Derivative instruments	**-**	**1,467**	**-**	2,438
Loans and other payables	168	-	300	-
Other non-current financial liabilities	**168**	**-**	**300**	**-**
Total non-current financial liabilities	**14,899**	**1,467**	**149,478**	**2,438**
Amounts owed to credit institutions (Note 15)	**149,876**	**-**	**27,924**	**-**
Current lease liabilities	**10,503**	**-**	**13,916**	**-**
Current leasing liabilities	**-**	**-**	**-**	**-**
Loans and other payables	646	-	318	-
Other financial liabilities	**646**	**-**	**318**	**-**
Suppliers	**157,032**	**-**	**136,441**	**-**
Total current financial liabilities	**318,057**	**-**	**178,599**	**-**
Total	**332,956**	**1,467**	**328,077**	**2,438**

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 valued using this method.

- Non-quoted price data 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 the asset or liability that are not based on observable market data (i.e., unobservable data) (Level 3).

Financial year 2021

2021	Level 1	Level 2	Level 3	Total
Liabilities				
Financial instruments				
- Derivatives	-	-	1,467	1,467
Total liabilities	**-**	**-**	**1,467**	**1,467**

Financial year 2020

2020	Level 1	Level 2	Level 3	Total
Liabilities				
Financial instruments				
- Derivatives	-	-	2,438	2,438
Total liabilities	**-**	**-**	**2,438**	**2,438**

Interest rate risk

Interest rate fluctuations change the fair value of financial assets and liabilities bearing fixed interest rates, as well as the cash flows of financial assets and liabilities tied to floating interest rates, and therefore affect both equity and profit or loss, respectively. To mitigate interest rate 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 customers' contracts, are linked to market interest rates and inflation rates.

Only part of the financial liabilities is subject to fair value interest rate risk. Financial debts and other payables bear interest at a rate tied to Euribor.

The debt structure as of 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31.12.2021	31.12.2020
Fixed interest rate	24,075	34,793
Variable interest rate	151,849	156,843
Total	**175,924**	**191,636**

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

To hedge interest rate risk, the group has contracted hedging financial instruments on 50% of the total corporate debt in nominal value as of 31 December 2021. (57% as of 31 December 2020).

In determining 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.

The derivatives contracted by the Group are as follows:

Financial year 2021

Ranking	Type	Nominal (thousands of euros)	Maturity (*)	Fair value (thousands of euros)	
				Active	Liabilities
Interest rate swap	Variable to Fixed	19,289	31/07/2024	-	271
Interest rate swap	Variable to Fixed	6,756	31/07/2024	-	95
Interest rate swap	Variable to Fixed	6,756	31/07/2024	-	95
Interest rate swap	Variable to Fixed	37,462	31/07/2025	-	1,007
		70,262		**-**	**1,467**

Financial year 2020

Ranking	Type	Nominal (thousands of euros)	Maturity (*)	Fair value (thousands of euros)	
				Active	Liabilities
Interest rate swap	Variable to Fixed	21,700	31/07/2024	-	466
Interest rate swap	Variable to Fixed	7,600	31/07/2024	-	163
Interest rate swap	Variable to Fixed	7,600	31/07/2024	-	163
Interest rate swap	Variable to Fixed	36,723	31/07/2025	-	1,646
		73,623		**-**	**2,438**

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

The interest rate is hedged by means of an interest rate swap. In an interest rate swap, interest rates are exchanged in such a way 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.

As of 31 December 2021, the fair value of Ezentis' foreign currency denominated interest rate hedges is estimated to be a net liability position of EUR 1,467 thousand (31 December 2020: EUR 2,438 thousand).

The sensitivity of the result to changes in interest rates on liabilities to credit institutions is as follows:

Thousands of euros	Increase/decrease in interest rate (Euribor-linked)	Effect on profit before tax
2021	+/-1%	+/- 1,505
2020	+/-1%	+/- 1,568

Exchange rate risk

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

To mitigate these risks, the Group tries to match, whenever possible, costs and revenues referenced to the same currency, as well as the amounts and maturities of assets and liabilities arising from transactions denominated in currencies other than the euro. In this way, the Group has a natural exchange rate hedge that enables it to minimize currency risk in its results, as it offsets the risk of sales in the currency of each country with 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 as of 31 December 2021 are the Brazilian real, the Chilean peso, the Peruvian nuevo sol, the Argentinean peso, the Mexican peso and the Colombian peso. The sensitivity of the result and equity (increase and decrease) of the exchange rate of these currencies against the euro is as follows:

		Thousands of Euros	
		31.12.2021	31.12.2020
Argentina			
Effect on profit before tax	(+5% / - 5%)	358	199
Effect on equity (Valuation adjustment)	(+5% / - 5%)	(16)	48
Chile			
Effect on profit before tax	(+5% / - 5%)	(1.213)	(1.137)
Effect on equity (Valuation adjustment)	(+5% / - 5%)	(790)	241
Peru			
Effect on profit before tax	(+5% / - 5%)	(1.472)	(162)
Effect on equity (Valuation adjustment)	(+5% / - 5%)	(412)	1.008
Brazil			
Effect on profit before tax	(+5% / - 5%)	(662)	(358)
Effect on equity (Valuation adjustment)	(+5% / - 5%)	(228)	515
Colombia			
Effect on profit before tax	(+5% / - 5%)	(14)	0
Effect on equity (Valuation adjustment)	(+5% / - 5%)	88	146
Mexico			
Effect on profit before tax	(+5% / - 5%)	(46)	(33)
Effect on equity (Valuation adjustment)	(+5% / - 5%)	13	68

In FY 2021, 48.2% of the Group's revenue (53.6% in FY 2020 restated) and 56.1% in FY 2021 of the Group's operating expenses (58.0% in FY 2020 restated) were incurred in foreign currencies.

(Thousands of euros)

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

	Net amount of turnover	
	2021	2020 Restated
Brazil	83,462	98,942
Chile	61,647	58,213
Peru	17,165	19,828
Argentina	529	9,691
Mexico	5,444	5,827
Colombia	6,084	4,319
Total foreigners in currencies other than the euro	**174,331**	**196,820**
Net turnover	**361,405**	**367,202**
% of transactions in currencies other than the euro	**48.2%**	**53.6%**

The carrying amount of "property, plant and equipment" located abroad is EUR 7,245 thousand as of 31 December 2021 (31 December 2020: EUR 11,511 thousand), which represents 71.2% of the total carrying amount of property, plant and equipment at year-end 2021 (year-end 2020: 79.1%).

The carrying amount of other intangible assets located abroad is Euros 10,698 thousand as of 31 December 2021 (Euros 35,873 thousand as of 31 December 2020) which mainly includes Euros 4,135 thousand of goodwill and intangibles identified at Ezentis Brasil S.A.

Finally, the carrying value of the rights of use on leases located abroad amounts to EUR 17,482 thousand as as of 31 December 2021 (31 December 2020: EUR 24,106 thousand).

Credit risk

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

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

Furthermore, trade debt amounts are reflected in the consolidated balance sheet net of provisions for bad debts estimated by the Group on the basis of the ageing of the debt and the experience of previous years in accordance with the previous segregation of the customer portfolio and the current economic environment (expected loss).

The Telecommunications business line is dependent on the group headed by Telefónica, S.A., accounting for approximately 51.4% of group revenues in 2021 (55.3% in 2020 restated). In relation to receivables, the Group mitigates credit risk through non-recourse factoring of receivables from major customers in certain business areas. There is no historical history of unsettled invoices from Telefónica Group companies.

The credit risk on liquid funds is limited because the counterparties are banks of high credit quality. Likewise, the vast majority of receivables that are neither past due nor provisioned have a high credit quality according to the Group's assessment, based on the analysis of each customer's creditworthiness and payment history (expected loss).

The analysis of the collection risk of customers for sales and services rendered as of 31 December 2021 and 2020 is next:

Thousands of euros

	31 December 2021			31 December 2020		
	Expired and not deteriorated	Unvanquished	Total	Expired and not deteriorated	Unvanquished	Total
Less than 180 days	1,514	13,315	14,829	1,589	18,082	19,671
More than 180 days	3,176	-	3,176	1,604	-	1,604
TOTAL	**4,690**	**13,315**	**18,005**	**3,193**	**18,082**	**21,275**

Less than 180 days:

The tranche presented for Euros 14,829 thousand in 2021 (Euros 19,671 thousand in 2020) is considered very low risk as it corresponds to customers aged less than 180 days and with a very good credit quality. Based on the Group's track record with respect to these customers, the risk is considered very low (less than 1% of customers in this category become write-offs).

More than 180 days:

The tranche presented as a customer more than 180 days old, amounting to 3,176 thousand euro at year-end 2021 (1,604 thousand euro at year-end 2020), is considered low risk, even though it corresponds to balances due in full, due to the fact that these are invoices issued to large customers of international prestige.

Note 13 shows that there are balances with customers overdue for more than 180 days, which are considered impaired in the amount of 1,085 thousand euros at year-end 2021 (1,085 thousand euros at year-end 2020).

Liquidity Risk

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

As of 31 December 2021, the Group has negative working capital of Euros 221,728 thousand (negative working capital of Euros 60,938 thousand at year-end 2020). It should be noted that the increase in negative working capital is mainly due to the accounting obligation to classify most of the Group's long-term financing as current liabilities (see note 15).

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

As of 31 December 2021, liquidity availability amounts to EUR 10,085 thousand (31 December 2020: EUR 16,747 thousand), considering cash and cash equivalents as of 31 December 2021 (Note 13.d). As mentioned in note 15, there is a pledge on the bank accounts of certain companies holding shares.

Details of maturities of existing financial liabilities as of 31 December 2021 are as follows:

	Thousands of euros as of 31 December 2021				
	2022	**2023**	**2024**	**2025 onwards**	**Total**
Suppliers and other creditors	117,477	-	-	-	117,477
Remunerations to be paid	11,780	-	-	-	11,780
Current tax liabilities	27,775	-	-	-	27,775
Amounts owed to credit institutions	149,876	915	721	337	151,849
Lease liabilities	10,503	4,086	4,075	4,597	23,261
Derivative financial instruments	-	-	-	1,467	1,467
Other financial liabilities	646	-	-	168	814
Total	**318,057**	**5,001**	**4,796**	**6,569**	**334,423**

Details of the maturities of financial liabilities maturing in 2022 are as follows:

	Thousands of euros as of 31 December 2021			
	Up to 3 months	**Between 3 and 6 months**	**Between 6 and 12 months**	**Total 2021**
Suppliers and other creditors	70,486	46,991	-	117,477
Remunerations to be paid	11,780	-	-	11,780
Current tax liabilities	13,888	11,110	2,777	27,775
Amounts owed to credit institutions	74,938	59,950	14,988	149,876
Lease liabilities	5,252	4,201	1,050	10,503
Other financial liabilities	323	258	65	646
Total	**176,667**	**122,510**	**18,880**	**318,057**

The financial resources available in the first months to meet financial liabilities as of 31 December 2021 are:

a) Cash and cash equivalents: 10,085 thousand euros
b) Debtors: 68,355 thousand euros

As indicated in Notes 2.3 and 15, all the syndicated debt and ICO loans, amounting to 116,976 thousand euros, have been classified in the short term, although their maturity is stipulated in the long term.

The average period of work in progress at year-end 2021, considering total operating revenues, is 38 days (54 days at year-end 2020 restated).

The amount estimated to be invoiced and collected in the following twelve months is the total amount of the executed work pending invoicing existing as of 31 December 2021, i.e. EUR 34,314 thousand (EUR 49,305 thousand as of 31 December 2020 restated).

The evolution of customers, work completed and not yet invoiced as a percentage of net turnover is as follows:

	2021	**2020 Restated**
Customers, work completed and not yet invoiced	34,314	49,305
Net turnover	361,405	367,202
% / Net turnover	**9.5%**	**14.7%**

Financial year 2020:

Details of maturities of existing financial liabilities as of 31 December 2020 were as follows:

	Thousands of euros as of 31 December 2020				
	2021	**2022**	**2023**	**2024 onwards**	**Total**
Suppliers and other creditors (restated)	96,828	-	-	-	96,828
Remunerations to be paid	13,453	-	-	-	13,453
Current tax liabilities	26,160	-	-	-	26,160
Amounts owed to credit institutions	27,924	16,968	14,781	97,170	156,843
Lease liabilities	13,916	7,274	6,083	6,902	34,175
Derivative financial instruments	-	-	-	2,438	2,438
Other financial liabilities	318	91	98	111	618
Total	**178,599**	**24,333**	**20,962**	**106,621**	**330,515**

3.2 Capital risk management

The Group's objectives in managing capital are to safeguard its capacity to ensure the Group's operation and development and thus ensure the best possible return for shareholders. The Group's strategy continues to focus on the diversification and geographical consolidation of its activities, mainly in Europe.

The cost of capital, as well as the risks associated with it in each investment project, are analysed by the Operating Areas and the Finance Department for subsequent evaluation by the corresponding committee, or by 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 ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings plus other financial liabilities less cash and cash equivalents and less current financial assets. Total capital provided in the business is calculated as equity plus net debt. The ratio of total capital employed to revenue is also monitored.

The leverage ratio used as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	**2020 Restated**
Non-current payables to credit institutions	1,973	128,919
Current payables to credit institutions	149,876	27,924
Non-current lease liabilities	12,758	20,259
Current lease liabilities	10,503	13,916
Other non-current financial liabilities	168	300
Other current financial liabilities	646	318
Derivative financial instruments	1,467	2,438
Cash and cash equivalents and current financial assets	(23,379)	(20,254)
Net financial debt	**154,012**	**173,820**
Net equity	**(163,287)**	**(51,153)**

As mentioned in Note 15, the quantitative restrictions of the financing contract include the fulfilment of certain financial covenants, including the following:

i) a limit on consolidated indebtedness, calculated as net debt/EBITDA,
ii) the obligation to comply with a cash coverage ratio,
iii) the obligation to comply with an interest coverage ratio, and
iv) the limitation of investments in fixed assets (net of work carried out by the company for its fixed assets) to a maximum of 2% of revenue.

(Thousands of euros)

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

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

	2021	2020 Restated
Result for the year	**(144,149)**	**(43,083)**
Income tax	37,797	(7,761)
Financial result	20,299	13,964
Amortisation and depreciation	22,959	25,515
Provisions and impairments	60,416	25,045
Non-recurring staff costs (note 22)	7,302	11,517
Other results - non-recurring (note 22)	10,991	14,100
EBITDA	**15,615**	**39,297**

4. Accounting estimates and judgements

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

The accounting estimates and judgements used at year-end 31 December 2021 have been applied consistently with those used in the preparation of the consolidated financial statements for the year 2020 and have taken into consideration the agreements regarding the future development of the group's activities (see note 9).

The main estimates made by Group management are set out below:

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

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

The Group reviews the useful lives of fixed assets at each balance sheet date and if the estimates differ from those previously made, the effect of the change is accounted for prospectively from the year in which the change is made, as has occurred for certain intangible assets, which have been considered on the basis of the best estimate made by Group management to have a useful life of 10 years based on the economic and historical reality of the useful lives of these assets.

In relation to intangible assets with indefinite useful lives (goodwill), the Group's management tests these assets for impairment at least at the end of each reporting period. The recoverable amount of each cash-generating unit (hereinafter "CGU") to which goodwill has been allocated has been determined on the basis of value in use calculations using the discounted future 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 its estimate of whether additional taxes 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 such determination is made.

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

As of 31 December 2021, the Group recognised deferred tax assets of Euros 8,797 thousand in respect of temporary differences, tax loss carryforwards and double taxation deductions (Note 19).

4.3. Accounts receivable and financial assets

The Group makes estimates in relation to the collectability of balances owed by customers in projects where there are disputes to be resolved or litigation in progress arising from non-conformity of the work performed or breach of contractual clauses linked to the performance of the 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. Estimates are required to meet the requirements of this accounting standard. Group management makes estimates, based on an assessment of all relevant facts and information, of the probability of occurrence of contingencies and the amount of the liability to be settled in the future.

4.5. Revenue recognition

The revenue recognition method used by the Group for certain service contracts is a percentage-of-completion milestone method. The stage of completion is determined based on the economic valuation of the tasks actually performed at the balance sheet date as a percentage of the 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 to be completed. These estimates are reviewed and assessed periodically.

It is also common practice for the contracts entered into by the Ezentis Group with its customers to contain different types of variable consideration such as bonuses or penalties passed on to customers. The correct estimation of variable consideration is an important aspect of the Ezentis Group's revenue recognition that requires the application of judgement. The Group includes some 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 about the variable consideration is resolved, there will not be a material reversal of the amount of cumulative revenue recognised.

4.6 Derivatives

The interest rate is hedged by means of an interest rate swap. In an interest rate swap, interest rates are exchanged in such a way 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

There were no business combinations in the Group as a whole in 2021.

Financial year 2020

Enesys Ingeniería y Seguridad, S.L.

On 10 March 2020, the Group acquired 100% of the shares of the company Enesys Ingeniería y Seguridad, S.L. (hereinafter "Enesys"). On 31 May 2020, the sale and purchase was completed after a series of actions had been carried out by the previous sellers. The amount of the acquisition was 95 thousand euros.

Ezentis Ingeniería de Seguridad, S.L.U.

On 3 August 2020, the Group acquired 100% of the shares of Ezentis Ingeniería de Seguridad, S.L.U. (formerly Pentágono Sistemas Electrónicos de Alta Seguridad, S.L.) ("Pentágono"), which provides installation and maintenance services for security systems in the Iberian market in the energy and industrial sectors. The acquired company has two framework contracts (installation and maintenance) with Iberdrola. The value of the consideration delivered at the date of the transaction as at 3 August 2020 amounted to EUR 2,000 thousand.

The negative consolidation difference arising from the transaction, amounting to a total of EUR 499 thousand, is mainly related to the structure of the acquired business, which has working capital financing needs for its growth.

At the date of preparation of these interim financial statements there have been no changes in the initial allocation of the value of assets and liabilities.

Instal lacions Parera Redes Projects and Maintenance, S.L.

Lastly, on 29 December 2020, the Group acquired 100% of the shares of the company Instal-lacions Parera Redes Proyectos y Mantenimientos, S.L. (hereinafter, "Parera"), dedicated to the deployment, operation and maintenance of electricity distribution networks, which currently operates in Endesa's distribution networks in Catalonia.
The value of the consideration delivered at the transaction date as at 29 December 2020 amounts to EUR 2,000 thousand.

The negative consolidation difference arising from the transaction, amounting to a total of 2,107 thousand euros, is mainly due to the financial situation of the acquired company with the former shareholder, which did not allow it to maintain the level of activity, quality and safety of the work and margins expected for the contract with its main customer. In this regard, the structure of the acquired business requires working capital financing for its growth. Ezentis is also a reference supplier for the aforementioned customer, which has had a positive impact on the transaction.

As of 31 December 2021, after a period of 1 year from the date of registration of the business combination, due to the non-renewal of the company's main contract, the intangible asset, net of its tax impact, which arose in the aforementioned business combination, has been derecognised. See note 18

6. Goodwill

Movements in Goodwill, the only intangible assets with an indefinite useful life, are shown below:

	Thousands of euros	
	31.12.2021	31.12.2020
Opening balance	30,032	35,331
Additions (Note 5)	-	88
Impairment (Note 18)	(21,133)	-
Conversion differences	(573)	(5,387)
Closing balance	**8,326**	**30,032**

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

		Thousands of euros	
CGU	Segment	31.12.2021	31.12.2020
Ezentis Peru	Peru	-	20,907
Ezentis Brazil	Brazil	3,417	3,378
Networks Test Group	Spain	4,821	4,821
Tecnet	Chile	-	838
Enesys	Spain	88	88
Total		**8,326**	**30,032**

As of 31 December 2021, the Group has recognised the effect of translation differences for the year amounting to EUR -573 thousand (EUR -5,387 thousand as of 31 December 2020) on goodwill arising on business combinations with Ezentis Perú, S.A.C., Ezentis Brasil, S.A. and Tecnet, S.A.

Goodwill impairment testing

The projections used to calculate the value in use are based on the 2022 budget approved by the Directors of the Parent Company of the Group, the economic growth forecasts of the sector for each country and the long-term projections, considering a projection period up to 2025, made by each of the local managements of these countries.

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

The key assumptions on which management has based the projections of the CGUs to which goodwill has been allocated are the revenue growth forecast based on management's estimates of major contract renewals and operating margins. The valuation has been performed using the projections that management considers to be the most likely scenario.

As a result of the decision adopted by the Parent's board of directors on 28 February 2022 to cease operations in Peru and Chile, as of 31 December 2021 an impairment loss of Euros 20,377 thousand was recognised for goodwill allocated to these CGUs in Peru and Euros 756 thousand in Chile. See note 18.

The Group has considered the impact of the application of IFRS 16 on the estimates of the net asset value associated with each CGU, as well as on the expected future cash flows of the CGU, considering the right-of-use assets in the carrying amount of the CGU and the impact of the standard on the determination of operating cash flows, reducing the value in use of the CGU by the amount of the lease liability. These considerations have not had a material effect on the conclusions on the existence of impairment at year-end 2021.
The discount and growth rates used for each of the CGUs are as follows:

	Discount rate %		Residual growth rate %		
CGU	2021	2020	2021	2020	Segment
Ezentis Peru	-	10.6%	-	2.6%	Peru
Ezentis Brazil	15.3%	14.1%	5.3%	5.0%	Brazil
Networks Test Spain	9.3%	8.4%	2.0%	2.0%	Spain
Networks Test Colombia	13.4%	11.6%	4.0%	4.4%	Colombia
Tecnet	-	9.9%	-	3.0%	Chile

In determining the discount rates, the current cost of money (mainly 10-year Spanish government bonds and 10-year Brazilian and Colombian bonds), the weighted average rate of capital and the risk premiums generally used by analysts for the business and considering the geographical area were taken into account.

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

The equivalent pre-tax discount rates would be:

	Discount rate %	
CGU	2021	2020
Ezentis Peru	-	13.2%
Ezentis Brazil	20.7%	18.0%
Networks Test Spain	11.4%	10.5%
Networks Test Colombia	18.7%	16.4%
Tecnet	-	12.8%

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

In all cases, growth rates have been considered to be lower than the sum of the average growth rates of the products 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			
Countries	Min.	Max.	Media
Brazil	5.20%	5.30%	5.25%
Spain	1.50%	2.50%	2.00%
Colombia	3.50%	4.50%	4.00%

The carrying amount of each CGU as of 31 December 2021 and 2020 and its recoverable amount is as follows:

Thousands of euros	2021		2020	
CGU	Book value	Recoverable value	Book value	Recoverable value
Ezentis Peru	-	-	19,932	23,487
Ezentis Brazil	2,538	54,800	9,186	54,377
Networks Test Group	9,475	24,353	10,015	22,718
Tecnet	-	-	10,731	15,310

In all cases, sensitivity tests have been carried out in relation to the discount rate and the residual growth rate, with the conclusions obtained regarding the valuation of the asset remaining unchanged, as shown in the following table:

Thousands of euros	2021	2020

CGU	Discount rate % Discount rate	Growth rate % Growth rate % Growth rate % Growth rate % Growth rate	Recoverable value	Discount rate % Discount rate	Growth rate % Growth rate % Growth rate % Growth rate % Growth rate	Recoverable value
Ezentis Peru	-	+1/-1	-	-	+1/-1	25,612 / 21,832
	+1/-1	-	-	+1/-1	-	21,239 / 26,370
Ezentis Brazil	-	+1/-1	58,509 / 51,764	-	+1/-1	58,675 / 50,933
	+1/-1	-	50,383 / 60,184	+1/-1	-	49,522 / 60,423
Networks Test Group	-	+1/-1	26,987 / 22,317	-	+1/-1	25,188 / 20,133
	+1/-1	-	21,588 / 27,922	+1/-1	-	19,458 / 26,998
Tecnet	-	+1/-1	-	-	+1/-1	17,806 / 13,440
	+1/-1	-	-	+1/-1	-	12,948 / 18,483

In addition, for the Networks Test Group CGU, a sensitivity analysis has been performed by stressing the projected free cash flow and verifying that the recoverable amount is higher than the carrying amount in all cases.

7. Other intangible assets and rights of use on leases

7 a) Other intangible assets

The movement in this item on the assets side of the accompanying consolidated balance sheet is as follows:

Financial year 2021:

	Thousands of euros		
	Contracts, Customer portfolio	**Other Intangible Fixed Assets**	**Total**
Cost:			
Opening balances	50,966	27,750	78,716
Additions	-	3,828	3,828
Departures or withdrawals	(6,601)	(865)	(7,466)
Conversion differences	(21)	(129)	(150)
Closing balances	44,344	30,584	74,928
Accumulated depreciation:			
Opening balances	(14,768)	(17,601)	(32,369)
Allocation for the financial year	(3,528)	(3,802)	(7,330)
Departures or withdrawals	545	279	824
Conversion differences	18	106	124
Closing balances	(17,733)	(21,018)	(38,751)
Provision for impairment			
Opening balances	-	-	-
Endowments	(487)	(1,069)	(1,556)
Closing balances	(487)	(1,069)	(1,556)
Other net intangible assets:			
Opening balances	**36,198**	**10,149**	**46,347**
Closing balances	**26,124**	**8,497**	**34,621**

Financial year 2020:

	Thousands of euros		
	Contracts, Customer portfolio	**Other Intangible Fixed Assets**	**Total**
Cost:			
Opening balances	45,434	23,730	69,164
Additions	10	4,228	4,238
Additions to the scope of consolidation (Note 5)	7,918	19	7,937
Departures or withdrawals	(63)	(2)	(65)
Transfers	-	-	-
Conversion differences	(2,333)	(225)	(2,558)
Closing balances	50,966	27,750	78,716
Accumulated depreciation:			
Opening balances	(12,049)	(14,157)	(26,206)
Allocation for the financial year	(3,750)	(3,879)	(7,629)
Additions to the scope of consolidation (Note 5)	-	-	-
Departures or withdrawals	63	-	63
Conversion differences	968	435	1,403
Closing balances	(14,768)	(17,601)	(32,369)
Other net intangible assets:			
Opening balances	**33,385**	**9,573**	**42,958**
Closing balances	**36,198**	**10,149**	**46,347**

The additions in the financial year 2020 at Contracts, Customer portfolio and Non-compete agreements mainly related to the acquisitions described in note 5.

During the financial years 2021 and 2020, the Group has developed IT applications internally. The total investment in 2021 for this item amounts to Euros 1,756 thousand (Euros 1,917 thousand in 2020). These developments were mainly financed by grants from the Centre for the Development of Industrial Technology (CDTI) and the Ministry of Industry.

In addition, during the financial year 2021 there have been additions and internal developments in computer applications amounting to EUR 1,699 thousand (EUR 959 thousand in 2020), in connection with the plan to implement various computer tools in which the Group is fully immersed.

The main retirements in 2021 relate to the non-renewal of the main Parera contract amounting to 3,797 thousand euros (see notes 5 and 18), which has not been renewed on expiry.

As as of 31 December 2021, other intangible assets in use for a gross amount of EUR 5,817 thousand were fully amortised (31 December 2020: EUR 5,134 thousand).

As as of 31 December 2021 the Group has investments in other intangible assets located abroad with a carrying amount of EUR 2,373 thousand (31 December 2020: EUR 2,511 thousand).

Provision for impairment

Based on the valuation criteria for intangible assets with finite useful lives, in 2021 and 2020 the Parent's directors assessed the recoverable amount of the cash-generating units to which the other intangible assets belong. In this regard, an impairment loss of Euros 1,556 thousand has been recognised for intangible assets with finite useful lives in Chile, Peru and Mexico. See note 9.

7 b) Rights of use on leases

The changes in this item in the consolidated balance sheet in 2021 and 2020 were as follows next:

Financial year 2021:

	Thousands of euros
	Rights of use on leases
Cost:	
Opening balances	65,746
Additions	8,518
Departures or withdrawals	(8,944)
Transfers	-
Conversion differences	(2,397)
Closing balances	62,923
Accumulated depreciation:	
Opening balances	(34,017)
Allocation for the financial year	(11,158)
Departures or withdrawals	4,178
Conversion differences	386
Closing balances	(40,611)
Rights of use on leases:	
Opening balances	**31,729**
Closing balances	**22,312**

Financial year 2020:

	Thousands of euros
	Rights of use on leases
Cost:	
Opening balances	61,413
Additions	19,131
Departures or withdrawals	(9,468)
Transfers	(90)
Conversion differences	(5,241)
Closing balances	65,745
Accumulated depreciation:	
Opening balances	(31,335)
Allocation for the financial year	(13,362)
Departures or withdrawals	7,789
Conversion differences	2,892
Closing balances	(34,016)
Rights of use on leases:	
Opening balances	**30,078**
Closing balances	**31,729**

The movement of rights of use by nature was as follows:

Financial year 2021:

	Rights of use of buildings	Rights of use of machinery	Rights of use of Transport Elements	Rights of use of information and other equipment	Total
					Thousands of euros
Cost:					
Opening balances	18,007	230	42,767	4,742	65,746
Additions	2,414	44	5,729	331	8,518
Departures or withdrawals	-	-	(8,944)	-	(8,944)
Transfers	-	-	-	-	-
Conversion differences	(679)	(13)	(1,612)	(93)	(2,397)
Closing balances	19,742	261	37,940	4,980	62,923
Accumulated depreciation:					
Opening balances	(8,541)	(55)	(21,976)	(3,445)	(34,017)
Allocation for the financial year	(3,162)	(58)	(7,505)	(433)	(11,158)
Departures or withdrawals	-	-	4,178	-	4,178
Conversion differences	109	2	260	15	386
Closing balances	(11,594)	(111)	(25,043)	(3,863)	(40,611)
Rights of use on net leases:					
Opening balances	**9,466**	**175**	**20,791**	**1,297**	**31,729**
Closing balances	**8,148**	**150**	**12,897**	**1,117**	**22,312**

Financial year 2020:

	Rights of use of buildings	Rights of use of machinery	Rights of use of Transport Elements	Rights of use of information and other equipment	Total
					Thousands of euros
Cost:					
Opening balances	14,097	157	42,953	4,206	61,413
Additions	5,421	100	12,868	742	19,131
Departures or withdrawals	-	-	(9,468)	-	(9,468)
Transfers	(26)	-	(61)	(3)	(90)
Conversion differences	(1,485)	(27)	(3,525)	(203)	(5,240)
Closing balances	18,007	230	42,767	4,742	65,746
Accumulated depreciation:					
Opening balances	(5,574)	-	(22,722)	(3,039)	(31,335)
Allocation for the financial year	(3,786)	(70)	(8,988)	(518)	(13,362)
Departures or withdrawals	-	-	7,789	-	7,789
Conversion differences	819	15	1,945	112	2,891
Closing balances	(8,541)	(55)	(21,976)	(3,445)	(34,017)
Rights of use on net leases:					
Opening balances	**8,523**	**157**	**20,231**	**1,167**	**30,078**
Closing balances	**9,466**	**175**	**20,791**	**1,297**	**31,729**

Details of lease expenses included in "Other operating expenses" (see Note 22) in the consolidated income statement for 2021 and 2020 are as follows:

Operating leases

	Thousands of euros	
	2021	**2020**
Short-term and low-value leases	10,759	8,711

As as of 31 December 2021 the Group has foreign investments in leasehold right-of-use investments with a carrying amount of EUR 17,483 thousand (31 December 2020: EUR 24,106 thousand).

8. Tangible fixed assets

The changes in this item in the consolidated balance sheet in 2021 and 2020 were as follows next:

Financial year 2021:

						Thousands of euros
	Land and Buildings	**Technical Installations and Machinery**	**Tools and furniture**	**Transport Elements**	**Information Equipment and Other Fixed Assets**	**Total**
Cost:						
Opening balances	1,091	10,957	11,498	11,819	6,629	41,994
Additions (Note 23)	32	2,055	2,402	50	383	4,922
Departures or withdrawals	-	(203)	(29)	(1,725)	(604)	(2,561)
Transfers	-	(482)	-	899	-	417
Conversion differences	(15)	(1,016)	(80)	(452)	(139)	(1,702)
Closing balances	1,108	11,311	13,791	10,591	6,269	43,070
Accumulated depreciation:						
Opening balances	(779)	(5,272)	(7,540)	(8,842)	(4,528)	(26,961)
Endowments	(18)	(1,192)	(1,323)	(972)	(966)	(4,471)
Departures or withdrawals	-	265	(354)	807	87	805
Conversion differences	3	642	64	342	62	1,113
Closing balances	(794)	(5,557)	(9,153)	(8,665)	(5,345)	(29,514)
Provision for impairment						
Opening balances	-	(485)	-	-	-	(485)
Endowments	(42)	(1,593)	(65)	(1,089)	(111)	(2,900)
Closing balances	(42)	(2,078)	(65)	(1,089)	(111)	(3,385)
Net tangible fixed assets:						
Opening balances	**312**	**5,200**	**3,958**	**2,977**	**2,101**	**14,548**
Closing balances	**272**	**3,676**	**4,573**	**837**	**813**	**10,171**

The main additions in 2021 correspond to acquisitions of furniture, computer equipment and transport items in Spain amounting to Euros 1,530 thousand, acquisitions of machinery and computer equipment in Chile amounting to Euros 266 thousand, acquisitions of technical installations and other fixed assets in Peru amounting to Euros 50 thousand and acquisitions in Brazil amounting to Euros 2.537 thousand euros corresponding to technical installations for 524 thousand euros, machinery for 161 thousand euros, tools for 1,370 thousand euros, furniture and computer equipment for 272 thousand euros, transport elements for 50 thousand euros and other tangible fixed assets for 130 thousand euros.

Financial year 2020:

	Land and Buildings	Technical Installations and Machinery	Tools and furniture	Transport Elements	Information Equipment and Other Fixed Assets	Total
						Thousands of euros
Cost:						
Opening balances	1,062	12,920	11,684	21,378	7,404	54,448
Additions to the scope of consolidation (Note 5)	-	33	619	31	24	707
Conversion differences	(47)	(1,505)	(1,830)	(9,908)	(1,274)	(14,564)
Additions (Note 23)	13	724	765	177	875	2,554
Withdrawals / Transfers	63	(1,215)	260	141	(400)	(1,151)
Closing balances	1,091	10,957	11,498	11,819	6,629	41,994
Accumulated depreciation:						
Opening balances	(858)	(5,898)	(8,104)	(11,524)	(4,676)	(31,060)
Additions to the scope of consolidation (Note 5)	-	-	(7)	(3)	(5)	(15)
Conversion differences	23	974	1,058	4,556	598	7,209
Endowments	(18)	(997)	(1,028)	(1,816)	(665)	(4,524)
Withdrawals / Transfers	74	649	541	(55)	220	1,429
Closing balances	(779)	(5,272)	(7,540)	(8,842)	(4,528)	(26,961)
Provision for impairment						
Opening balances		(485)				(485)
Closing balances	-	(485)	-	-	-	(485)
Net tangible fixed assets:						
Opening balances	**204**	**6,537**	**3,580**	**9,854**	**2,728**	**22,903**
Closing balances	**312**	**5,200**	**3,958**	**2,977**	**2,101**	**14,548**

The main additions in 2020 related to acquisitions of furniture, computer equipment and transport items in Spain amounting to Euros 110 thousand, acquisitions of machinery and computer equipment in Chile amounting to Euros 365 thousand, acquisitions of technical installations and other fixed assets in Peru amounting to Euros 374 thousand and acquisitions in Brazil amounting to Euros 1,419 thousand relating to machinery amounting to Euros 181 thousand, tooling amounting to Euros 679 thousand, computer equipment amounting to Euros 59 thousand, transport items amounting to Euros 110 thousand and other property, plant and equipment amounting to Euros 1,419 thousand.1,419 thousand euros corresponding to machinery for 181 thousand euros, tools for 679 thousand euros, computer equipment for 59 thousand euros, transport elements for 110 thousand euros and other tangible fixed assets for 390 thousand euros.

As as of 31 December 2021, fully depreciated property, plant and equipment amounts to EUR 8,613 thousand (31 December 2020: EUR 7,214 thousand).

As of 31 December 2021 and 2020 there are no mortgage guarantees on real estate owned by the Group.

As of 31 December 2021 and 2020 there are no contractual commitments to purchase fixed assets.

As of 31 December 2021 the Group has investments in property, plant and equipment with a carrying amount of EUR 7,245 thousand (31 December 2020: EUR 11,511 thousand) located abroad.

As a result of the decision adopted by the Board of Directors of the Parent Company at its meeting held on 28 February 2022, in relation to the cessation of activities in Peru and Chile, as of 31 December 2021, an impairment loss of Euros 2,900 thousand has been recognised for property, plant and equipment. See note 9.

9. Strategic decisions on specific businesses

On 25 June 2021, the Group entered into a sale and purchase agreement whereby it transferred to an independent third party all the shares it holds in the following companies: Ezentis Chile S.A., Ezentis Energía

SpA y Tecnet, S.A. (Chile), Ezentis Perú, S.A.C. (Peru), Ezentis Colombia S.A.S. (Colombia) and Ezentis México S.A. de C.V. (Mexico) for a total amount of 43 million. After expiry of the deadline set in the sale and purchase agreement for consummation of the transaction, the circumstances for its sale have not arisen.

Subsequently, in February 2022, the Board of Directors of the parent company, after an exhaustive evaluation of different scenarios and alternatives, agreed to cease the businesses in Chile, Peru and Mexico. This decision, which was taken as a result of the fact that these businesses were loss-making and drained the Group of the liquidity needed to undertake other more profitable contracts, has a very significant impact on the results for 2021, although it is estimated that it will have a positive impact on cash flow in future years.

For this reason, the assets associated with these businesses have been measured as of 31 December 2021 on the basis of the best estimate at that date of their recoverable amount, net of any associated costs to sell, and not considering their value in use.

As a result of the above, impairment losses on the assets of these businesses have been recorded as follows:

Balance **Thousands of euros**	**PERU**	**CHILE**	**MEXICO**	**TOTAL**
Impairment of goodwill (Note 6)	(20,377)	(756)	-	(21,133)
Other intangible assets	(402)	(1,124)	(29)	(1,556)
Tangible fixed assets	(243)	(2,613)	(45)	(2,901)
Deferred tax asset	(1,582)	(5,089)	(304)	(6,975)
Inventories	(533)	(890)	(337)	(1,759)
Customers, work completed and not yet invoiced	-	(407)	-	(407)
Current tax assets	(2,187)	(990)	(619)	(3,796)
Other current assets	(118)	(92)	-	(210)
Cash and cash equivalents	-	(1,545)	-	(1,545)
Deferred tax liabilities	-	2,762	-	2,762
TOTAL	**(25,441)**	**(10,743)**	**(1,335)**	**(37,520)**

The impact of this decision on the Group's consolidated result for the year 2021 amounted to 38,125 thousand euros, with the following breakdown:

Profit and loss account **Thousands of euros**	**PERU**	**CHILE**	**MEXICO**	**TOTAL**
Impairment losses and changes in provisions	(3,446)	(7,745)	(994)	(12,185)
Deferred income tax	(1,565)	(2,499)	(294)	(4,358)
Impairment of goodwill (Note 6)	(20,377)	(756)	-	(21,133)
Derecognition of Contracts, Customer portfolio (Note 7a)	-	(448)	-	(448)
TOTAL	**(25,388)**	**(11,448)**	**(1,288)**	**(38,125)**

The difference between the impact on the 2021 income statement (EUR 38,125 thousand) and the impact on the balance sheet (EUR 37,520 thousand) corresponds to translation differences.
Of the 38,125 thousand euros, 21,133 thousand euros correspond to the impairment of goodwill allocated to these businesses (see note 6).

Certain assets such as goodwill, intangible assets, deferred tax assets, work in progress and others have been estimated to have no realisable value as of 31 December 2021 and are therefore fully impaired. For other assets, such as inventories and property, plant and equipment, a recoverable amount of approximately 25% of their carrying amount has been estimated (except for the Mexico business which is also fully impaired).

10. Investments accounted for using the equity method

The amounts and movements in this heading during the financial years 2021 and 2020 are as follows:

	Thousands of euros	
	2021	**2020**
Opening balances	72	50
Other	(37)	22
Closing balances	**35**	**72**

As as of 31 December 2021, the investments accounted for using the equity method of EUR 35 thousand (EUR 72 thousand in 2020) relate to the investment in the Joint Ventures.

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

	Thousands of euros	
	2021	**2020**
Cost:		
Opening balances	50,050	50,050
Closing balances	**50,050**	**50,050**
Provisions for impairment:		
Opening balances	(50,050)	(50,050)
Closing balances	**(50,050)**	**(50,050)**
Opening balances	-	-
Closing balances	-	-

As of 31 December 2021 and 2020, the impairment provision amounts to Euros 50,050 thousand, which corresponds to other shareholdings in companies not included in the scope of consolidation since at least 2007, as these companies have ceased trading or are in liquidation.

A list of holdings in non-consolidated Group companies and information relating thereto is included in Appendix II.

Non-current financial assets

The movement during the financial years 2021 and 2020 was as follows:

	Thousands of euros	
	2021	**2020**
Cost:		
Opening balances	**17,719**	**18,783**
Additions and disposals (net) due to changes in the scope of consolidation		72
Additions	352	978
Transfers	(9,415)	-
Retreats	(472)	(2,114)
Closing balances	**8,184**	**17,719**
Closing balances	**8,184**	**17,719**

All non-current financial assets relate to deposits.

Additions and disposals in the financial years 2021 and 2020 mainly relate to deposits made in Brazil for labour and tax court cases.

Transfers relate mainly to the reclassification to short term of court deposits to meet possible tax obligations of Vértice Trescientos Sesenta Grados, S.A. (Note 21).

12. Inventories

Details of inventories as of 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020 Restated
Raw materials and other supplies	14,631	19,396
Advances to suppliers	842	2,623
Provision for impairment of inventories (note 9)	(4,690)	-
	10,783	**22,019**

The heading "raw materials and other supplies" relates mainly to materials used in the various network installation and roll-out projects in progress by the Group.

During 2021 an impairment loss due to slow turnover and obsolescence of inventories has been recognised mainly in Spain and Brazil in the amount of Euros 2,931 thousand recorded under "Impairment losses and changes in provisions" (note 18). In addition, an impairment of inventories amounting to Euros 1,759 thousand was recognised for the businesses in Peru, Chile and Mexico (see note 9).

The Group companies have taken out 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) Customers for sales and services rendered and Customers, work in progress pending invoicing

The detailed composition of these consolidated balance sheet headings as as of 31 December 2021 and 2020 is as follows:

<u>Customers for sales and services:</u>

	Thousands of euros	
	As of 31 December	
	2021	2020 Restated
Customers for sales and services	18,005	21,275
Customers, work completed and not yet invoiced	34,314	49,305
	52,319	**70,580**

As of 31 December 2021, the Group companies have a balance drawn down on non-recourse factoring lines amounting to EUR 86,002 thousand (31 December 2020: EUR 92,026 thousand). The interest rate on these lines for 2021 is between 1% and 22.8% (2020 between 1% and 11.9%), with the weighted average rate on non-recourse factoring contracts as of 31 December 2021 being 3.5% (2020 3.17%).

The composition of the balance drawn down on factoring lines, by currency, is as follows:

	2021	2020
Euro	67,509	68,536
Real Brasileiro	9,720	10,268
Chilean Peso	6,093	7,614
Colombian Peso	5	199
Mexican Peso	-	1,371
Peruvian Peso	2,675	4,038
	86,002	**92,026**

The nominal values of receivables are considered to approximate their fair value and the discounting of receivables is in no case significant.

As of 31 December 2021 and 2020 the balance sheet amount related to customers for sales and services rendered is presented net of the amount of the impairment provision for receivables recognised by the Group.

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

	Thousands of euros	
	2021	**2020**
Opening balances	1,085	1,085
Reversals	-	-
Closing balances	**1,085**	**1,085**

As of 31 December 2021 the impaired balance relates to balances that are generally older than 180 days.

During the financial years 2021 and 2020, the Group has not exercised or enforced any guarantees to recover impairment amounts related to customers for sales and services.

Customers, work completed but not yet invoiced:

In relation to customers for services rendered pending invoicing, this corresponds to services rendered under contracts with customers and which at the end of each financial year are pending invoicing to them.

As mentioned in section 9 of Appendix IV to these consolidated financial statements, the Group analyses any impairment applicable to receivables arising from contract assets and, in particular, to receivables resulting from the application of IFRS 15 Revenue from Contracts in respect of receivables from work performed but not yet invoiced.

As of 31 December 2021, the Group has impaired construction work pending invoicing in the companies in Chile, Peru and Mexico (see note 9) amounting to Euros 407 thousand, as a result of the cessation of activity in these countries. In addition, during 2021, the Group has impaired other work in progress pending invoicing for an amount of Euros 12,052 thousand (see note 18).

As of 31 December 2021, Euros 25,553 thousand (Euros 37,533 thousand as of 31 December 2020) relate to balances in foreign currencies other than the euro with customers for the sale and provision of services and completed work pending invoicing.

The total breakdown of these headings by currency is presented below:

	Thousands of euros	
	As of 31 December	
	2021	2020 Restated
Euros	26,766	33,047
Pesos (Chile)	8,540	13,610
Pesos (Argentina)	1,625	1,596
Soles (Peru)	3,514	5,086
Pesos (Colombia)	2,301	925
Reales (Brazil)	8,038	15,067
Pesos (Mexico)	1,535	1,249
	52,319	**70,580**
Foreign currency balances	*25,553*	*37,533*

b) Other debtors

The composition as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020
Sundry debtors	7,811	11,875
Staff	526	584
Provisions for impairment	(1,884)	(1,884)
	6,453	**10,575**

The Parent Company's directors consider that the carrying amount of non-impaired sundry debtors approximates their fair value.

As of 31 December 2021 and 2020, this heading includes a consolidated VAT receivable amounting to Euros 1,884 thousand, which has been fully impaired since the end of 2013. In addition, this caption mainly includes sundry receivables mainly in Peru amounting to Euros 669 thousand (Euros 1,062 thousand as of 31 December 2020), Argentina amounting to Euros 620 thousand (see note 22a.2) (Euros 3,276 thousand as of 31 December 2020), Brazil in the amount of Euros 1,328 thousand (Euros 1,417 thousand as of 31 December 2020), Colombia in the amount of Euros 1,200 thousand (Euros 1,200 thousand as of 31 December 2020) and Chile in the amount of Euros 1,854 thousand (Euros 2,684 thousand as of 31 December 2020).

c) Other current assets

	Thousands of euros	
	As of 31 December	
	2021	2020
Other current assets	**15,338**	**6,497**

It mainly includes surety bonds as well as accruals as of 31 December 2021 and 2020 for insurance premiums and prepaid expenses related to the works which will be accrued in the next twelve months.

In addition, it includes the reclassification to short term of court deposits to meet possible tax obligations of Vértice Trescientos Sesenta Grados, S.A. (Notes 11 and 21).

d) Cash and cash equivalents

The detailed composition of these consolidated balance sheet headings as as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020
Treasury	9,901	15,152
Other cash equivalents	184	1,595
	10,085	**16,747**

As of 31 December 2021, of the balance presented as "Cash and cash equivalents" amounting to Euros 9,901 thousand, Euros 4,179 thousand (Euros 4,991 thousand at year-end 2020) and of the balance presented as "Other cash equivalents" amounting to Euros 184 thousand, Euros 101 thousand (Euros 1,432 thousand at year-end 2020) correspond to amounts in foreign currencies other than the euro. As mentioned in note 15, there is a pledge on the bank accounts of certain companies holding shares.

In addition, "Trade receivables for sales and services" includes Euros 594 thousand (Euros 985 thousand as of 31 December 2020) of undiscounted forward cheques, also equivalent to liquid assets.

14. Equity

a) Subscribed capital and share premium

On 28 January 2021, Grupo Ezentis, S.A. and Eléctrica Nuriel, S.L.U. signed an investment agreement to regulate the entry of the latter as a strategic and industrial partner in the capital of the Parent, the main objective of which is to develop business opportunities and synergies between Grupo Ezentis, S.A. and Eléctrica Nuriel, S.L.U., especially in the renewable energy sector, and to strengthen the financial position of Ezentis with a view to the development of its transformation plan.

By virtue of this resolution, on 12 February 2021, the deed to increase capital by issuing and placing into circulation 66,234,400 new shares of the Parent Company at an issue price of 0.30 euros per share, all of the same class and series as those currently in circulation, which have been subscribed and paid up by Eléctrica Nuriel, S.L.U., by means of monetary contributions for a nominal and effective amount of 19,870,320 euros.

In addition, in order to allow the investor to increase its stake in the Parent Company up to a maximum of 29.99% of its voting rights, the Board of Directors of the Parent Company also approved an issue of bonds convertible into shares of the Parent Company with exclusion of the shareholders' pre-emptive subscription rights, which will be subject to total or partial execution in the event that the investor so requests within a maximum period of two months from the signing of the investment agreement. In this regard, on 17 June 2021, the deed of capital increase in the amount of Euros 19,870,320 was registered at the Mercantile Registry of Seville through the issue and circulation of 66,234,400 new shares of the Parent Company at an issue price of Euros 0.30 per share, all of the same class and series as those currently in circulation, which have been subscribed and paid up by Eléctrica Nuriel, S.L.U. through conversion of all the convertible debentures.

The movement in share capital is as follows:

	Thousands of euros		
			2021
	Number of shares	Nominal	Share premium
Closing balance at 31/12/2020	**331,172,000**	**99,352**	**58,485**
Additions	132,468,800	39,740	-
Closing balance at 31/12/2021	**463,640,800**	**139,092**	**58,485**

At the date of preparation of these financial statements, all the shares are listed on the Spanish Stock Exchanges of Madrid and Bilbao.

As as of 31 December 2021, 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 field of securities markets and general securities market regulations.

Significant shareholdings

Significant shareholders of Grupo Ezentis S.A. are understood to be those who directly or indirectly hold stakes 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.

31 December 2021:

	% of voting rights attributed to the shares		
Designation	Total	Direct	Indirect
ELIAS NAVARRO, FRANCISCO JOSÉ	28.571	-	28.571

31 December 2020:

	% of voting rights attributed to the shares		
Designation	Total	Direct	Indirect
ERALAN INVERSIONES, S.L.	4.17	4.17	-
TELEFONAKTIEBOLAGET L.M. ERICSSON	9.637	-	9.637

b) Reserves

Share premium

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

Legal reserve

In accordance with the provisions of the Spanish Companies Act, an amount equal to 10% of the profit for the year must be transferred to the legal reserve until it reaches at least 20% of the share capital. The legal reserve may be used to increase capital to the extent of the balance of the legal reserve that exceeds 10% of the increased capital. Except for the above-mentioned purpose and as long as it does not exceed 20% of the share capital, this reserve may only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

As as of 31 December 2021 the Parent Company has a legal reserve of EUR 3,200 thousand (31 December 2020: EUR 3,200 thousand). As of 31 December 2021 and 2020 the legal reserve is not endowed at 20% of the share capital. This legal reserve is included under "Other reserves" in the accompanying consolidated balance sheet.

Other reservations

The consolidated statement of changes in equity shows the main movements in "Other reserves" for the years 2021 and 2020, which mainly reflect the results for the years obtained by the various companies that form or have formed part of the scope of consolidation.

The heading "Other changes in equity" in the consolidated statement of changes in equity mainly includes charges to reserves recorded in accordance with IAS 8, which correspond to accounting adjustments of balances recorded in prior years (see note 2.2).

c) Conversion differences

The movement during the financial years 2021 and 2020 was as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020
Opening balance	(39,931)	(29,596)
(Increase) / decrease	(803)	(10,335)
Closing balance	**(40,734)**	**(39,931)**

As of 31 December 2021 and 2020 all translation differences relate to Subsidiaries.

d) Own shares

The movement in this balance sheet item during the financial years 2021 and 2020 was as follows:

	No. Shares	Thousands of euros
Balance as at 31.12.2019	**533,538**	**305**
Additions	9,050,528	2,743
Retreats	(8,913,722)	(2,880)
Balance as at 31.12.2020	**670,344**	**168**
Additions	6,517,121	2,636
Retreats	(7,169,586)	(2,800)
Balance as at 31.12.2021	**17,879**	**4**

e) Share-based payments

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

The amount of gross remuneration was paid in the form of shares in the amount of thirty thousand euros (30,000 euros) to each of the directors who do not perform delegated or executive functions in the Company, the settlement of which took place in 2020. (see Note 24.c)

Long-term incentive 2018-2020:

On 29 June 2018, the General Shareholders' Meeting, in accordance with the provisions of article 219 of the revised text of the Capital Companies Act, approved the establishment of a long-term incentive for certain categories of Directors, senior executives and other management 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 delivery of shares in the Company (hereinafter, the "Long-term Incentive"), in accordance with the following terms:

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 to be set by the Board of Directors and linked, among other criteria, to the following:

(a) Development of operating profit and/or net profit.
(b) Operating cash flow performance.
(c) Share price performance on the Spanish stock exchanges.

2. Beneficiaries: Directors performing delegated or executive functions and senior executives 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 in the scope of application of the long-term incentive during its term by virtue of the resolutions adopted by the Board of Directors in implementation of this resolution.

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 and two (5,196.002) ordinary shares of the Company, equivalent to 1.571 per cent of the share capital, which shall be allocated to the various beneficiaries by resolution of the Board of Directors, upon proposal of the Appointments and Remuneration Committee, based on parameters that correspond to the level of responsibility of each beneficiary and the level of compliance with the objectives set.

During the year 2021, this long-term incentive has been settled, which has resulted in an expense in the income statement amounting to 441 thousand euros and an impact on equity amounting to 266 thousand euros for the part that has been paid in shares. The directors, on the basis of the clawback clause, are analysing the partial claim of this amount.

Long-term incentive 2021-2023:

On 13 May 2021, the General Shareholders' Meeting, in accordance with the provisions of article 219 of the revised text of the Spanish Companies Act, approved the establishment of a long-term incentive for certain categories of Directors, senior management and other management personnel of the Company and its subsidiaries linked to the achievement of strategic objectives for the period 2021-2023 and to be paid in cash and by delivery of shares in the Company, in accordance with the following terms:

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 to be set by the Board of Directors and linked, among other criteria, to the following:

(a) Turnover and revenue.
(b) Ebitda margin.
(c) Ebitda Indebtedness
(d) Revaluation of the share value on the Spanish Stock Exchanges.
(e) Compliance with the kpi's of the sustainability plan.
(f) Compliance with the digital transformation plan. 5 2.

2. Beneficiaries: Directors performing delegated or executive functions and senior executives 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 in the scope of application of the long-term incentive during its term by virtue of the resolutions adopted by the Board of Directors in execution of the resolution.

3. Amount: The maximum amount in cash to be delivered shall be two million seven hundred ninety-eight thousand one hundred ninety-three euros and twenty-one cents (2,798,193.21 euros) and the maximum number of shares to be delivered to all the beneficiaries of the Long-Term Incentive shall be ten million sixty-five thousand four hundred forty-three (10,065.443) ordinary shares of the Company, equivalent to 2.17 per cent of the share capital, which shall be allocated to the various beneficiaries by resolution of the Board of Directors, upon proposal of the Appointments and Remuneration Committee, based on parameters that correspond to the level of responsibility of each beneficiary and the level of compliance with the objectives set.

4. Term of duration: The term of duration of the Long-Term Incentive shall be from 1 January 2021 to 31 December 2023, which period shall constitute the reference period for the purposes of meeting targets.

5. Settlement of the Long-Term Incentive: The accrual of the obligation to pay the corresponding amounts in cash and shares will take place on 1 January 2024. Payment of the amounts shall be made as from 30 April 2024, subject to a resolution of the Board of Directors to be adopted no later than 31 May 2024.

6. Permanence: The beneficiaries of the Long-Term Incentive undertake not to transfer the shares to which they are entitled for at least six (6) months from the effective delivery of the shares, provided that they remain in the Company.

The Board of Directors of the Company is empowered to implement, develop, formalise, execute and settle the Long-Term Incentive Plan. As at the date of these annual accounts the Board of Directors has not implemented, developed, formalised or executed the above mentioned Long-Term Incentive Plan.

f. Earnings / (Loss) per share

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

	As of 31 December	
	2021	2020 Restated
Profit (Loss) attributable to shareholders (Thousands of euros)	(144,149)	(43,083)
Weighted average number of outstanding shares (Shares)	419,484,533	331,172,000
Basic earnings (loss) per share of parent company result (Euros)	**(0.344)**	**(0.130)**

	As of 31 December	
	2021	2020 Restated
Profit (loss) from continuing operations (Thousands of euros)	(144,149)	(43,083)
Weighted average number of outstanding shares (Shares)	419,484,533	331,172,000
Basic earnings (loss) per share from continuing operations (Euro)	**(0.344)**	**(0.130)**

	As of 31 December	
	2021	2020 Restated
Profit (Loss) attributable to shareholders (Thousands of euros)	(144,149)	(43,083)
Weighted average number of outstanding shares (Shares)	418,814,189	330,501,656
Diluted weighted average number of shares	**418,814,189**	**330,501,656**
Diluted earnings (loss) per share of parent company result (Euros)	**(0.344)**	**(0.130)**

	As of 31 December	
	2021	2020 Restated
Profit (loss) from continuing operations (Thousands of euros)	(144,149)	(43,083)
Weighted average number of outstanding shares (Shares)	418,814,189	330,501,656
Diluted weighted average number of shares	**418,814,189**	**330,501,656**
Diluted earnings (loss) per share from continuing operations (Euro)	**(0.344)**	**(0.130)**

15. Amounts owed to credit institutions and lease liabilities

The composition of the balance as of 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	As of 31 December			
	2021		2020	
	Non-current	Current	Non-current	Current
Loans and credit policies	1,973	149,876	128,919	27,924
Derivative financial instruments	1,467	-	2,438	-
Lease liabilities	12,758	10,503	20,259	13,916
Total	**16,198**	**160,379**	**151,616**	**41,840**

The detail by maturity of the above non-current financial liabilities as of 31 December 2021 and 2020 is as follows:

	31 December 2021		
	Thousands of euros		
Year of Maturity	**Loans and credit policies**	**Derivative financial instruments**	**Lease liabilities**
2023	915	-	4,086
2024	721	-	4,075
2025	337	1,467	3,294
2026 onwards	0	-	1,303
	1,973	**1,467**	**12,758**

	31 December 2020		
	Thousands of euros		
Year of Maturity	**Loans and credit policies**	**Derivative financial instruments**	**Lease liabilities**
2022	16,968	-	7,274
2023	14,781	-	6,083
2024	20,450	-	5,167
2025 onwards	76,720	2,438	1,735
	128,919	**2,438**	**20,259**

The interest rate on loans and credit facilities in 2021 will be between 1.00% and 18.25% (2020: between 2.63% and 10.95%), with the weighted average interest rate on borrowings as of 31 December 2021 being 6.09% (2020: 5.45%). This average interest rate should be understood in the economic and financial context of the countries in which the Ezentis Group operates.

Structural Finance - Syndicated Loan Agreement

On 6 November 2018, the Group signed a loan agreement for a total amount of EUR 90 million with a six-year maturity 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 loan structure consists of three tranches with the amounts and characteristics indicated below:

- Tranche A, in the amount of 40,000,000 euros, the purpose of which was to early repay the loan with Highbridge Principal Strategy LLC.

- Tranche B, for an amount of 45,000,000 euros, for the same purpose as the previous tranche.
- Tranche C, amounting to EUR 5,000,000, the purpose of which is to finance the Group's organic growth.

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

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

I. 30,000,000, 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 maturity date of tranches A and B. Tranche A was extended to 31 July 2024 and Tranche B to 31 July 2025, while the original maturity date of Tranche C remained unchanged at 14 November 2023.
III. Modification of the principal and interest repayment dates for Tranches A and B, becoming payable in July and January of each year, with principal and interest repayments for Tranche C remaining payable in June and December.
IV. Adjustment of certain performance clauses (hereinafter "covenants").

The additional funds raised were mainly used for the acquisition of the Liteyca business acquired in 2019.

The formalisation expenses generated in the novation of the loan amounted to 1,943 thousand euros, and are presented as a reduction in the value of the loan, being charged to the consolidated income statement by the amortised cost method.

On 20 May 2020 and 5 June 2020, a loan was signed with the same credit institutions and in the same percentages of participation as in the syndicated loan agreement, and it was also agreed to extend the guarantees and other clauses of the syndicated loan agreement to this loan. The amount of this loan amounted to 18 million euros and the final maturity date was 31 May 2025, with a guarantee from the Instituto de Crédito Oficial for 70% of its nominal value. In 2021, the loan was renewed, extending its maturity by one year to 31 May 2026 and delaying the start of principal payments until 30 June 2022.

From the qualitative and quantitative analysis of the terms of the modifications to the liabilities described above, it has been concluded that they do not entail a substantial modification of the loan and, therefore, the derecognition of the same and the recognition of new liabilities are not recorded. As a result of the terms of this new financing, income of Euros 297 thousand has been recognised under "finance income" in the accompanying consolidated income statement for 2021.

Interest paid during 2021 amounted to EUR 6,773 thousand (EUR 6,181 thousand in 2020). The amount corresponding to the settlement of hedges amounted to EUR 615 thousand (EUR 218 thousand in 2020).

As of 31 December 2021 the debt recognised in the accompanying consolidated balance sheet amounts to EUR 129,714 thousand (31 December 2020: EUR 131,337 thousand).

<u>Interest and expenses</u>

The loan includes interest, expenses and fees, among others:

- Variable interest with reference to Euribor (with a minimum of 0%) plus a differential.

- Commissions for the availability of the amounts granted and not drawn down.

- Agency fees.

<u>Guarantees and conditions</u>

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

- Pledging of the holdings/shares of the Group companies that subscribed or adhered to the Agreement.
- Pledge on the bank accounts of certain companies holding shares.

The financing contract and the drawdown 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 . As of 31 December last year, all the entities participating in the syndicated financing and in the ICO-Covid loan agreed to modify the measurement of two of the four ratios established in the original financing contract. Among other conditions, this waiver established the obligation to submit a ratio compliance report no later than 21 March 2022 for the twelve-month period ending 28 February 2022.

Despite the aforementioned agreement and waiver, given that as of 31 December 2021 the Group was in breach of the established ratios and did not have an unconditional right to defer payment of this loan for at least twelve months, international accounting standards (IAS 1) require that the financial debt related to this financing, amounting to Euros 116,976 thousand as of 31 December 2021, be reclassified to "Current financial liabilities" in the consolidated balance sheet. However, this situation does not necessarily imply that the financial institutions will immediately demand payment of the debt. In this regard, the Group is currently in talks with its financial creditors to conclude a negotiation process to bring the conditions and structure of its debt into line with the new situation of the Group and its business (see note 2.3).

In this respect, the maturity table of current and non-current debt, without taking into account the reclassification made, is as follows:

	31 December 2021
	Thousands of euros
Year of Maturity	**Loans and credit policies**
2022	32,900
2023	12,891
2024	20,588
2025	76,655
2026 onwards	8,815
	151,849

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 EUR -1,467 thousand as of 31 December 2021 (31 December 2020: EUR -2,438 thousand).

Other financing

The Group's subsidiaries have local bank debt contracts to finance working capital requirements. The amounts by currency and type of financing are as follows:

	Amounts owed to credit institutions		Factoring with Recourse		Lease liabilities	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Euro	13,415	14,398	-	-	6,331	9,237
Argentine Peso	16	24	-	-	45	176
Brazilian real	4,370	5,102	-	-	11,296	13,029
Chilean Peso	2,547	2,669	-	-	1,780	5,544
Colombian Peso	279	441	-	-	271	152
Peruvian sun	1,479	2,707	29	165	3,538	6,037
TOTAL	**22,106**	**25,341**	**29**	**165**	**23,261**	**34,175**

Thousands of euros

The maturity schedule of the lease liabilities as of 31 December 2021 and 2020 is as follows:

	Thousands of euros
	As of 31 December
Year of Maturity	**2021**
2022	10,503
2023	4,086
2024	4,075
2025	3,294
2026 onwards	1,303
	23,261

	Thousands of euros
	As of 31 December
Year of Maturity	**2020**
2021	13,916
2022	7,274
2023	6,083
2024	5,167
2025 onwards	1,735
	34,175

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

Changes in liabilities arising from financing activities

The reconciliation of the balances classified as financial liabilities to the cash flow from financing activities in the Statement of Cash Flows is as follows:

2021

	31/12/2020	Broadcast	Repayment and Amortisation	Hedging Instruments	Transfers / Other	31/12/2021
Loans and credit policies	128,919	-	(9,970)	-	(116,976)	1,973
Derivative financial instruments	2,438	-	-	(971)	-	1,467
Lease liabilities	20,259	583	(8,431)	-	347	12,758
Long-term debts	**151,616**	**583**	**(18,401)**	**(971)**	**(116,629)**	**16,198**
Amounts owed to credit institutions	27,924	3,557	1,419	-	116,976	149,876
Lease liabilities	13,916		(3,440)	-	-	10,503
Short-term debts	**41,840**	**3,584**	**(2,021)**	**-**	**116,976**	**160,379**
TOTAL	**193,456**	**4,167**	**(20,422)**	**(971)**	**347**	**176,577**

2020

	31/12/2019	Broadcast	Repayment and Amortisation	Hedging Instruments	Other	31/12/2020
Loans and credit policies	112,092	17,240			(413)	128,919
Derivative financial instruments	2,524	-	-	(86)	-	2,438
Lease liabilities	20,043	779			(563)	20,259
Long-term debts	**134,659**	**18,019**	**-**	**(86)**	**(976)**	**151,616**
Amounts owed to credit institutions	17,718	39,514	(30,123)		815	27,924
Lease liabilities	17,124		(3,771)		563	13,916
Short-term debts	**34,842**	**39,514**	**(33,894)**	**-**	**1,378**	**41,840**
TOTAL	**169,501**	**57,533**	**(33,894)**	**(86)**	**402**	**193,456**

16. Other liabilities

The composition of the balance as of 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	As of 31 December			
	2021		2020	
	Non-current	Current	Non-current	Current
Other financial liabilities	168	147	300	318
Other liabilities	11,179	499	19,239	2,050
	11,347	**646**	**19,539**	**2,368**

Other financial liabilities

As of 31 December 2021 and 2020, this heading includes 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 315 thousand euro (618 thousand euro as of 31 December 2020). These loans are at zero interest rate 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 taken to the income statement in accordance with the principle of recognising development expenditure in the income statement.

Other liabilities

As of 31 December 2021, this heading mainly includes the amount outstanding for the following items:

- Bankruptcy liabilities: as a consequence of the application and entry into reorganisation proceedings of the Group's Argentinean subsidiaries (see note 2.5):

	Thousands of euros	
	As of 31 December	
	2021	2020
	Non-current	Non-current
Suppliers and creditors	2,463	943
Tax liabilities	-	4,696
	2,463	**5,639**

  In December 2019, the Group's Argentinean companies (Ezentis Argentina S.A., Raselo, S.A. and Radiotrónica de Construcciones S.A.) filed for insolvency proceedings in order to reorganise their liabilities. In addition, a process was initiated to search for different alternatives for the continuity of the current telecommunications and energy activities, which could include strategic alliances with third parties.

  In this regard, the "tax liabilities" account included the amount corresponding to the tax debts at the time of approval of the aforementioned reorganisation proceedings in December 2020, which included the principal and interest accrued at the date of approval. In accordance with Argentine bankruptcy regulations, these tax debts have ceased to accrue interest from the date of approval of such bankruptcies until the judicial resolution of the bankruptcies.

  In February 2021, the court in which the insolvency proceedings of the three companies are being processed issued a ruling with the creditor claims verified and admitted, among which the alleged claim insinuated by the Federal Administration of Public Revenues (AFIP) for approximately 492 million Argentinean pesos (4.2 million euros) was not admitted, a situation that has been appealed by AFIP. This court ruling introduces significant uncertainties as to the likelihood of the outflow of resources for payment, and the valuation or quantification of the obligation. In this regard, the legal advisors consider it possible (but not probable) that it is likely that this debt will have to be paid in the future, which is why no liability has been recorded for this item; likewise, it is not possible to quantify it at the current stage of the proceedings.

- The amount relating to tax deferrals granted by the Brazilian tax authorities to the group company Ezentis Brasil, S.A. amounting to 6,458 thousand euro (3,362 thousand euro as of 31 December 2020).

- The amount relating to tax deferrals granted by the Chilean tax authorities to Group companies in that country amounting to Euros 2,133 thousand (Euros 9,241 thousand as of 31 December 2020).

17. Trade and other accounts payable

The detail of this item in the consolidated balance sheet as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020 Restated
Suppliers	97,607	82,692
Other creditors	19,870	14,136
Remunerations to be paid	11,780	13,453
Current tax liabilities (note 19)	27,775	26,160
Liabilities associated with customer contracts (note 22)	5,066	6,664
	162,098	**143,105**

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 as of 31 December 2021 and 2020 in relation to all Spanish entities in the scope of consolidation:

	2021	2020
	Days	
Average supplier payment period	69	64
Ratio of operations paid	53	58
Ratio of transactions outstanding	124	94
	Thousands of euros	
Total payments made	106,984	109,598
Total outstanding payments	31,116	22,560

As of 31 December 2021, EUR 72,185 thousand (31 December 2020: EUR 65,411 thousand) relates to balances in foreign currencies other than the euro with trade and other payables. The total amount under this heading is presented below, broken down by type of currency:

	Thousands of euros	
	2021	2020 Restated
Euros	89,912	77,694
Pesos (Chile)	24,440	19,531
Pesos (Argentina)	2,003	2,758
Soles (Peru)	12,462	11,607
Dollars (US)	294	294
Reales (Brazil)	28,916	29,415
Pesos (Mexico)	1,559	1,425
Pesos (Colombia)	2,512	381
	162,098	**143,105**

18. Provisions

The movement during the financial year 2021 and 2020 has been as follows:

	2021		2020	
	Thousands of euros		Thousands of euros	
	Non-current	Currents	Non-current	Currents
Opening balance	**2,831**	**8,003**	**2,511**	**2,563**
Additions	1,107		542	5,492
Reversals / Payments	(80)	(4,855)	(222)	(52)
Applications	-	-	-	-
Closing balance	**3,858**	**3,166**	**2,831**	**8,003**

The breakdown of these provisions as of 31 December 2021 and 2020, according to their nature, is as follows:

	2021		2020	
	Thousands of euros		Thousands of euros	
	Non-current	Currents	Non-current	Currents
Litigation	3,858	3,166	2,831	2,262
Other	-	-	-	5,741
Closing balance	**3,858**	**3,166**	**2,831**	**8,003**

Based on their best estimate of all possible outcomes, the Parent's directors have jointly re-estimated all the provisions required as of 31 December 2021, totalling Euros 3,858 thousand (Euros 2,831 thousand as of 31 December 2020) under non-current provisions and Euros 3,166 thousand (Euros 8,003 thousand as of 31 December 2020) under current provisions. The main items to which these provisions relate are for commercial and labour litigation.

Impairment losses and changes in provisions" amounting to EUR 60,416 thousand (EUR 25,045 thousand in 2020) have been recognised in the consolidated income statement for the year 2021, the detail of which is as follows:

	Thousands of euros	
	2021	2020
Provisions, costs and impairment of assets for closing contracts	(1,855)	(9,418)
Impairment Clients, executed work pending invoicing	(12,052)	(8,051)
Provision for impairment of work in progress pending invoicing (note 13)	(96)	(2,794)
Claims and court/arbitration proceedings with clients	-	(1,200)
Provisions for SLA non-compliance expenses with customers	-	(584)
Impairment of goodwill Peru and Tecnet (Note 6)	(21,133)	-
Impairment of intangible assets Tecnet (Note 7a)	(448)	-
Provision for obsolescence of inventories (Note 11)	(2,931)	-
Provision for advance payments to suppliers	(2,303)	-
Impairment of assets Peru, Chile and Mexico (Note 9)	(12,185)	-
Termination of the Parera contract (Note 5)	(3,797)	-
Impairment of other assets	(3,616)	(2,998)
Closing balance	**(60,416)**	**(25,045)**

Ongoing legal proceedings and/or claims

As of 31 December 2021, and 2020, various legal proceedings and claims were in progress against the consolidated entities arising from the ordinary course of their business. The Group's legal advisers and directors consider that the outcome of these proceedings and claims will not have a material effect on the consolidated financial statements for the years in which they are settled other than those already recognised.

In addition, the provision mainly includes EUR 3,800 thousand (EUR 2,831 thousand in 2020) and EUR 3,166 thousand (EUR 2,262 thousand in 2020) under non-current and current for provisions arising from various lawsuits and risks associated with subsidiaries domiciled in Spain, Argentina, Chile, Mexico and Brazil.

Details of the main ongoing processes are included in Note 21 to the consolidated financial statements.

19. Fiscal situation

a) Balances with public administrations

The detail of the balances held by the Group with receivables from and payables to public authorities as of 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	2021		2020	
	Non-current	**Current**	**Non-current**	**Current**
Deferred tax assets	8,797	-	51,762	-
Other current tax assets	-	9,583	-	7,960
General government debtors	**8,797**	**9,583**	**51,762**	**7,960**
H. Public, VAT creditor	-	18,464	-	14,658
H. Public, creditor for IRPF, IS and others	-	9,311	-	11,502
Deferred tax liabilities	2,603	-	8,438	-
Public administrations, creditors	**2,603**	**27,775**	**8,438**	**26,160**

b) Reconciliation of the consolidated tax base and the accounting result

In 2021, the following Group companies form the consolidated tax group: the Parent (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., Ezentis Servicios de Gestión, 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., Calatel Spain, S.L.U., Ezentis Pacífico, S.L.U., Ezentis Gestión de Redes, S.L.U., Ezentis Gestión de Redes, S.L.U., Ezentis Internacional, S.L.U., Ezentis Internacional, S.L.U. Ezentis Gestión de Redes, S.L.U., Networks Test, S.L.U., Ezentis Field Factory, S.L., Enesys Ingeniería y Seguridad, S.L.U., Ezentis Ingeniería de Seguridad, S.L.U. and Instal.lacions Parera Redes, Proyectos y Mantenimiento, S.L..

The remaining subsidiaries file individual tax returns in accordance with the tax rules applicable in each country.

The reconciliation of the consolidated accounting result for 2021 and 2020 to the theoretical tax base (which would be the one corresponding to the individual closes under Spanish GAAP) is as follows:

	Thousands of euros					
	As of 31 December					
	2021			2020		
	Increase	Decrease	Amount	Increase	Decrease	Amount
Consolidated accounting profit before tax	-	-	(106,352)	-	-	(50,844)
Results of foreign subsidiaries and consolidation adjustments	77,872	(132,000)	(54,128)	56,323	(21,884)	34,439
Aggregate result Spanish Fiscal Group			**(160,480)**			**(16,405)**
Permanent differences of individual companies	7,786	(9,849)	(2,063)	12,854	(48)	12,806
Temporal differences of individual companies -						
Non-deductible provisions	126,813	(702)	126,111	702	-	702
Reversal of provisions / write-downs	-	(107)	(107)	-	(338)	(338)
Tax amortisation of merger goodwill	-	(15,187)	(15,187)	-	(15,187)	(15,187)
Financial expenses	1,597	-	1,597	208	-	208
Other	7	(2)	5	-	(1)	(1)
Tax base (taxable income)			**(50,124)**			**(18,215)**

The positive permanent differences amounting to EUR 7,786 thousand mainly relate to:

i. to the non-deductibility of 1,211 thousand euros of non-deductible expenses under article 15 c) of Law 27/2014, of 27 November, on Corporate Income Tax (hereinafter LIS).

ii. the non-deductibility of the expense arising from the write-off of loans granted by Grupo Ezentis, S.A., Ezentis Pacífico, S.L.U., Calatel Spain, S.L.U. and Ezentis Gestión de Redes, S.L.U. to subsidiaries resident in Latin America totalling 6,566 thousand euro.

The negative permanent differences, amounting to 9,849 thousand euros, mainly correspond to the correction of accounting errors (note 2.2).

Negative timing differences mainly relate to:

(i) to the reversal, amounting to 107 thousand euros, of the accounting depreciation that was not deductible for tax purposes in 2013 and 2014;

(ii) to the tax amortisation of merger goodwill (whose impairment was adjusted in prior years' corporate income tax as a positive temporary difference), for a total amount of EUR 15,187 thousand;

(iii) to the reversal, in the current year, of provisions considered non-deductible for tax purposes in the previous year, for a total amount of 702 thousand euros;

The positive timing differences correspond, for the most part:

(i) the non-deductibility of impairment losses on receivables due from related entities amounting to 54,060 thousand euros and holdings in group companies amounting to 72,753 thousand euros.

(ii) to the limitation on the deductibility of net financial expenses for the year amounting to EUR 1,597 thousand.

The composition of the accounting tax expense is as follows:

	Thousands of euros As of 31 December	
	2021	**2020**
Current Tax	180	407
Deferred tax	(37,977)	7,354
(Expense) Income tax revenue	**(37,797)**	**7,761**

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

2021

Tax Expenditure	**Profit (loss) before tax**	**(Expenditure)/ Income due to tax rate**	**Effect of non-deductible expenses**	**Other adjustments**	**Cancellation of tax credits**	**Correction of the tax rate**	**(Expenditure) Tax Revenue 2021**
Argentina	7,152	-	-	(30)	(557)	-	(587)
Chile	(24,253)	-	-	-	(5,181)	-	(5,181)
Peru	(29,447)	-	-	-	(1,391)	-	(1,391)
Brazil	(13,247)	-	-	32	(5,707)	-	(5,675)
Mexico	(922)	231	-	18	(543)	-	(294)
Portugal	56	(14)	-	14	-	-	-
Colombia	(285)	71	-	(85)	-	-	(14)
Germany	238	(60)	-	227	-	-	167
Spain, Luxembourg and consolidation adjustments	(45,644)	-	-	250	(25,072)	-	(24,822)
	(106,352)	**228**	**-**	**426**	**(38,451)**	**-**	**(37,797)**

2020

Tax Expenditure	**Profit (loss) before tax**	**(Expenditure)/ Income due to tax rate**	**Effect of non-deductible expenses**	**Other adjustments**	**Activation of tax credits**	**Correction of the tax rate**	**(Expenditure) Tax Revenue 2020**
Argentina	3,986	(997)	-	997	-	-	-
Chile	(22,741)	5,685	-	(2,222)	-	-	3,463
Peru	(3,238)	810	-	-	-	(597)	213
Brazil	(7,162)	1,791	-	-	-	(315)	1,476
Mexico	(668)	167	-	-	287	-	454
Portugal	(145)	36		(52)	-	-	(16)
Colombia	5	(1)	-	-	-	(2)	(3)
Spain, Luxembourg and consolidation adjustments	(20,881)	3,276	(503)	(599)	-	-	2,174
	(50,844)	**10,767**	**(503)**	**(1,876)**	**287**	**(914)**	**7,761**

c) Non-current deferred tax assets and liabilities

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

The analysis of deferred tax assets and liabilities as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Deferred tax assets		
- Deferred tax assets to be recovered in more than 12 months	8,797	51,762
- Deferred tax assets to be recovered in 12 months	-	-
	8,797	**51,762**
Deferred tax liabilities		
- Deferred tax liabilities to be reversed in more than 12 months	2,603	8,147
- Deferred tax liabilities to be reversed in 12 months	-	291
	2,603	**8,438**

Deferred tax assets in respect of tax loss carryforwards, as well as temporary differences to be reversed and tax credits to be taken, are recognised to the extent that it is probable that the related tax benefit will be realised through future taxable profits.

The amount recognised as of 31 December 2021 and 2020 under deferred tax assets relates mainly to the following subsidiaries:

- Ezentis Argentina, S.A.: 1,531 thousand euros (1,895 thousand euros as of 31 December 2020).
- Spanish Tax Group: EUR 6,099 thousand (31,070 thousand as as of 31 December 2020).
- Foral Basque Country: EUR 834 thousand (EUR 889 thousand as of 31 December 2020).

Deferred tax assets of the Spanish tax group

The companies belonging to the Spanish tax group have recognised deferred tax assets amounting to Euros 6,099 thousand, as follows:

- Tax loss carryforwards: effective for years beginning on or after 1 January 2015, due to the entry into force in Spain of Law 27/2014, of 27 November, on Corporate Income Tax, tax loss carryforwards from previous years may be offset without limitation in time. The amount of tax loss carryforwards corresponding to Spanish companies amounts to EUR 618,495 thousand as of 31 December 2021 (EUR 568,371 thousand as of 31 December 2020, following the filing of the corporate income tax for 2020 in July 2021). Of the aforementioned amount, the companies belonging to the Spanish tax group have recorded deferred tax assets amounting to Euros 3,267 thousand (Euros 22,264 thousand in taxable income);
- Deductions pending application for international double taxation amounting to 2,772 thousand euros;
- Other items amounting to 60 thousand euros.

In 2021, EUR 50,124 thousand of tax loss carryforwards have been generated in the Spanish Tax Consolidation Group, which will be credited by the Group to the tax authorities with the corporate income tax return for 2021 (EUR 18,215 thousand as of 31 December 2020, following the filing of the corporate income tax for 2020 in July 2021).

The Parent Company's Board of Directors has approved the budget for the financial year 2022 which serves as the basis for the estimates of the projections from the financial year 2023 onwards, which is the supporting basis considered 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 include the following:

-Linear execution of the client portfolio based on the budget for 2022.

- Annual inflationary revenue increase of 1.5% in Spain.

- The EBITDA margin is expected to average 11.3% of revenues.

- Profit before tax is expected to average 1.3% of revenues.

Based on the estimates made on the basis of the aforementioned assumptions, the Group has only recognised deferred tax assets that are expected to be recovered over a maximum period of 10 years, considering possible scenarios of sensitisation of the assumptions used. As a result of the above, the Group has derecognised deferred tax assets in the aggregate amount of Euros 38,451 thousand.

d) Exercises open to inspection

As of 31 December 2021, both the Parent Company and the main subsidiaries have the last four financial years open for inspection for all applicable taxes.

Due to possible differing interpretations of tax regulations, the results of future audits carried out by the tax authorities for the years subject to audit 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 given to third parties

As of 31 December 2021, the Group has received from financial institutions guarantees submitted to third parties amounting to 24,892 thousand euros, mostly corresponding to technical guarantees provided to secure bids for new projects, as well as to guarantee the faithful performance of the works awarded (as as of 31 December 2020, the guarantees amounted to 25,394 thousand euros).

As of 31 December 2021 and 2020, shares, participations and bank accounts in a number of Group companies have been pledged as collateral for the financing agreement entered into with a syndicate of financial institutions.

The Parent Company's directors consider that no payment obligations will arise for the consolidated companies from the guarantees and sureties described above that would need to be provided for as of 31 December 2021.

21. Litigation and arbitration

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

Proceedings brought by Group companies against former directors and officers of the Group

As of 31 December 2021 and 2020, the Group has recorded receivables from the former chairman of the Parent Company, Mr Juan Bautista Pérez Aparicio, totalling Euros 1,501 thousand. This amount, which is fully provisioned, has been claimed in previous years before the anti-corruption prosecutor's office. Following several rulings in favour of the Group, the execution is being processed as an execution before Section 1 of the Madrid Provincial Court.

Procedure with the Tax Agency

On 14 July 2014, the Tax Agency notified 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 (see note 11).

On 5 January 2015, the Tax Agency was notified of a tax liability declaration agreement dated 17 December 2014 (hereinafter the "Declaration Agreement"), issued by the Tax Agency declaring the Company's joint and several liability for debts of Vértice Trescientos Sesenta Grados, S.A. amounting to 7.5 million euros.

Also, on 20 February 2015, the Company applied to the Regional Collection Unit of the Madrid Special Delegation of the AEAT for the suspension of the tax return agreement under article 233 of the General Tax Law.

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

In relation to the request for suspension submitted on 20 February 2015 to the Regional Collection Unit of the Special Delegation of Madrid, given that the latter required that the guarantees provided covered not only the principal of the debt (7,565 thousand euros), but also the default interest generated during the suspension plus

20% for the surcharge that might accrue in the event of enforcement of the guarantee, it was considered more beneficial in financial terms to proceed with the payment of the principal of the debt, waiving the requested suspension.

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

On 5 March 2018, the Central Economic-Administrative Tribunal (Tribunal Económico-Administrativo Central) issued a ruling on 31 January 2018 rejecting the Company's claim. Despite the rejection of the ruling, the Company considers that the arguments of the written pleadings of 11 May 2015 have not been undermined, and therefore the Company's claim is fully in accordance with the law, and the Board of Directors agreed, at its meeting of 21 March 2018, to proceed to challenge the aforementioned ruling of the Central Economic-Administrative Court before the National High Court, a circumstance that has occurred during the first months of 2022.

On 30 September 2021, the Contentious-Administrative Division of the National High Court handed down a judgment upholding the contentious-administrative appeal filed by Grupo Ezentis, S.A., annulling the decision of the Central Economic-Administrative Court and the agreement on the derivation of tax liability of the Regional Collection Unit of the Madrid Special Delegation of the Tax Agency. That judgment was declared final by the National High Court by Decree of 2 December 2021. In this regard, subsequent to year-end, the Company has proceeded to collect Euros 4,748 thousand, although Euros 104 thousand are pending collection as of 31 December 2021, and to offset taxes pending payment in the amount of Euros 4,526 thousand, although Euros 229 thousand remain to be offset.

22. Income and expenditure

a.1) Turnover / Revenue from contracts with customers

The breakdown of net sales by geographical market is detailed in Note 23.

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

1. Telecommunications.
2. Energy: including electricity, water and gas
3. Other: including technology and security

The breakdown of operating income by business segment as of 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020 Restated
Telecommunications	294,971	315,052
Energy (*)	61,550	52,956
Other (**)	12,844	9,528
Total	**369,365**	**377,536**

(*) Including: electricity, water and gas.
(**) Includes: technology and security

Details of assets under contracts with customers are as follows:

	Thousands of euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Contract procurement/fulfilment costs - IFRS 15	538	256	1,725	499
Customers, work completed and not yet invoiced	-	34,314	-	49,305
Total	**538**	**34,570**	**1,725**	**49,804**

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

Details of liabilities under contracts with customers are as follows:

	Thousands of euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Liabilities associated with contracts with customers	-	5,066	-	6,664
Total	**-**	**5,066**	**-**	**6,664**

In 2021, the Group continued its policy of diversifying its activities and customers, although it maintains approximately 51.4% of its business with the Telefónica Group (approximately 55.3% in 2020).

a.2) Other operating income

The detail of this item in the accompanying consolidated income statement for 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020
Other operating income in Argentina	4,296	3,300
Negative difference on consolidation of acquisitions (Note 5)	-	2,606
Other	1,257	2,191
	5,553	**8,097**

On 2 June 2020, the investees Ezentis Argentina, S.A. and Raselo, S.A. entered into an agreement with an independent third party to assign the contractual position of the contracts entered into by these companies with two customers.

The sale of these contracts was subject to the fulfilment of suspensive conditions, customer acceptance and judicial authorisation, both of which were fulfilled in December 2020. In addition, the contract includes the sale of a brand sub-licence for a period of 4 years.

During the year 2021, the derecognition of certain bankruptcy liabilities in Argentina has mainly been recognised as income. See note 16.

b) Staff costs

The consolidated staff costs for the financial years 2021 and 2020 are broken down as follows, expressed in thousands of euros:

	Thousands of euros	
	As of 31 December	
	2021	2020
Wages, salaries and similar	149,674	159,075
Social charges	14,218	20,477
	163,892	**179,552**

Personnel expenses for 2021 and 2020 include non-recurring expenses of Euros 7,302 thousand and Euros 11,517 thousand, respectively. These expenses mainly correspond to severance payments linked to the Group's transformation plan (see note 2.3).

The average number of persons employed during the financial years 2021 and 2020, distributed by professional category, was as follows:

	Average Number of Employees	
	2021	2020
Senior management	10	14
Qualified and non-qualified technicians	800	822
Administrative staff	717	936
Site personnel	7,713	8,818
	9,240	**10,590**

As of 31 December 2021 and 2020 the number of employees distributed by gender and professional category is as follows:

	As of 31 December			
	2021		2020	
	Men	Women	Men	Women
Senior management	8	1	12	1
Qualified and non-qualified technicians	648	131	651	130
Administrative staff	393	306	243	351
Site personnel	7,029	477	7,561	463
	8,078	**915**	**8,467**	**945**

As of 31 December 2021, the number of employees with disabilities is 17 (all in Spain). As of 31 December 2020, 21 employees (19 in Spain).

c) Consumption and other external charges

The detail of "Consumables and other external expenses" for the financial years 2021 and 2020 is as follows, expressed in thousands of euros:

	Thousands of euros	
	As of 31 December	
	2021	2020 Restated
Consumption	29,110	19,240
Subcontracts	105,710	99,289
	134,820	**118,529**

d) Other operating expenses

The detail of "Other operating expenses" for the years 2021 and 2020 is as follows, expressed in thousands of euros:

	Thousands of euros	
	As of 31 December	
	2021	2020
Leases and royalties (Note 7b)	10,759	8,711
Repairs and maintenance	3,673	3,189
Independent professional services	11,057	5,340
Transport	966	594
Insurance premiums	1,499	1,742
Advertising, publicity and public relations	292	266
Supplies	12,499	11,009
Other services	10,139	11,566
Other current administrative expenditure	818	108
Tributes	10,638	9,150
	62,340	**51,675**

e) Other results

The detail of the consolidated income statement caption for 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
Other results	**2021**	**2020**
Other results	10,991	14,100
	10,991	**14,100**

The following effects are included under the heading Other results for the financial year 2021:

- Expense for provisions for labour lawsuits arising from the adaptation of the labour structure in accordance with the Group's transformation plan in the amount of 2,720 thousand euros.
- Service level penalties during 2021, mainly on unprofitable contracts abandoned as a result of the Group's transformation plan amounting to EUR 656 thousand.
- Other fines amounting to 2,294 thousand euros.
- Other expenses related to the abandonment of unprofitable contracts as a consequence of the Group's transformation plan amounting to EUR 3,539 thousand.
- Expenditure generated as a consequence of the global pandemic situation caused by SARS COVID 2 in the amount of EUR 918 thousand.
- Expenses generated as a consequence of the storm Filomena in the amount of 283 thousand euros.
- Other non-recurring expenses of EUR 581 thousand.

The following effects were mainly included under the heading Other results for the restated financial year 2020:

- Provisions for labour lawsuits arising from the adaptation of the labour structure in accordance with the Group's transformation plan in the amount of 2,814 thousand euros.
- Service level penalties during 2020, mainly on unprofitable contracts abandoned as a result of the Group's transformation plan amounting to EUR 536 thousand.
- Other fines amounting to 2,600 thousand euros.
- Other expenses related to the abandonment of unprofitable contracts as a consequence of the Group's transformation plan amounting to EUR 4,435 thousand.
- Expenditure generated as a consequence of the global pandemic situation caused by SARS COVID 2 in the amount of EUR 3,663 thousand.
- Other non-recurring expenses of EUR 52 thousand.

f) Financial income and expenses

The detail of this item in the accompanying consolidated income statement for 2021 and 2020 is as follows:

	Thousands of euros	
	As of 31 December	
	2021	2020
Financial expenses	**(28,856)**	**(23,764)**
Financial expenses operating debt	(17,048)	(13,916)
Financial expense structural debt (note 15)	(9,656)	(6,985)
Interest expense IFRS16	(2,152)	(2,863)
Negative exchange rate differences	**(856)**	**(698)**
Currency corrections for hyperinflation (Note 2)	**7,024**	**7,001**
Financial income	**2,389**	**3,497**
Other interest and similar income	2,389	3,497

(g) Transactions in currencies other than the euro

During FY2021, approximately 48.6% (53.1% in FY2020 restated) of the Group's operating revenues and 56.1% (58.0% in FY2020 restated) of the Group's operating expenses were incurred abroad, primarily 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 the financial years 2021 and 2020, the fees for 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, were as follows (in thousands of euros):

	2021	2020
For audit services	317	300
For other accounting verification services	86	5
	403	**305**

Other accounting verification services include fees for agreed-upon procedures for the verification of ratios linked to financing contracts amounting to 5 thousand euro and fees for review services of the half-yearly financial statements of the Ezentis, S.A. Group at 30 June 2021 and for review services of the Proforma Consolidated Combined Financial Information amounting to 16 thousand euro and 65 thousand euro, respectively. The limited review services under ISRE 2410 and ISAE 3420 were terminated early by mutual agreement prior to the issuance of the respective final reports.

Other entities affiliated with KPMG International have billed the Group during the years ended 31 December 2021 and 2020, fees and expenses for professional services, as follows:

	Thousands of euros	
	2021	**2020**
For audit services	183	191
For other accounting verification services	-	-
TOTAL	**183**	**191**

In addition, other auditors have invoiced the Group during the years ended 31 December 2021 and 2020, fees and expenses for professional services, as follows:

	Thousands of euros	
	2021	**2020**
For audit services	32	41
For tax consultancy services	15	9
For other services	33	41
TOTAL	**80**	**91**

23. Segment reporting

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 reporting is structured according to the geographical distribution of the Group.

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

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

Segment information

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

Thousands of euros	Spain		Argentina		Chile		Peru		Brazil		Portugal		Colombia		Mexico		Germany	Holdings and Others		Total Group	
	2021	2020 Restat.	2021	2020	2021	2020 Restat.	2021	2020 Restat.	2021	2020	2021	2020	2021	2020 Restat.	2021	2020 Restat.	2021	2021	2020	2021	2020 Restat.
Income:																					
Net turnover	179,471	166,639	529	9,691	61,647	58,213	17,165	19,828	83,462	98,942	4,532	3,661	6,084	4,319	5,444	5,827	3,051	20	82	**361,405**	**367,202**
Operating income	181,462	170,785	4,824	13,660	61,745	58,315	17,756	20,434	83,462	98,942	4,532	3,661	6,115	4,925	5,444	5,827	3,051	974	987	**369,365**	**377,536**
Financial income	-	-	351	54	72	57	13	-	1,438	717	-	-	-		-	-	-	515	2,667	**2,389**	**3,497**
Results:																					
Operating result	(20,895)	(8,375)	279	4,103	(17,882)	(19,158)	(27,804)	(1,321)	(7,718)	(2,481)	69	(132)	(586)	173	(833)	(595)	239	(10,922)	(9,094)	**(86,053)**	**(36,880)**
Financial result	(5,050)	(2,880)	6,873	5,446	(6,371)	(2,985)	(1,643)	(1,990)	(5,529)	(5,362)	(14)	(5)	(105)	(169)	(88)	(73)	(1)	(8,371)	(5,946)	**(20,299)**	**(13,964)**
Profit before tax	(26,350)	(9,925)	7,152	3,986	(24,253)	(22,741)	(29,447)	(3,238)	(13,247)	(7,162)	56	(145)	(285)	5	(922)	(668)	238	(19,294)	(10,956)	**(106,352)**	**(50,844)**
Taxes	(7,326)	(122)	(587)	-	(5,181)	3,463	(1,391)	213	(5,675)	1,476	-	(16)	(14)	(3)	(294)	454	167	(17,496)	2,296	**(37,797)**	**7,761**
Other information																					
Additions to property, plant and equipment	1,530	141	-	4	265	444	50	514	2,537	1,448	-	-	538	1	-	2	-	2	-	**4,922**	**2,554**
Depreciation of tangible fixed assets	(1,313)	(499)	(564)	(82)	(864)	(1,239)	(181)	(483)	(1,413)	(2,066)	-	-	(111)	(124)	(21)	(27)	-	(4)	(4)	**(4,471)**	**(4,524)**
Active																					
Total assets	84,604	115,818	6,670	12,099	15,638	46,850	9,441	40,868	48,699	63,840	1,214	1,295	5,163	4,553	3,103	4,003	2,168	20,308	37,261	**197,008**	**326,587**
Liabilities																					
Total liabilities	120,602	123,019	6,992	11,142	31,439	42,031	17,685	20,716	53,252	53,540	1,658	1,324	3,402	1,634	2,839	2,639	1,362	121,064	121,695	**360,295**	**377,740**

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

Data in thousands of euros	Net turnover		Operating income		Total Assets		Additions to Non-Current Assets (*)	
	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated
Spain	179,471	166,639	181,462	170,785	84,604	115,818	3,292	3,674
Argentina	529	9,691	4,824	13,660	6,670	12,099	40	4
Chile	61,647	58,213	61,745	58,315	15,638	46,850	266	551
Peru	17,165	19,828	17,756	20,434	9,441	40,868	456	4,509
Brazil	83,462	98,942	83,462	98,942	48,699	63,840	11,019	15,906
Portugal	4,532	3,661	4,532	3,661	1,214	1,295	-	-
Colombia	6,084	4,319	6,115	4,925	5,163	4,553	1,142	319
Mexico	5,444	5,827	5,444	5,827	3,103	4,003	-	-
Germany	3,051	-	3,051	-	2,168	-		
Holding companies and others	20	82	974	987	20,308	37,261	1,039	959
	361,405	**367,202**	**369,365**	**377,536**	**197,008**	**326,587**	**17,254**	**25,922**

(*) Includes, among other items, additions of non-current assets due to business combinations (see note 5).

24. Related party transactions

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

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

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

- Transactions between Group companies or entities form part of the Group's ordinary course of business. The amount of balances and transactions not eliminated on consolidation is not material.

a) Purchase of goods, services and financial expenses

There were no related party transactions of this nature in 2021 and 2020.

b) Other operations

During the financial year 2021 and 2020, no other related party transactions have taken place.

c) Directors' remuneration

The remuneration accrued during financial years 2021 and 2020 by the members of the Parent's Board of Directors, received from all the Group companies of which they are directors or administrators, is as follows:

	Thousands of euros			
Exercise	Monetary Remuneration	Diets	Other remuneration	Total
2021	964	224	579	1,767
2020	1,202	292	590	2,084

The remuneration accrued by each member during the financial years 2021 and 2020 is as follows:

Executive Director	Remuneration 2021		Remuneration 2020	
D. Fernando González Sánchez	539		672	
D. Carlos Mariñas Lage	425		530	
TOTAL	**964**		**1,202**	
Non-executive director and other external	**Remuneration 2021**	**Subsistence allowance 2021**	**Remuneration 2020**	**Subsistence allowance 2020**
D. Guillermo José Fernández Vidal	38	-	203	-
D. Enrique Sánchez de León	226	-	92	71
D. Pedro María Azcárate Palacios	66	46	69	55
Ms Ana María Sánchez Tejada	22	22	44	-
Ms Laura González Molero	38	33	44	29
Ms Emma Fernández Alonso	-	-	21	19
Ms Carmen Gómez-Barreda Tous-Monsalve	52	35	44	32
D. Alfonso Alonso Durán	9	4	44	65
Ms María Paloma Jiménez Baena	65	35	29	21
Ms Ana Isabel Lopez Porta	34	29	-	-
Mr. Eduard Romeu Barcelo	29	20	-	-
TOTAL	**579**	**224**	**590**	**292**

Remuneration includes share-based payments made in 2021 as a result of the settlement of the 2018-2020 Long-Term Incentive Plan mentioned in note 14e. The number of shares and their economic valuation received by each Director is detailed below:

		Thousands of euros
	Number of shares	Economic assessment
D. Fernando González Sánchez	99,523	54
D. Guillermo José Fernández Vidal	26,066	14
D. Carlos Mariñas Lage	78,196	43
TOTAL	**203,785**	**111**

The Company has verified compliance with the Remuneration Policy regarding remuneration received by directors, both individually and in aggregate, in the latter case not exceeding the maximum total amount approved by the General Meeting of 2,700,000 euros.

The Chairmen of the Audit, Appointments and Remuneration and Executive Committees have each earned a gross remuneration of EUR 25,000 in the financial year 2021.

On 12 November 2021, as a result of a change in the organisational model, at the request of the Board of Directors, Mr Fernando González Sánchez and Mr Carlos Mariñas Lage tendered their resignations as directors, both becoming General Manager and Corporate General Manager, respectively.

(Thousands of euros)

As of 31 December 2021 and 2020 there were no advances, loans granted or pension plans with any member of the Board of Directors of the Parent Company. The Group has taken out civil liability insurance for the directors.

Monetary remuneration for both financial years 2021 and 2020 corresponds to the salaries and wages of the members of the Board of Directors who perform executive functions in the Group. Per diems correspond to the per diems paid to directors in financial years 2021 and 2020 for attending meetings of the Board of Directors and its Committees according to the position held in each case.

Shareholdings, positions, functions and activities carried out by directors

In their duty to avoid situations of conflict with the interests of the Company, during the year the directors who have held office on the Board of Directors have complied with the obligations set forth in article 228 of the revised text of the Spanish Companies Act. Likewise, both they and the persons related to them have refrained from incurring in the cases of conflict of interest envisaged in article 229 of the aforementioned law.

d) Remuneration of management personnel

The remuneration of the General Managers of the Parent Company and persons performing similar functions in the subsidiaries excluding those who simultaneously hold the status of member of the Board of Directors of the Parent Company (whose remuneration has been detailed above) during the financial years 2021 and 2020 can be summarised as follows:

Exercise	Number of Persons	Total Salary Compensation
2021	5	1,236
2020	4	815

On 24 November 2021, Mr Fernando González Sánchez tendered his voluntary resignation as general manager of the Ezentis Group to Mr Carlos Mariñas Lage.

The change in remuneration received by senior management corresponds to the settlement received by the former Group CEO as a result of his departure.

Senior Executives currently on the Group's payroll all have a life insurance policy with a capital sum 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, varying between 1 and 2.5 years of fixed remuneration for the entire period. This plan was settled in 2021. (See Note 14.e)

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

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

As as of 31 December 2021 and 2020, there are no outstanding balances arising from financial agreements.

25. Environment

By virtue of the business in which the Group is currently engaged, it has no environmental liabilities, expenses, assets, provisions and contingencies that could be material to its Net equity, financial position and results.

However, our actions are governed by the principle of precaution and prevention of environmental risks, in line with both our own and our customers' requirements, and the Group is firmly committed to the principles of sustainability, as detailed in the Statement of Non-Financial Information.

26. Post-closure events and other matters

On 27 January 2022, the board of directors of the parent company approved the status of Grupo Ezentis, S.A. as guarantor of a subsidiary of the group of the latter's debt payment obligations to a supplier for a maximum amount of 3.1 million euro, payable in 12 instalments of 260 thousand euro each, payable monthly between April 2022 and March 2023.

On 1 February 2022, the Spanish National Securities Market Commission ("CNMV") was notified by means of other relevant information:

i) The Board of Directors of the parent company has agreed, continuing with the measures to reorganise the Company's governance communicated to the CNMV on 12 November 2021, to reduce by 30% the amount of remuneration for membership of the Board and the Committees for the financial year 2022, which represents a new measure to reduce the cost of governance of the company together with those already adopted in November 2021 to reduce the number of members of the Board or the elimination of the Executive Committee.

ii) The voluntary resignation of Mr Jorge de Casso Pérez as Secretary of the Board of Directors and of the Board Committees, with the Deputy Secretary of the Board of Directors assuming these duties.

(iii) The appointment as Legal Adviser of Mr Alberto Alonso Ureba

In February 2022, the Board of Directors of the parent company agreed to cease the businesses in Chile, Peru and Mexico. See note 9.

GRUPO EZENTIS, S.A. AND SUBSIDIARIES

Notes to the consolidated annual accounts for the financial year 2021
(Thousands of euros)

ANNEX I
SUBSIDIARIES INTEGRATED IN THE EZENTIS GROUP

2020

Society	Address	Activity	Voting Rights Controlled by the Parent Company		Data of the Investee Thousands of Euros						
			Direct	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	Holding company engaged in the management and administration, for its own account, of shares or other securities representing the share capital of entities. The provision of general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services for the different companies in the Group.	100%	-	38,141	-	38,141	66,596	27,083	39,513	(105)

2020

Society	Address	Activity	Voting Rights Controlled by the Parent Company		Data of the Investee Thousands of Euros						
			Direct	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	Holding company engaged in the management and administration, for its own account, of shares or other securities representing the share capital of entities. The provision of general services required by the companies, including but not limited to management, administration, operations, quality and legal advisory services for the different companies in the Group.	100%	-	38,141	-	38,141	72,298	32,598	39,700	(116)

SUBSIDIARIES INTEGRATED IN THE EZENTIS GROUP

Subsidiaries and branches Grupo Ezentis, S.A.:

Society	Address	Activity	Voting Rights Controlled by the Company	
			Direct	Indirect
Ezentis Holdco Corporation, S.à. r.l.	6, rue Eugène Ruppert, L-2453 Luxembourg	Act as an investment holding company. To acquire, in whole or in part, holdings, shares, stocks and securities of all types of commercial companies.	100%	-

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

Society	Address	Activity	Voting Rights Controlled by the Company	
			Direct	Indirect
Ezentis International Corporation, S.à. r.l.	6, rue Eugène Ruppert, L-2453 Luxembourg	Act as an investment holding company. To acquire, in whole or in part, holdings, shares, stocks and securities of all types of commercial companies.	-	100%

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

Society	Address	Activity	Voting Rights Controlled by the Company	
			Direct	Indirect
Ezentis Servicios de Gestión, S.A.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Design, development, manufacture, distribution and marketing of technology-based electronic components, especially those integrating communications and localisation, 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)	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy	-	100%
Avanzit Instalaciones e Ingeniería, S.L.U.	Calle Jabalquinto, parcela 12 (Jaén)	Execution and maintenance of electrical installations. Execution and maintenance of telecommunication and computer systems, equipment and components.	-	100%
Ezentis Pacífico, 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 telecommunications and computer systems, equipment and components.	-	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 holdings, shares, stocks and securities of all types of commercial companies, with the exception in all cases of those activities which, in accordance with special legislation, particularly that regulating the Law on Collective Investment Institutions and the Securities Market Law, require special authorisation, registration in the Public Register or requirements not fulfilled by this company.	-	100%

Ezentis Gestión de Redes, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Design, manufacture and trade, on its own behalf or through third parties, of multimedia communication and information processing equipment and components for security applications.	-	100%
Ezentis Field Factory, S.L.U.	Avenida Reino Unido 1, 3º H-I, Edificio Gyesa Palmera (41012 - Sevilla)	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, consultancy 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 mechanical installations, engineering, construction and maintenance of fire-fighting installations, engineering and construction of works, buildings, travel and tracks, conservation and maintenance of buildings and street furniture, provision of back office services, capture and processing of information by electronic, computer and telematic means, coordination of health and safety in the project and execution phase and project management, project management, project control and management.	-	100%

Subsidiaries of Ezentis Tecnología, S.L.U

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**
Avanzit I Mas D Mas I, S.L.U.	Avda. Ministro Josep Piqué, S/N 23200 La Carolina (JAÉN)	Consultancy, design, network and systems engineering, application development, implementation, maintenance and sale of solutions for telecommunications networks and systems. Through purchase, sale, exchange, exploitation, leasing and administration.	-	100%
Raselo, S.A.	Lavalle 310 1° - C.A.B.A. (Argentina)	Consultancy, design, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunication systems (ii) networks, installations, machines and accessories for treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, household, domestic, industrial, hazardous, pathogenic and any other type of waste; for water and wastewater treatment, air and exhaust gas purification.	-	1.09%

Subsidiaries of Ezentis Internacional, S.L.

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**
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 telecommunications networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	5%

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 telecommunications 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, equipment and components for electricity, electrification, road and railway signalling, auxiliary activities in the construction and telecommunications sector, the provision of added value services for these telecommunications and the subscription, acquisition and sale of shares in companies with similar or analogous activities to those described above.	-	0.79%
Ezentis Argentina, S.A.	Lavalle 310 1° - C.A.B.A. (Argentina)	Design, construction, installation and maintenance of telecommunications systems. The provision of auxiliary services for these telecommunications. Design, construction and maintenance of low, medium and high voltage lines and transformer stations. Design, construction and maintenance of networks, installations, machinery 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 plants for the storage, treatment, use and final disposal of any solid, semi-solid, domestic, industrial, special, hazardous and any other type of waste; water and wastewater treatment, air and exhaust gas purification, as well as the marketing and distribution of all types of technologies for the protection of the environment.		0.33%
Ezentis Brasil, S.A.	Alameda Araguaia, 2.044, Centro Empresaria Araguaia, Building II, 10th floor, room 1.001, Alphaville Industrial. CEP 06455-906, Barueri, São Paulo State	Cleaning and maintenance of buildings and areas of grease extension, construction of engineering projects in civil, industrial, hydraulic, marine and rural material for public or private Brazilian companies or of any nationality. Provision of electrical or hydraulic engineering services, electrification works, advice on contraction management, industrial assembly of low, medium and high voltage, gasification works and area regulation, marine and rural installation.		99.99%

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

Society	Address	**Activity**	**Voting Rights**	
			Controlled by the Company	
			Direct	**Indirect**
Networks Test, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	To carry out studies, opinions, reports, projects and technical plans related to engineering in its various branches, especially electronics; to carry out designs, prototypes and technical devices, especially in the electrical, mechanical and electronic branches, as well as the manufacture, assembly, installation, maintenance and marketing of the same, both in Spain and abroad; and the provision of 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 of the city of Bogotá D.C. - Colombia	Organisation, operation, provision and exploitation of activities and services related to consultancy and outsourcing of technical, financial and personnel services, network operation services, information systems or any other type of activity related to information and communication technologies,	-	100%
Ezentis, Mexico, S.A. de C.V.	Diana 26, Colonia Nueva Industrial Vallejo, Mexico City, Gustavo A Madero, CP	Conducting and contracting engineering studies and telecommunication services; Design of towers, accessories and booths for the implementation of wireless infrastructure and Performance of all types of works and supervision thereof	-	0.001%

Ingeniería Celular Panamericana, S.A. de C.V.	Arbolitos s/n Nave 12 Andén 10, Colonia Texcacoa TEPOTZOTLAN Estado de México (México)	Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems.	-	0.001%

Subsidiaries of Ezentis Pacífico, S.L.U.

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**
Calatel Spain, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Holding, management and administration, for its own account, of shares or other securities representing the share capital of entities not resident in Spanish territory. The provision of such general services as may be required by the companies, including but not limited to management, administration, operations, quality and legal advisory services for the various Group companies.	-	100%
Ezentis Argentina, S.A.	Lavalle 310 1° - C.A.B.A. (Argentina)	Design, construction, installation and maintenance of telecommunications systems. The provision of auxiliary services for these telecommunications. Design, construction and maintenance of low, medium and high voltage lines and transformer stations. Design, construction and maintenance of networks, installations, machinery 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 plants for the storage, treatment, use and final disposal of any solid, semi-solid, domestic, industrial, special, hazardous and any other type of waste; water and wastewater treatment, air and exhaust gas purification, as well as the marketing and distribution of all types of technologies for the protection of the environment.	-	99.67%
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, equipment and components for electricity, electrification, road and railway signalling, auxiliary activities in the construction and telecommunications sector, the provision of added value services for these telecommunications and the subscription, acquisition and sale of shares in companies with similar or analogous activities to those described above.	-	99.21%
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 telecommunications networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	95%
Ezentis Mexico, S.A. de C.V.	Diana 26, Colonia Nueva Industrial Vallejo, Mexico City, Gustavo A Madero, CP	Conducting and contracting engineering studies and telecommunication services; Design of towers, accessories and booths for the implementation of wireless infrastructure and Performance of all types of works and supervision of the same	-	99.99%
Ingeniería Celular Panamericana, S.A. de C.V.	Calle Diana 26, Col. Nueva Industrial Vallejo, Alcaldía Gustavo A. Madero, 07700, Mexico City.	Design, manufacture, supply, installation, maintenance and repair of electronic equipment and systems.	-	99.99%
Ezentis Perú, 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 railway signalling, auxiliary activities in the construction and telecommunications sector, the provision of value-added services for these telecommunications and the subscription, acquisition and sale of shares in companies with similar or analogous activities to those described above.		5.295%

Calatel El Salvador, S.A.	El Salvador	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Calatel Guatemala, S.A.	Guatemala	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Calatel Surinami, Ltd.	Suriname	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Calatel Guyana, Ltd.	Guyana	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Calatel PNG, Ltd.	Papua New Guinea	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Calatel Vanuatu	Vanuatu	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	100%
Riegner & Cía, S.A.S.	Colombia	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	
Avanzit Tecnología, Ltda.	Av. Apoquindo, 3721 - 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 radio communications infrastructures, telephony and communications in general, as well as development and installation of advanced communications solutions.	-	95%
Calatel Honduras, S.A.	Honduras	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	0.4%

Ezentis Brasil, S.A.	Alameda Araguaia, 2.044, Centro Empresaria Araguaia, Building II, 10th floor, room 1.001, Alphaville Industrial. CEP 06455-906, Barueri, São Paulo State	Cleaning and maintenance of buildings and areas of grease extension, construction of engineering projects in civil, industrial, hydraulic, marine and rural material for public or private Brazilian companies or of any nationality. Provision of electrical or hydraulic engineering services, electrification works, advice on contraction management, industrial assembly of low, medium and high voltage, gasification works and area regulation, marine and rural installation.		0.01%

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

Society	Address	Activity	Voting Rights Controlled by the Company	
			Direct	Indirect
Ezentis Redes Portugal, Unipessoal Lda.	Rua Guilherme Marconi, números 4,4-A, 4B e 4C, Serra da Amoreira, freguesia da Ramada (2620-448), concelho de Odivelas, Lisboa	a) Research and development, promotion, application, supply, maintenance and exploitation, in any form, of all types of technologies, equipment and materials for telecommunications, energy, industry, public works and construction, environment and security; b) Operation, maintenance, development and integration of information systems, telecommunications, security and control systems, independently or in integrated telecommunications solutions and associated systems; c) analysis, design, development and implementation of information systems; d) engineering design of telecommunications networks, whether its own or those of third parties, consultancy and management of documentation and administrative procedures for obtaining telecommunications licences and operation by itself or by leasing the networks to third parties; e) consultancy and civil engineering services; etc.	-	100%
Ezentis Ingeniería de Seguridad, S.L.U.	San Sebastián de los Reyes (Madrid), Avenida Somosierra nº 22, Nave IB Polígono Industrial Sursan	Installation and maintenance of security equipment, devices and systems.	-	100%
Instal.Lacions Parera Redes Proyectos y Mantenimientos, S.L.U.	Sant Joan de Vilatorrada (Barcelona), Carrer de LÈnergia, 46, C.P.: 08250	- The execution of electrical and electronic projects and installations, both high and low voltage, plumbing, plumbing, plumbing, water, gas, heating; - And in general, in addition, any other related activities that facilitate or complement the above.	-	100%
Ezentis Deutschland Gmbh	Jahnstraße 64, 63150 HeusenstammDeutschland	Installation, support and maintenance of services related to telecommunications and energy. Holding of shares.	-	100%
Enesys Ingenieraía y Seguridad, S.L.U.	Cádiz, Palmones-Los Barrios, Avenida de la Térmica, Edificio Torre Hércules, Torre B, Planta 13, Puerta 4ª, del Parque Tecnológico Las Marismas	Surveillance and protection of goods, establishments, shows, events or conventions. - Protection of specific persons, subject to the corresponding authorisation. - Deposit, custody, counting and classification of coins and banknotes, securities and other objects which, due to their economic value and the expectations they generate or their dangerousness, may require special protection, without prejudice to the activities of financial institutions. - Transport and distribution of the objects referred to in the previous section, by different means, using vehicles whose characteristics shall be determined by the Ministry of the Interior, in such a way that they cannot be confused with those of the Armed Forces or the Security Forces and Corps. -Installation and maintenance of security apparatus, devices and systems connected to alarm centres. - Operation of centres for the reception, verification and transmission of	-	100%

		alarm signals and their communication to the Security Forces and Corps, as well as the provision of response services. whose implementation does not fall within the competence of these Forces and Corps. - Planning and advising on security activities.		
Ezentis Tecnología. S.L.U.	c/ Santa Leonor, 65 Building B. Madrid (Spain)	Development, manufacturing, engineering, design, project development, sales, operation, import, export, marketing, installation, civil works, etc. of switching and network management products.		100%
Communications and Sound Group, S.L.U.	Polígono Industrial Itzaga, parcela E1, Galdakao (48960 - Vizcaya)	Telecommunication services. Acquisition, urbanisation, development, exploitation, alienation, use, rental, construction, subdivision, etc.		100%
GTS Thaumat XXI, S.A.U.	Polígono Industrial Itzaga, parcela E1, Galdakao (48960 - Vizcaya)	Research and development, manufacture of new active and passive products and supplements.		100%
Ezentis Ingeniería de Seguridad, S. L.U.	San Sebastián de los Reyes (Madrid), Avenida Somosierra nº 22, Nave lB Polígono Industrial Sursan	Installation and maintenance of security equipment, devices and systems		100%
Navento Technologies, S.L.U.	c/ Santa Leonor, 65 Building B Madrid (Spain)	Develop and market a cost-effective real-time location programme for mass audiences.		100%

Subsidiary of Ezentis Ingeniería de Seguridad, S.L.U.

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**
Ezentis Engenharia de Segurança Portugal, LDA Unipessoal	Rua Guilherme Marconi, números 4,4-A, 4B e 4C, Serra da Amoreira, freguesia da Ramada (2620-448), concelho de Odivelas, Lisboa	Installation and maintenance of security apparatus, devices and systems	-	100%

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

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**

Electrificaciones Ferroviarias Catenaria, S.A.U.	Street Torrent del Ninou, s/n. Polígono Industrial Llevant Parets del Valles - Barcelona	Study, promotion, construction and management of all kinds of works and installations. Execution and maintenance of electrical installations. Execution and maintenance of telecommunications and computer systems, equipment and components.	-	100%

Subsidiaries of Ezentis Argentina, S.A.

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**Indirect**
Raselo, S.A.	Lavalle 310 1° - C.A. B.A (Argentina)	Consultancy, design, architecture, engineering, construction, assembly, installation, preventive and corrective maintenance, modification and repair of: (i) telecommunication systems (ii) networks, installations, machines and accessories for treatment and distribution of fluids, water and gas and their accessory products, as well as sewerage and sanitation works, (iii) installations and plants for the deposit, treatment, use and final disposal of any solid, semi-solid, household, domestic, industrial, hazardous, pathogenic and any other type of waste; for water and wastewater 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%

Subsidiary of Raselo, S.A.

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

Subsidiary of Ezentis Energía SpA

Society	Address	**Activity**	**Voting Rights Controlled by the Company**	
			Direct	**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 telecommunications networks and systems for operators and entities with large volumes of investment in telecommunications and technology.	-	95%

Subsidiaries of Calatel Spain, S.L.U.

Society	Address	Activity	Voting Rights Controlled by the Dominant	
			Direct	**Indirect**
Ezentis Perú, 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, equipment and components for electricity, electrification, road and railway signalling, auxiliary activities in the construction and telecommunications sector, the provision of value-added services for these telecommunications and the subscription, acquisition and sale of shares in companies with similar or analogous activities to those described above.	-	78.482%
Calatel Costa Rica	Costa Rica	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy	-	65%
Calatel Tci, Ltd.	Turks and Caicos Islands	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy	-	100%
Calatel LLC	6422 Collins Avenue, suite 504, Miami, Florida 33141	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	50%
Calatel Honduras, S.A.	Honduras	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	-	99.6

ANNEX II
SUBSIDIARIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION OF THE EZENTIS GROUP BECAUSE THEY ARE DORMANT OR IN THE PROCESS OF BEING LIQUIDATED

Society	Address	Activity	Voting Rights Controlled by the Parent Company	
			Direct	Indirect
Avanzit Ena Sgt, S.A.U. (in liquidation)	Avda Leganés Km 1,700. 28924 Alcorcón (Madrid)	The execution of projects, electrical and mechanical installations, assemblies, purchase and sale of material, exploitation of patents and execution of works of any kind, in particular earthworks, etc.	66.36%	32.01%
Comelta Distribución , S.L.	Torrelaguna, 79. 28043 (Madrid)	Manufacture, purchase, sale, distribution, import, export, storage and transport of electrical and electronic components and 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 business management and any other lawful commercial activity that is an antecedent 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 Real Estate, S.L.	Torrelaguna, 79. 28043 (Madrid)	Purchase, sale, leasing, construction of movable and immovable property, as well as business management and any other lawful commercial activity that is an antecedent 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, hardware, 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, civil works construction, etc.	-	100%
Radiotrónica Móviles Guatemala, S.A.	14 calle3-51 zona 10 Edif. Murano Center. 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, Despacho 210 Colonia Roma Mexico City. (Mexico)	Design, planning and construction services for cellular and fixed wireless telecommunications infrastructure and in general the maintenance, installation of telecommunications systems, equipment and components for broadcasting, transmission and reception.	100%	-
Radiotrónica do Brasil, Ltda.	Avda. da Paz, 925 sala 1. Utinga neighbourhood. Santo Andre. Estado Sao Paulo (Brazil)	Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and radio communications infrastructures, telephony and communications in general, as well as development and installation of advanced communications solutions.	-	100%
Abradi Serviços, S.A.	Avda. da Paz, 925 sala 1. Utinga neighbourhood. Santo Andre. Estado Sao Paulo (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 assemblies, telephone, electrical, mechanical and industrial installations.	-	100%

Constructora Radar, Ltda.	Avda. da Paz, 925 sala 1. Utinga neighbourhood. Santo Andre. Estado Sao Paulo (Brazil)	Construction, consultancy, projects, management, maintenance and operation of networks, stations, antennas and radio communications infrastructures, telephony and communications in general, as well as development and installation of advanced communications solutions.	-	100%
Constructora de Redes de Comunicação e Projetos, Ltda.	Rua Alto de Montijo, Lote 1 e 2R/C Fraccao A 2975-619 Carnaxide-Lisboa (Portugal)	Construction, extension, transformation, installation and maintenance of any telecommunications network station. Production, implementation and maintenance of telecommunications systems, equipment and components for broadcasting, transmission and reception.	-	100%
Radiotrónica de El Salvador, S.A. de C.V.	Jardines del Volcán, 2. Pasaje 24 planta B14 nº30. Nueva San Salvador.	Design, planning and construction services for cellular and fixed wireless telecommunications infrastructure and in general the maintenance, installation of telecommunications systems, equipment and components for transmission, 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 for 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; provision of value-added services to such networks.	-	50%
Avanzit Chile, Ltda.	Av. Apoquindo, 3721 - 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)	Construction and assembly of networks, plants, pipelines and installations for natural gas, energy fluids and fuels in all their extension, water, sewage, and water and sewage treatment.	-	100%
Avánzit Tecnología, Ltda.	Rua da Consolaçao, 247 6º andar. Room 51, D Centro Estado Sao Paulo (Brazil)	Consultancy, engineering and operation of networks and systems, project development, call centres, application development, consultancy and technical support and implementation of after-sales networks and telecommunications systems for operators.	100%	-
Avánzit Tecnología, S.A	Calle 93ª, No. 14-17 Oficina 502 Bogotá DC (Colombia)	Consultancy, design, implementation and after-sales maintenance of turnkey solutions for telecommunications networks and systems for operators and other entities investing in telecommunications and information technologies.	-	100%
Avánzit Wireless, S.A.U.	Avda. Leganés Km.1,700. 28924 Alcorcón (Madrid)	Execution and maintenance of telecommunication systems, equipment and components for the emission, transmission and reception of any kind of information between people. Execution and maintenance of electrical installations. Construction of civil works. Technical consultancy.	100%	-
Avanzit Perú, S.A.C.	Martín Olaya, 129 Miraflores-Lima 18 (Peru)	The service and consultancy in projects, construction, marketing, export, installation, repair and maintenance of systems, component equipment for electricity, electrification, road and railway signalling, auxiliary activities in the construction and telecommunications sector, the provision of value-added services for these telecommunications and the subscription, acquisition and sale of shares in companies with similar or analogous activities to those described above.	-	100%

Empresa Constructora Radiotrónica de Chile Ltda.	Vargas Buston, 760. San Miguel. Santiago (chile)	The preparation of construction projects, installation and maintenance of systems, equipment and components for electricity, electrification, road and railway signalling, gas distribution networks, drinking water and sanitary works; the development of auxiliary 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 INTERESTS

Society	Address	Voting Rights Controlled by the Parent Company	
		Direct	Indirect
Temporary 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	-	
Temporary joint venture Avanzit Infraestructuras y Servicios, S.A., Forcimsa, Alario.	C/ Federico Mompou, 5 ed. 2 Madrid	-	45%
Temporary joint venture Avanzit Infraestructuras y Servicios, S.A., Comsa, S.A.	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U., Indra Sistemas I	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U., Indra Sistemas II	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U., Indra Sistemas III	Av. Bruselas, 35 28108 Alcobendas (Madrid)	-	18%
Temporary joint venture Avánzit Tecnologia, S.L.U., Everis Spain Outsourcing EPES	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Unión temporal de empresas Avánzit Tecnologia, S.L.U. - Nucleo	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Unión temporal de empresas Avánzit Tecnologia, S.L.U. - MCP sistemas	C/ Fernando Caro, 7 28027 Madrid	-	33%
Temporary joint venture Avánzit Tecnologia, S.L.U. - Exceltic -Deimos Space-Nextel	C/ Federico Mompou, 5 ed. 2 Madrid	-	16%
Temporary joint venture Avánzit Tecnologia, S.L.U. - EMASCARO	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U. - Amper	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U. - MAGTEL Sistemas	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Temporary joint venture Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L.	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Unión temporal de empresas Avánzit Tecnologia, S.L.U. - METEOESPAÑA,S.L. 2	C/ Federico Mompou, 5 ed. 2 Madrid	-	50%
Temporary 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%
Temporary joint venture 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

Consolidation perimeter

Grupo Ezentis, S.A. has a Group comprising: Grupo Ezentis, S.A., Parent Company, its subsidiaries, associates and joint ventures (hereinafter, the Group). Appendices I, II and III to these notes contain additional information on the entities included in the scope of consolidation, companies not included in the scope of consolidation and joint ventures included in the scope of consolidation in 2021.

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

For the purpose of preparing the consolidated annual accounts, a group is understood to exist when the parent has one or more subsidiaries, being those over which the parent 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, or has the right, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect 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.

In addition, the Group includes 23 companies that are in liquidation or dormant (see Annex II).

The Group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred to the previous owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability arising from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. For each business combination, the Group may elect to recognise any non-controlling interest in the acquiree at 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 acquisition-date carrying amount of the acquiree's previously held equity interest in the acquiree is remeasured at the acquisition-date fair value; 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 a liability are recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within 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 acquired subsidiary in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

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

Transactions and minority interests

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

Disposals of dependants

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

Partners

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

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

The Group's share of post-acquisition gains or losses of its associates is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of an associate's losses equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise additional losses unless it has incurred obligations or made payments on behalf of the associate.

In a new acquisition of shares in the equity-accounted company, the additional investment and the new goodwill (if any) is determined in the same way as the first investment and at the percentages of equity corresponding to that investment.

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

Joint ventures

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 has determined that they are joint ventures. Joint ventures are accounted for using the equity method (see Associates).

Year-end closing dates

In 2021 and 2020, the accounting closing date for all companies comprising the Ezentis Group is 31 December.

Changes in the scope of consolidation

There were no changes in the scope of consolidation in 2021.

The following changes in the scope of consolidation occurred during the financial year 2020:

- Acquisition of 100% of the shares of the company Enesys Ingeniería y Seguridad, S.L. (see Note 5)
- Acquisition of 100% of the shares of Ezentis Ingeniería de Seguridad, S.L.U. (formerly Pentágono Sistemas Electrónicos de Alta Seguridad, S.L.) (see Note 5).
- Acquisition of 100% of the shares of the company Instal-lacions Parera Redes Proyectos y Mantenimientos, S.L.
- Merger by absorption of Ezentis Perú, S.A.C. as absorbing company and Ingeniería Celular Andina, S.A. as absorbed company.
- Incorporation of Ezentis Deutschland GmbH.

2) Segment reporting

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

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

3) Foreign currency transactions

Functional currency and presentation

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

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 closing rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses related 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 exchange (losses)/exchange gains - 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 fair value gain or loss. 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 that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The assets and liabilities in each balance sheet presented are translated at the closing rate at the balance sheet date;
- Income and expenses in 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 income 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 investments in foreign operations, and of financial debts and other financial instruments designated as hedges of these investments, are recognised in comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and 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 acquisition cost (revalued, where applicable, in accordance with various legal provisions 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 a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related assets.

Repairs that do not represent an extension of useful life and maintenance costs are charged to the income statement in the year in which they are incurred.

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

	Years of Estimated Useful Life
Constructions	33 to 50
Technical installations and machinery	10 to 25
Other fixtures, fittings and furnishings	4 to 10
Transport elements	5 to 8
Information processing equipment and other fixed assets	4 to 5

The residual values and useful lives of 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 proceeds obtained with the carrying amount and are recognised in the income statement under "Other operating (expenses)/income". Work carried out by the Company on its property, plant and equipment is measured at production cost and recognised as income in the income statement.

Expenses incurred in fitting out 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 heading in the consolidated balance sheet according to their nature (technical installations). They are depreciated on the basis of the estimated useful life of these assets (10 years), which is less than the term of the lease contract at which they would have to be depreciated if it were shorter than their useful life.

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 acquired subsidiary or associate 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 relating to the entity sold.

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

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

The methodology and key assumptions used for impairment testing at the CGU level are described in Note 6.

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

Customers, contracts, non-compete agreements and brands

Customers, contracts and non-competition agreements" includes assets with a finite useful life identified in the purchase price allocation processes for the net assets corresponding to Ezentis Brasil, S.A., Grupo Networks Test, Ezentis Fields Factory, Tecnet, Ezentis Ingeniería de Seguridad, S.L.U. and Instal-Lacions Parera Redes Proyectos y Mantenimientos, S.L.. These assets consist of the valuation of:

- Contracts: this corresponds to the framework contract signed with CGE for the acquisition of Tecnet, S.A., the fixed network, FTTH and FLM contracts signed with various customers by Ezentis Field Factory, S.L.U., as well as framework contracts signed with Iberdrola and Endesa by Ezentis Ingeniería de Seguridad, S.L.U. and Instal-Lacions Parera Redes Proyectos y Mantenimientos, S.L., respectively, which are amortised on a straight-line basis over their estimated useful lives (10 years).

- Customer portfolio: corresponds to the commercial relationship that Ezentis Brazil maintains 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 acquisitions of Tecnet, S.A. Ezentis Field Factory, Ezentis Ingeniería de Seguridad, S.L.U. (formerly Pentágono Sistemas Electrónicos de Alta Seguridad, S.L.) and Instal-lacions Parera Redes Proyectos y Mantenimientos, S.L., which are amortised by the straight-line method over their estimated useful lives (10 years).

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

As of 31 December 2021 the intangible assets associated with the Instal-lacions Parera Redes Proyectos y Mantenimientos, S.L. contract and the intangible assets associated with the Tecnet, S.A. contract and brand were derecognised.

Rights-of-use assets and lease liabilities

From 1 January 2019, in application of IFRS 16, the Group assesses at the inception 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 re-evaluates the terms only when there is a modification of the contract.

The Group has a significant number of lease agreements as lessee of various assets, mainly: transport equipment and real estate.

The Group recognises a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset 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 decommissioning or restoration costs to be incurred, as indicated in the accounting policy on provisions.

The Group measures lease liabilities 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.

The weighted average of the incremental borrowing rates applied for the discounting of lease liabilities recognised in the statement of financial position is as follows:

	Rate	**Rate**
CGU	**2021**	**2020**
Spain	5%	5%
Brazil	9%	9.3%
Chile	2.7% - 3.3%	2.7% - 3%
Colombia	9%-10%	9%-10%
Peru	6%-8%	6%-8%
Argentina	25%	25%

Lease payments payable consist of fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured at the index or rate applicable at the commencement date, amounts expected to be paid for residual value guarantees, the exercise price of the purchase option reasonably certain to be exercised and lease termination indemnity payments, provided that the lease term reflects the exercise of the termination option.

The Group measures right-of-use assets at cost, less accumulated depreciation and impairment losses, adjusted for any re-estimation of lease liabilities.

If the contract transfers ownership of the asset to the Group at the end of the lease term or the right-of-use asset includes the purchase option price, the depreciation criteria set out under property, plant and equipment are applied from the commencement date of the lease to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the useful life of the right or the end of the lease term.

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

For lease contracts for which payments for the right to use the asset during the lease term are indexed to an index such as the CPI, the index at initial recognition is used at the commencement date and the liability is revalued and the asset is adjusted in subsequent valuations for the corresponding revision of the index used.

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

The Group recognises variable payments that have not been included in the initial measurement of the liability in profit or loss in the period in which the events that trigger their disbursement occur.

The Group records re-estimates of the liability as an adjustment to the right-of-use asset until it is reduced to zero and subsequently in profit or loss.

The Group remeasures 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 purchase option on the underlying asset.

The Group remeasures lease liabilities if there is a change in the expected amounts payable from a residual value guarantee or a change in the index or rate used to determine payments, including a change to reflect changes in market rents upon a rent review.

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 adjustment to the individual price to reflect the particular circumstances of the contract.

If the modification does not result in a separate lease, at the modification date, the Group allocates the consideration to the modified contract as indicated above, re-determines 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 right-of-use asset to reflect the partial or full termination of the lease for those modifications that decrease the scope of the lease and recognises the gain or loss in profit or loss. For all other modifications, the Group adjusts the carrying amount of the right-of-use asset.

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 to acquire and prepare them for use of the specific software. These costs are amortised over their useful lives over a maximum period of 5 years.

  Costs related to the development or maintenance of computer software are recognised as an expense when incurred. Costs directly related to the production of unique and identifiable software controlled by the Group that are probable to generate economic benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include the costs of the personnel who develop the software and an appropriate percentage of overheads.

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

- Research and development expenditure

  Research costs are recognised as an expense when incurred and are therefore not capitalised. Costs incurred on 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) There is the ability to use or sell the intangible asset;

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

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

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

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

Amounts received as grants for research and development projects are taken to profit and loss in accordance with the principle of recognising research and development expenses in the income statement.

Research and development costs are not amortised. Once the developed asset is ready for use, depreciation commences. Computer software developed internally by the Group is amortised over a maximum period of 5 years.

6) Interest costs

Borrowing costs incurred for 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 2021 and 2020 the Group has not capitalised any amount in this respect.

7) Impairment loss on non-financial assets

Assets that have an indefinite useful life, e.g. 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 asset's carrying amount if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose 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 that suffer an impairment loss are reviewed for possible reversal of the loss at each reporting date.

Impairment losses on non-financial assets are recognised as an expense in the income statement under "Changes in provisions". Impairment losses recognised for an asset in prior years are reversed when there is a change in estimates of its recoverable amount, increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined had no impairment loss been recognised. The reversal of the impairment loss is recognised immediately as income in the consolidated income statement. In the case of goodwill, write-downs are not reversible.

8) 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 the provisions of the contract or legal transaction.

For measurement purposes, the Group classifies financial instruments as financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading or mandatorily measured at fair value through profit or loss, financial assets and liabilities measured at amortised cost and financial assets measured at fair value through other comprehensive income, separating 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, according to the business model and the characteristics of the contractual cash 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 financial liability as held for trading if:

-It is acquired or incurred principally for the purpose of sale or repurchase in the near future;

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

-It is a derivative, except a derivative that has been designated as a hedging instrument and qualifies as an effective hedging instrument and a derivative that is a financial guarantee contract or a financial guarantee contract.

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

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

The Group classifies a financial asset at fair value through other comprehensive income if it is held as part of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are UPPI.

The business model is determined by the Group's key personnel and at a level that reflects the way in which they jointly manage groups of financial assets to achieve a particular business objective. The Group's business model represents how the Group 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 those specific contractual cash flows. In determining whether cash flows are earned through the receipt of contractual cash flows from financial assets, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those 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 on expectations of future sales that provides an indication of how the Group's stated objective for financial asset management and, more specifically, how cash flows are achieved. The Group considers information about past sales in the context of the reasons for those sales and the conditions that existed at that time compared to those that exist today. For these purposes, the Group considers that trade debtors and receivables which are to be assigned to third parties and which will not result in their derecognition are retained in this business model.

Although the objective of the Group's business model is to hold financial assets to receive contractual cash flows, this does not mean that the Group holds all instruments to maturity. Therefore, the Group's business model is to hold financial assets to receive contractual cash flows even if there have been or are expected to be future sales of those assets. 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 the individual and aggregate level, the sales must be immaterial, even if they are frequent or infrequent, even if they are material.

Financial assets that are part of a business model whose objective is to hold assets to earn contractual cash flows and sell them are managed to generate cash flows in the form of contractual cash receipts and sell them as the Group's needs change. In this type of business model, the Group's key management personnel have decided that both contractual cash flows and the sale of financial assets are essential to meet this objective. To achieve this objective, the Group earns contractual cash flows as it sells financial assets. Compared to the previous business model, in this business model, the Group typically makes more frequent and higher value asset sales.

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

The Group designates a financial asset at initial recognition at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise if the measurement of the assets or liabilities or the recognition of the results of those assets or liabilities were made on a different basis.

All 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 eliminates or significantly reduces any measurement or recognition inconsistency that would otherwise arise if the measurement of the assets or liabilities or the 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 evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information relating to that group is provided internally on the same basis to key management personnel.

The Group classifies all other financial liabilities, except 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) Offsetting principles

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 either to settle by differences or to 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 court-ordered liquidation and in the event of default.

(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 initial recognition is usually the transaction price, unless that price contains elements other than the instrument, in which case the Group determines the fair value of the instrument. If the Group determines that the fair value of an instrument differs from the transaction price, it recognises the difference in profit or loss to the extent that the value is derived by reference to a quoted price in an active market for an identical asset or liability or is derived from a valuation technique using only observable inputs. 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 pricing the asset or liability. (IFRS 7.28(a))

Subsequent to 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. The fair value is not reduced by transaction costs that may be incurred on disposal.

Notwithstanding the above, 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. Amounts deferred in other comprehensive income are not subsequently reclassified to profit or loss.

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 cash flows and discounts the reference interest rate from this rate to determine the specific rate of the credit risk component, provided that the change in the reference interest rate is not significant and that there are no other factors that imply relevant changes in fair value. At each reporting date, the Group discounts the contractual flows at the rate determined as the sum of the reference rate at that date plus the rate specific to the credit risk component. The difference between the fair value at year-end and the previous amount represents the change related to credit risk.

(iv) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs incurred, and 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.

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

As previously indicated, the Group has designated certain equity instruments as measured at fair value through other comprehensive income. Subsequent to initial recognition, the 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 reclassified to profit or loss, but are reclassified to reserves when the instruments are derecognised.

(vi) Financial assets measured at cost

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

(vii) Reclassifications of financial instruments

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

If the Group reclassifies a financial asset from amortised cost to fair value through profit or loss, it recognises the difference between the fair value and the carrying amount in profit or loss. Thereafter, the Group does not recognise interest separately from the financial asset.

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

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

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

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

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

(viii) Impairment losses

The Group recognises in profit or loss an allowance 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.

The Group measures at each reporting date the allowance at an amount equal to the expected credit losses over the next twelve months for financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has no longer increased significantly.

The Group assesses at each reporting 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 according to shared risk characteristics.

In assessing whether, for an instrument or group of instruments, credit risk has increased significantly, the Group uses the change in the risk of default 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 reporting date compared to initial recognition.

In assessing whether there is a significant increase in the risk of credit risk, the Group considers all reasonable and supportable forward-looking information, 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 third-party guarantees or credit enhancements;
- Macroeconomic information

The Group considers cash and cash equivalents to be of low credit risk based on the credit ratings of the financial institutions with which the cash or deposits are deposited.

(ix) Disposals, modifications and write-offs of financial assets

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

Financial assets are derecognised when the rights to receive the related cash flows have expired or have been transferred and the Group has substantially transferred the risks and rewards of ownership. Financial assets are also derecognised in circumstances where the Group retains the contractual rights to receive the cash flows only when contractual obligations have been assumed that result in the payment of those cash flows to one or more recipients and the following requirements are met:

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

-The Group may not sell or pledge the financial asset; and

- Cash flows collected on behalf of potential recipients are remitted without material delay and the Group is not able to reinvest the cash flows. Investments in cash or cash equivalents made by the Group during the settlement period between the collection date and the date of remittance agreed with the eventual recipients are exempt from this criterion, provided that the accrued interest is attributed to the eventual recipients.

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

(x) Interest and dividends

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

Interest is recognised on the gross carrying amount of financial assets, except for financial assets acquired or originated with incurred credit losses and credit-impaired financial assets. 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 at amortised cost.

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

(xi) Disposals and modifications of financial liabilities

The Group derecognises a financial liability or part of a financial liability when it either discharges the obligation contained in the liability or is legally released from primary responsibility for the liability either by process of law or by the creditor.

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

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

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

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

(xii) Financial debts

Financial liabilities are initially recognised at fair value less transaction costs incurred. Subsequently, financial debts are measured at amortised cost; the difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the life of the debt using the effective interest method.

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

Interest-bearing bank loans are recorded at the amount received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised on an accrual 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 are incurred.

In certain bank loans there are conditions relating to the fulfilment of financial ratios, the non-fulfilment of which could result in the loans being automatically due and payable and therefore classified as current liabilities.

The Group receives zero interest loans from government agencies to finance development projects. These loans are initially measured at fair value and the difference between fair value and the amount received is recorded as interest rate subsidies under "Other non-current liabilities" and "Other non-current liabilities".
are applied to the income statement on the basis of the recognition in the income statement of development expenditure.

(xiii) Bankruptcy liabilities of Argentine companies

Liabilities in local currency have been valued at nominal value, incorporating, where appropriate, financial results accrued up to the date of filing for bankruptcy.

Liabilities in foreign currencies have been valued at year-end exchange rates.

Financial interest has accrued up to the date of the filing of the reorganisation proceeding, from which time the course of such interest is interrupted in accordance with Article 19 of the Argentine Bankruptcy Law (Ley de Concurso y Quiebras Argentina).

9) Inventories

This item in the consolidated balance sheet includes the non-financial assets held by consolidated entities:

1. They hold for sale in the ordinary course of business,
2. they are in the process of production, construction or development for that purpose, or
3. They plan to consume them in the production process or in the provision of services.

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

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

Impairment losses on inventories are included in the profit and loss account under "consumables and other external charges".

10) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with an original maturity of three months or less and also short-term investments with a maturity of more than three months that are not subject to restrictions or penalties on their disposal. Balances held on current account that are restricted at year-end to secure guarantees or collateral provided to third parties in connection with commercial transactions are presented as other cash and cash equivalents if it is expected that such amounts will be freely available for drawdown within three months of year-end, otherwise they are presented as other current or non-current assets depending on the period of free disposal. (Note 13.d). In the balance sheet, bank overdrafts are classified as bank borrowings under current liabilities.

11) Share Capital

Ordinary shares are classified as equity.

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

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 equity holders of the Company until cancellation, reissue or disposal. When these shares are subsequently reissued, any amount received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the Company.

The Group has calculated earnings/loss per share for the financial years 2021 and 2020. Information on diluted earnings/loss per share is presented in Note 14f to these consolidated financial statements.

Basic earnings per share are calculated by dividing:

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

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

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

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

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

Capital increases related to non-cash contributions by offsetting financial liabilities are recognised at the fair value of the offset receivable 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-cash business combination contributions 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.

12) Subsidies

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 conditions attached.

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 grants and credited to the income statement on a straight-line basis over the useful life of the related assets.

Amounts received as grants for research and development projects are taken to the income statement in accordance with the principle of recognising research and development expenses in the income statement.

13) Trade accounts payable

Trade 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 rate method when they mature in more than one year and their financial effect is material.

14) Provisions

In preparing the consolidated financial statements, the directors of the Parent Company distinguish between:

1. Provisions: credit balances covering present obligations at the consolidated balance sheet date arising from past events which could give rise to a loss for the entities, which is certain as to its nature but uncertain as to its amount and/or timing, and

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

The Group's consolidated financial statements include all material provisions for which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in accordance with the requirements of IAS 37 (Notes 18 and 21).

15) Classification of balances as current and non-current

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

A liability is classified as current when:

- expect to settle the liability in its normal operating cycle;
- hold liabilities primarily for trading purposes;
- the liability must be settled within twelve months after the closing date; or
- the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The terms of a liability that may result, at the option of the counterparty, in its settlement by the issue of equity instruments do not affect its classification.

16) Profit 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 the laws enacted or substantively enacted at the balance sheet date in the countries in which the Company's subsidiaries and associates operate and in which they generate taxable income. Management periodically assesses the positions taken in tax returns with respect to situations where 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 in accordance with the liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the balance sheet date that 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 12 "Income Taxes", deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In this respect, the Group considers the following aspects when assessing the possibility of having taxable profits against which unused tax losses or credits can be utilised:

- Whether the Group has sufficient taxable temporary differences, relating to the same taxation authority and referring to the same taxable entity, that may give rise to taxable amounts, in sufficient quantity to carry forward unused tax losses or unused tax credits before the right of use expires;

- Whether the Group is likely to have taxable profits before the statute of limitations for offsetting unused tax losses or unused tax credits expires;

- Whether unused tax losses have arisen from identifiable causes that are unlikely to recur; and

- Whether the Group has tax planning opportunities that will generate taxable profits 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 unused tax credits can be utilised, deferred tax assets are not recognised.

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries and associates, except where the Group can control the date on which the temporary differences will reverse 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 taxable entity or taxable person, or different taxable entities or taxable persons, who intend to settle the current tax assets and current tax liabilities on a net basis.

17) Employee benefits

Severance payments

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for these benefits. The Group recognises these benefits on the earlier 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 redundancy, termination benefits are measured by the number of employees expected to accept the offer. Benefits that will not be paid within twelve months of the balance sheet date are discounted to their present value.

Profit-sharing and bonus schemes

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.

18) Share-based payments

The fair value of shares granted under a Variable Remuneration Plan for executive directors and/or senior executives of the group is recognised as an employee benefits expense with a corresponding income in equity. The total amount to be recognised as an expense is determined by reference to the fair value of the shares granted:

including market performance conditions (e.g., the entity's share price)

excluding the impact of vesting conditions that are service or non-market performance conditions (e.g., profitability, sales growth targets and the remaining period of the employee's obligation to remain with the entity for a certain 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 over the vesting period, which is the period over which all specified vesting conditions must be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares it expects to vest based on the non-market vesting and service conditions. The impact of the revision to the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

19) Revenue and expense recognition

General

Income and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue is recognised at the fair value of the consideration receivable and represents the amounts receivable for goods delivered and services rendered in the ordinary course of the Group's business.

The Group's revenues are primarily derived from the provision of telecommunications and energy infrastructure deployment, operation and maintenance services under multi-year contracts with an average duration of 3 to 5 years.

Infrastructure operation and maintenance services

Operation and maintenance services generally entail the performance of activities which, although framed in multi-year contracts, have a short duration in time. For this type of contract, each service order constitutes a separate performance obligation, as each one provides a separate benefit and is separately identifiable.

For this type of contract, revenue is recognised at a certain point in time, i.e. when the technician considers the incident to have been resolved. At this point in time, the Ezentis Group has an unconditional contractual right to collect. The amount to be recognised as a contractual asset (invoices pending issue) is the result of the price of the service divided by the number of units performed.

Operation and maintenance services sometimes contain fixed-price contracts. In that case, revenue is recognised as services are rendered and revenue is determined based on actual hours incurred in relation to total expected hours.

Infrastructure deployment services

Contracts for this type of services may define different phases for the execution of a work. In general, the different phases are considered as tasks within a single performance obligation, such as, for example, the construction of a telecommunications network or an electricity 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 performance obligation 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 that has been completed to date. The revenue recognition method is a milestone-based 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 the contracts entered into by the Ezentis Group with its customers to contain different types of variable consideration such as bonuses or penalties passed on to 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 about the variable consideration is resolved, there will not be a material reversal of the amount of cumulative revenue recognised.

If the services provided by the Group exceed the unconditional right of collection, a contract asset is recognised. If the collection received from the customer exceeds the revenue recognised, a contract 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 those 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 (for example, a sales commission).

Under certain circumstances, the Group capitalises certain costs incurred in the performance of a customer contract. Some of these costs are direct labour costs (e.g. wages and salaries of employees providing the services directly committed to the customer), direct materials (e.g. supplies used to provide the services committed to the customer), cost allocations that relate directly to the contract or contract activities, costs that are explicitly attributable to the customer under the contract and other costs that are incurred only because the contract has been performed.

20) Consolidated cash flow statements

In the consolidated statements of cash flows, prepared in accordance with the indirect method, the following expressions are used in the following senses:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments with low risk of changes in value.

2. Operating activities: typical activities of the entities forming the consolidated group, as well as other activities that cannot be classified as investing or financing activities.

Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not part of operating activities.

21) Related parties

The Group's transactions with related parties are carried out at market prices, related parties being understood as those defined by IAS 24.

ANNEX V

Metrics and indicators included in these consolidated financial statements and in the consolidated management report not contained in EU-IFRSs

These are financial metrics not contemplated or included as such in EU-IFRS that we consider to be indicators that measure, among other aspects, the Group's performance.

In this regard, it should be noted that the Group has included these financial metrics or indicators as supplementary indicators to measure its performance. In this regard, the Group considers these metrics to be meaningful as they do not include elements that are, among other considerations, less related to the Group's recurring and future performance and therefore highlight trends in our business that might otherwise not be evident when based solely on the financial indicators or metrics contemplated in IFRS-EU.

EBITDA:

i) Definition/Conciliation: The Group defines EBITDA as consolidated operating profit for the year before tax (excluding profit from discontinued operations), before deducting interest, fees, commissions, discounts and other financial payments by any member of the Group and also excluding provisioned financial expenses, aggregating expenses attributable to depreciation, amortisation, depreciation and impairment of assets, before other results considered exceptional in nature, before deducting any costs associated with the transaction of the financing itself, before deducting the result associated with minority interests, excluding the share of profit or loss of associates, before taking into account any gain or loss recognised on changes in the fair value of derivative instruments or revaluation of any other assets and before taking into account any impact arising from pension plans and share option schemes.

	2021	**2020 Restated**
Result for the year	**(144,149)**	**(43,083)**
Income tax	37,797	(7,761)
Financial result	20,299	13,964
Amortisation and depreciation	22,959	25,515
Provisions and impairments	60,416	25,045
Non-recurring staff costs (note 22)	7,302	11,517
Other results - non-recurring (note 22)	10,991	14,100
EBITDA	**15,615**	**39,297**

ii) Explanation of use: financial indicator that is used to measure the approximation of the operating result and determines the productive profitability. Excludes expenses considered 'non-recurring' as they are one-off expenses and are not expected to continue over time, at least on a regular basis.

iii) Consistency of the criteria used: There has been no change in the criteria used in the previous year.

OPERATING INCOME:

i) Definition/Conciliation: The revenue figure corresponds to the sum of the items Net Turnover, the variation in work executed pending invoicing, work carried out by the company for its assets and other operating income.

Thousands of euros	31 12 2021	31 12 2020 Restated
Operating income		
Net turnover	361,405	367,202
Other operating income	5,553	8,097
Work carried out by the Group for its assets	2,407	2,237
Total	**369,365**	**377,536**

ii) Explanation of use: financial indicator used to measure the total operating income generated in a financial year.

iii) Consistency of the criteria used: There has been no change in the criteria used in the previous year.

LEVERAGE RATIO:

Definition/Conciliation: The leverage ratio is calculated by dividing net financial debt by net financial debt + equity.

	Thousands of euros	
	As of 31 December	
	2021	**2020 Restated**
Non-current payables to credit institutions	1,973	128,919
Current payables to credit institutions	149,876	27,924
Non-current lease liabilities	12,758	20,259
Current lease liabilities	10,503	13,916
Other non-current financial liabilities	168	300
Other current financial liabilities	646	318
Derivative financial instruments	1,467	2,438
Cash and cash equivalents and current financial assets	(23,379)	(20,254)
Net financial debt	**154,012**	**173,820**
Net equity	**(163,287)**	**(51,153)**

i) Explanation of use: A financial indicator used by the Company to measure the Company's indebtedness and the repayment capacity of its financial debt.

ii) Consistency of the criteria used: There has been no change in the criteria used in the previous year.

WORKING CAPITAL:

Definition/Conciliation: Is Current Assets minus Current Liabilities.

Thousands of euros	2021	2020 Restated
Current assets	104,561	134,378
Current liabilities	326,289	195,316
Working Capital	(221,728)	(60,938)

i) Explanation of use: a financial indicator reflecting the Group's ability to meet its immediate payment commitments.

Consistency of the criteria used: There has been no change in the criteria used in the previous year.

CONTRACT PORTFOLIO:

i) Definition: This is the amount of cumulative contracting less executed sales plus/minus adjustments for exchange rate and contract renegotiation, among others. It is the amount of sales outstanding until the end of the contract.
Contracting is the amount of contracts won/ awarded over a period.

The contracted portfolio as of 31 December 2021 amounts to EUR 470,228 thousand (EUR 466,905 thousand as of 31 December 2020).

ii) Explanation of use: it is an indicator of the future development of the Group's business.

iii) Consistency of the criteria used: There has been no change in the criteria used in the previous year.

Management Report

Ezentis Group Consolidated

January - December 2021

March 2022

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1. - MAIN FIGURES

In 2021, the Group will continue to develop its strategy based on diversification and focus on the European and Brazilian markets.

Of note in this regard was the renewal and extension of contracts with Telefónica.

In the second half of 2021, the Group commenced the rollout of fibre optics in Germany through a contract with UGG (a *joint venture* created by Telefónica and Allianz) consisting of a turnkey project, whereby Ezentis is taking charge of planning, network design, engineering, supervision, project control and commissioning.

In Latin America, Brazil is noteworthy, with a new maintenance contract for Grupo Telecom Italia (TIM) and the renewal of the maintenance contract for Light Energía. Colombia was also awarded installation and maintenance contracts with new customers, ENEL (Ente Nacional para la Energía Eléctrica), Wom (Partners Telecom Colombia) and Claro.

The macroeconomic environment was characterised by a depreciation of most Latin American currencies which, although it did not have a significant impact on operating and financial costs in the countries where we are present, did have an effect on the Group's consolidated figures in euros.

In this context, the Ezentis Group achieved total revenues of €369.4 million in 2021 compared to 2020, which were €377.5 million. This variation is mainly due to the effect of the depreciation of Latin American currencies (€10 million), the abandonment of low profitability contracts within the context of the Group's Transformation Plan and the end of commercial activity in Argentina.

In 2021, the development of the Transformation Plan 2020-2021 continued, which aims to improve profitability by adapting the following measures:

- Disinvestment, with the abandonment of unprofitable contracts
- Focus on higher-volume, higher-density contracts
- Change in the production model, reducing the level of fixed costs in all contracts that have allowed this.
- Diversification of business lines, entering the security sector and increasing presence in the energy sector.

- Growth in the European market with organic growth in Germany and inorganic growth in Spain, reducing its exposure to currency fluctuation in Latin America.

The Group's EBITDA (Earnings before interest, taxes, depreciation, amortisation, depreciation and non-recurring results) stood at EUR 15.6 million in 2021, compared to EUR 39.3 million in 2020. The variation is mainly explained by the aforementioned.

The calculation of management EBITDA is shown:

	Thousands of Euros	
	2021	**2020 Restated**
Result for the year	**(144,149)**	**(43,083)**
Income tax	37,797	(7,761)
Financial result	20,299	13,963
Operating result	**(86,053)**	**(36,880)**
Amortisation and depreciation	22,959	25,515
Change in provisions	60,416	25,045
Non-recurring result	18,293	25,617
Group EBITDA	**15,615**	**39,297**

Ezentis Group's financial debt as of 31 December 2021 amounts to EUR 177.4 million, including EUR 21.1 million of IFRS16 debt. Ezentis Group's financial debt as of 31 December 2020 amounts to 194.1 million euro, including 27.9 million euro of IFRS16 debt.

As as of 31 December 2021, liquidity availability amounts to EUR 10.1 million (31 December 2020: EUR 16.7 million).

The Group continues to develop measures focused on the rationalisation and optimisation of working capital management, with improvements in collection and payment management policies, in compliance with Law 15/2010 on measures to combat late payments in commercial transactions, as well as improving operating efficiency by reducing costs and optimising margins. See reference calculations in note 17 of the notes to the Consolidated Financial Statements.

The financial result for 2021 was EUR (20.3) million compared to EUR (14.0) million in 2020, mainly due to the increase in factoring financing and the financial expense associated with tax deferrals.

Non-recurring impacts in 2021 amounted to EUR (18.3) million, compared to EUR 25.6 million in 2020, mainly relating to labour contingencies and staff severance payments (EUR 8.6 million), expenses related to contract abandonment (EUR 4.4 million), expenses incurred due to the pandemic situation (EUR 0.9 million), fines (EUR 3.0 million) and other non-recurring expenses (EUR 1.4 million).

The Group's Net Profit for 2021 amounted to EUR (144.1) million, due to the aforementioned and the increase in provisions as a result of the impairment of assets in Mexico, Peru and Chile due to the decision to cease their activities. The effect of these terminations on the income statement for the year was EUR 38.1 million, the main impairments of which relate to goodwill (EUR 21.1 million), impairment losses and changes in provisions (EUR 12.2 million), deferred income tax (EUR 4.4 million) and other (EUR 0.4 million).

The contracted backlog amounted to EUR 470.2 million (1.3 times revenues in the last twelve months). The backlog is made up of multi-year contracts with a duration mainly between 3 and 5 years with the main operators in the sectors in which Ezentis operates in Europe and Latin America.

Our aim for the coming years is to continue to maximise efficiency in project/contract management, with the abandonment of loss-making contracts, comply with safety and quality standards, and maximise value creation for stakeholders, strengthening our presence in the European and Brazilian markets, following the planned divestment in the Pacific (Chile, Peru and Mexico), reducing exposure to currency risk. To this end, Ezentis has a solid portfolio of multi-year contracts with benchmark clients in Europe and Brazil.

2. - BREAKDOWN BY GEOGRAPHY

Ezentis has grouped its activities in three geographical areas: Europe (Spain, Portugal and Germany), Brazil and the Pacific (Chile, Peru, Colombia and Mexico). Other revenues include Argentina with €4.8 million in 2021 and €13.6 million in the previous year, among other items.

The breakdown of the Group's operating revenues (*) in these geographic areas is as follows (in thousands of euros):

	2021	2020 Restated	Var.	Var. %
Europe	189,044	174,446	14,598	8.4%
Brazil	83,462	98,942	(15,480)	(15.6%)
Pacific	91,061	89,499	1,561	1.7%
Other income	5,798	14,648	(8,850)	(60.4%)
	369,365	377,536	(8,171)	(2.2%)

(*) The figure for operating income corresponds to the sum of the items "Net Turnover", "Work carried out by the company on its assets" and "Other operating income".

2.1 EUROPE

The activity in Europe, developed in Spain, Portugal and Germany, continues with its organic growth line, which amounted to €189.0 million in 2021, compared to €174.4 million in 2020. This growth is in line with the Group's plans to strengthen its business in Europe and the start of operations in Germany in the second half of the year.

Of note was the renewal with the customer MásMóvil of the current contract for the installation of fixed fibre broadband and repairs in Spain for a further two years; the extension with the customer Telefónica of the fibre optic deployment contract; the award of a new contract with Orange to install and maintain fibre optic in Spain for two years, extendable to three, and also the extension of the fixed network contract with the latter customer.

The activity in the energy sector was carried out by Instalaciones Parera Redes Proyectos y Mantenimientos, S.L.U., a company engaged in the deployment, operation and maintenance of electricity distribution networks. In contracting, Endesa was awarded a contract by Endesa for the installation of electric recharging points (electric charging stations) for an estimated value of 6 million euros and a duration of three years.

The security sector activity was carried out by the companies Enesys Ingeniería y Seguridad, S.L.U. and Ezentis Ingeniería de Seguridad, S.L.U., both dedicated to the installation and maintenance of security systems in the Iberian market in the energy and industrial sectors. In contracting, we would highlight the renewal of two three-year contracts with Iberdrola for the installation and maintenance of security systems.

In the second half of 2021, activity commenced with UGG in Germany, a company owned by Telefónica and Allianz to deploy and maintain fibre optic in Germany for a value of more than 50 million euros and an estimated duration of two years. With this new contract, Europe strengthens its position as the main market in terms of sales volume.

As a result, Ezentis in Europe takes a further step forward in its business strategy, positioning itself as the leading market, contributing 51.2% of the Group's consolidated operating revenues in 2021.

2.2 BRAZIL

Ezentis has network construction, operation and maintenance contracts with the main companies in the telecommunications and energy sectors in the region. Its main clients in the telecommunications sector are Vivo (Telefónica) and TIM (Telecom Italia Group), while in the energy sector it is Light Energía.

Revenues in Brazil amounted to €83.5 million in 2021 compared to €98.9 million in 2020 due to the demobilisation of the Celpe customer due to the abandonment of loss-making contracts and the exit of several projects of the TIM customer due to losses or lack of density, as defined in the Group's strategy. In addition, the depreciation of the Brazilian real had a negative impact, as it lost 8.3% of its value against the euro compared to the same period of the previous year.

In contracting, Telecom Italia Group (TIM) was awarded a mobile network and fibre optic maintenance contract in the northeast region with an estimated value of 25 million euros, and Light Energía was awarded a three-year renewal of its maintenance contract in the Vale do Paraíba region with an estimated value of 17 million euros.

Brazil contributes 22.6% of the Group's consolidated operating revenues in 2021.

2.3 PACIFIC

Activity in the Pacific region, comprising Chile, Peru, Colombia and Mexico, reached a revenue figure of 91.1 million euros in 2021 compared to 89.4 million euros in the previous year. In 2021, there was a recovery in activity, mainly in Chile and Colombia, although this was affected by the depreciation of currencies (5% fall in the Colombian peso and 15% in the Peruvian sol).

Colombia was awarded contracts for new customers, notably Wom (Partners Telecom Colombia) with a fibre optic installation and maintenance contract and a contract for the construction and maintenance of an external plant for the customer

Claro. In Energy, the ENEL (Ente Nacional para la Energía Eléctrica) customer entered the portfolio with maintenance contracts worth more than €16 million.

The main customers in the region are Telefónica in the telecommunications sector and CGE (Chilean subsidiary of Naturgy), Saesa-Frontel and Enel in the energy sector.

Pacifico contributes 24.7% of the Group's consolidated operating revenues in 2021.

3. - SECTORAL BREAKDOWN

The Ezentis Group provides services in the following business sectors:

- Telecommunications (79.7% of operating revenues for the year)
- Energy (16.8% of operating income for the year)
- Other (3.5% of operating income for the year)

The breakdown of the Group's operating income for each of these segments is as follows (thousands of euros):

	2021	2020 Restated	Var %
Telecommunications	294,971	315,052	(6.4%)
Energy (*)	61,550	52,956	16.2%
Other (**)	12,844	9,528	34.8%
Total	369,365	377,536	(2.2%)

(*) Includes: Electricity, Water and Gas.

(**) Others: security services, Argentina and others

The Other line includes in 2021 revenues from the security business of EUR 7.5 million and revenues from Argentina of EUR 4.8 million.

4. - FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The results in 2021 compared to the previous year are as follows:

Thousands of Euros	2021	2020 Restated	Var.	% change
Revenue	369,365	377,536	(8,171)	(2.2%)
EBITDA	15,615	39.297	(23,682)	(60.3%)
Depreciation and provisions	(83,375)	(50,560)	(32,815)	64.9%
EBIT	(67,760)	(11,263)	(56,497)	501.6%
Financial results	(20,299)	(13,963)	(6,336)	45.4%
Non-recurrent results	(18,293)	(25,617)	7,324	(28.6%)
BAI	(106,352)	(50,844)	(55,508)	109.2%
Taxes	(37,797)	7,761	(45,558)	(587.0%)
Net result	(144,149)	(43,083)	(101,066)	234.6%

The Group's operating income amounted to 369.4 million euros, compared to 377.5 million euros in the previous year, mainly due to the effect of the depreciation of Latin American currencies, the abandonment of low-return contracts in the context of the Group's Transformation Plan and the termination of commercial activity in Argentina.

Operating earnings before interest, taxes, depreciation and amortisation and non-recurring items (EBITDA) amounted to EUR 15.6 million, compared to EUR 39.3 million in the previous year. The variation is explained by the above mentioned.

Operating profit before interest and taxes and non-recurring profit (EBIT) was negatively affected by the increase in provisions (EUR 60.4 million in 2021 compared to EUR 25.0 million in the previous year), mainly as a result of the impairment of assets in Mexico, Peru and Chile due to the decision to cease their activities. The effect on the income statement for the year was 38.1 million euro, the main impairments of which relate to goodwill (21.1 million euro), impairment losses and changes in provisions (12.2 million euro), deferred income tax (4.4 million euro) and other (0.4 million euro).

The consolidated financial result for 2021 amounted to EUR (20.3) million, compared to EUR (14.0) million in the previous year, mainly due to the increase in factoring financing and the financial expense associated with tax deferrals.

Non-recurring results amounted to EUR (18.3) million, the main items of which are explained above.

The Group's Net Profit for 2021 is a loss of EUR 144.1 million (loss of EUR 43.1 million in 2020), as a result of the reasons explained above and the impairment of tax credits of EUR 38.5 million.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020 RESTATED

Thousands of Euros	31 12 2021	31 12 2020 Restated
Active		
Non-current assets	92,447	192,209
Intangible assets	65,259	108,108
Tangible fixed assets	10,171	14,548
Long-term investments in group and associated companies	36	72
Long-term financial investments	8,184	17,719
Deferred tax assets	8,797	51,762
Current Assets	104,561	134,378
Inventories	10,783	22,019
Trade and other receivables	68,355	89,115
Accrual adjustments	2,044	2,990
Short-term financial investments	13,294	3,507
Cash and cash equivalents	10,085	16,747
TOTAL	197,008	326,587

	31 12 2021	31 12 2020 Restated
Liabilities		
Equity	(163,287)	(51,153)
Non-current liabilities	34,006	182,424
Amounts owed to credit institutions	16,198	151,616
Other financial liabilities	168	300
Provisions	3,858	2,831
Deferred tax liabilities	2,603	8,438
Other non-current liabilities	11,179	19,239
Current liabilities	326,289	195,316
Amounts owed to credit institutions	160,379	41,840
Other financial liabilities	646	318
Trade and other payables	134,323	118,995
Provisions	3,166	8,003
Current tax liabilities	27,775	26,160
TOTAL	197,008	326,587

The financial debt related to the structural financing, whose maturity, according to the financing contract is stipulated in the long term, has been reclassified to Current Liabilities in this balance sheet as of 31 December 2021.

5. - ACCOUNTING POLICIES

The Group has prepared its consolidated financial statements ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted for use in the European Union (EU-IFRS).

The accounting policies adopted for the preparation of these consolidated financial statements are the same as those used for the preparation of the consolidated financial statements for the year 2020.

At the date of preparation of this information, there are no Standards, Interpretations and amendments to Standards that are effective for the first time in the twelve-month period ending 31 December 2021 that could have a material impact on the Group's consolidated financial statements.

6. - EXPOSURE TO RISK

The Ezentis Group operates in different sectors, countries and socio-economic and legal environments, which entail exposure to different levels of risk inherent in the businesses in which it operates.

The Ezentis Group has a Comprehensive Risk Management System through which it identifies, evaluates, prioritises and manages the Group's relevant risks systematically, using uniform criteria.

This system is constantly updated, operates on an integral and continuous basis, and is the result of the consolidation at corporate level of the management carried out by each of the business units, countries or companies that form or have formed part of the Ezentis Group during the 2021 financial year, as well as in previous periods.

Pursuant to the Regulations of the Board of Directors of the Ezentis Group, 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 a delegated body of the Board of Directors, is responsible for supervising the internal control systems and periodically ensuring the functioning of the risk management system, so that the main risks are properly identified, managed and disclosed, as well as periodically reviewing the risk control and management policy and proposing its modification and updating to the Board of Directors.

This responsibility for supervising the risk management system is carried out by the Group's Head of Internal Audit, with the support of the risk managers or owners of the various business units/countries. They submit a periodic report on the different risks that threaten their respective business units, the existing control processes and the improvement actions to be implemented.

The Ezentis Group is exposed to various risks arising from its own businesses, as well as specific financial risks identified in the Integrated Risk Management System.

The risk categories considered in the Ezentis Group's Integrated Risk Management System, in accordance with the international COSO methodology, and the main risks to which the Group is exposed as of 31 December 2021, are as follows:

i) Strategic Risks:

- Risk of loss of key customers: concentration risk. This risk arises because the Group operates in sectors with a high concentration of customers. The Group makes a strategic commercial effort to diversify the business in different customers, geographical areas and development of new activities. In 2020, the Group entered the operation and maintenance business of security systems in Spain, which allows it to diversify its portfolio of services and offer complementary services to its customers.

ii) Compliance/Reporting Risks:

- Risks of non-compliance with financial and non-financial obligations arising from the financing contract signed. Failure to comply with the ratios and obligations established in the financing agreement could lead to the financiers requesting early maturity of the loan principal and interest and, if applicable, foreclosure of the guarantees, which would negatively affect the Group's activities, business continuity, financial position, liquidity and results. The Group has implemented procedures for the periodic monitoring of the covenants committed to in the financing agreement, as well as early warnings in the event of potential non-compliance. The Group also reports periodically on compliance with these covenants.

- Inability or failure to comply with commercial clauses, including customer dissatisfaction, penalties or insufficient bonus levels. Some of the contracts entered into with customers contain penalty and/or bonus clauses linked to quality levels in the performance of services. Lower levels of execution quality may result in lower bonus levels and thus lower levels of profitability in transactions. In certain cases, decreases in quality levels may result in the application of penalties by customers. The Group has mechanisms in place to permanently monitor compliance with quality levels in the service provided to its customers.

Risks arising from non-compliance with 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 operates, as well as external advisors for those specific matters that may be required. There is also a corporate tax policy, a tax risk management and control procedure and tax risk matrices in all the Group's subsidiaries.

There is also continuous monitoring of open labour contingencies by in-house lawyers in each country. We are also advised by external lawyers who are experts in labour matters and supervise compliance with current labour legislation.

iii) Financial Risks:

- Exchange rate risk. The Group's exchange rate risk is basically related to the operations of the Group's entities located outside Europe, particularly in Latin America. The Group accumulates negative translation differences that significantly reduce consolidated equity as a result of the depreciation in recent years of the currencies of the Latin American countries in which it operates. The Group tries to match, whenever possible, cash flows referenced to the same currency, as well as the amounts and maturities of assets and liabilities arising from transactions denominated in currencies other than the euro. For the last three years, as part of its Transformation Plan, the Group has focused its strategy on growing in European markets and reducing its exposure to Latin America, mainly in markets where it is difficult to achieve volumes that will improve efficiency, and especially in contracts and customers whose characteristics make them difficult to profit.

- Liquidity risk. Liquidity risk arises from temporary mismatches between the resources generated by the activity and the required funds. As of 31 December 2021, the Group has negative working capital. The Group has adopted measures aimed at gradual recovery and sustainable normalisation over time and expects to complete in the short term: (i) the formalisation of an agreement with financial creditors to refinance the Group's structural debt; (ii) the formalisation of agreements with customers to ensure stability and volume of business in the future; (iii) the materialisation of commercial agreements with the main investor, which has confirmed its commitment to select Ezentis as one of its contractors to provide construction work and operation and maintenance services for photovoltaic plants for a portfolio of around 2,500 MW, in terms of market and market share.500 MW, in terms of market and financial conditions favourable to both parties, which would enable a substantial increase in business volume for the Group over the next 3 years, and; iv) the consolidation of the positive impacts associated with the measures being implemented under the Transformation Plan (reduction of fixed costs and an increase in outsourced activity, commitment to higher volume and higher density contracts, diversification to other industries and others) .

-Risk of accumulated losses and equity position. Throughout 2021, the Group incurred a high volume of losses, which weakened its equity position. Similarly, the Group has accumulated negative translation differences that significantly reduce consolidated equity as a result of the depreciation in recent years of the currencies of the Latin American countries in which it operates. The combination of both factors means that the Group's consolidated equity as of 31 December 2021 amounts to Euros (163,287) thousand. The individual equity of the parent company, Grupo Ezentis, S.A., amounts to 95,753 thousand euro as of 31 December 2021. If the Group is unable to return to profitability, it may have to rebalance the equity of the parent company.

iv) Operational Risks:

-Occupational safety risk for personnel. Given the high volume of workers in the operation and its characteristics, there is a risk of safety incidents that could affect the well-being of our employees. Employee safety is one of the Group's core values. Furthermore, some of the contracts entered into with customers contain clauses indemnifying them in the event of certain types of occupational accidents. To mitigate this risk, we have specialised risk prevention staff for the energy and telecommunications industries, as well as policies, safe work procedures, safety protocols, safety committees and risk prevention activities.

- Inadequate management of the revenue cycle (invoicing and collection). Given the business in which the Group operates, it is common for there to be mismatches between the date on which services are actually rendered and the date on which they are invoiced and collected. The revenue cycle is considered one of the key processes of the Internal Control over Financial Reporting Systems (ICFR), for which the Group has implemented specific procedures and controls for the efficient management of the revenue cycle (work in progress/billing/collection). The Group monitors regularly and in detail different ratios to assess the transformation into cash of the work performed.

- Low profitability risk. The risk focuses on the execution of contracts with low profitability levels that do not allow the absorption of structure and fixed costs and/or that loss-making contracts have high exit costs. The Group has divested or closed contracts without profitability and/or with difficulty in achieving profitability in the short/medium term. It is also changing the production model to make costs more flexible (increase in outsourced activity) and is opting for higher volume and higher density contracts that enable it to provide a greater number of services with fewer resources and increase margins. The Group is also diversifying into other industries, gaining presence in Energy and Security.

7. - EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 27 January 2022, the board of directors of the parent company approved the status of Grupo Ezentis, S.A. as guarantor of a subsidiary of the group of the latter's debt payment obligations to a supplier for a maximum amount of 3.1 million euro, payable in 12 instalments of 260 thousand euro each, payable monthly between April 2022 and March 2023.

On 1 February 2022, the Spanish National Securities Market Commission ("CNMV") was notified by means of other relevant information:

i) The Board of Directors has agreed, continuing with the measures to reorganise the Company's governance communicated to the CNMV on 12 November 2021, to reduce by 30% the amount of remuneration for membership of the Board and the Committees for the financial year 2022, which represents a new measure to reduce the cost of the Company's governance together with those already adopted in November 2021 to reduce the number of Board members or the elimination of the Executive Committee.

ii) The voluntary resignation of Mr Jorge de Casso Pérez as Secretary of the Board of Directors and of the Board Committees, with the Deputy Secretary of the Board of Directors assuming these duties.

(iii) The appointment as Legal Adviser of Mr Alberto Alonso Ureba

In February 2022, the Board of Directors of the parent company agreed to cease the businesses in Chile, Peru and Mexico. See note 9.

8. - ACQUISITION OF OWN SHARES

On 29 June 2018, the General Shareholders' Meeting, in accordance with the provisions of article 219 of the revised text of the Capital Companies Act, approved the establishment of a long-term incentive for certain categories of Directors, senior executives and other management 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 delivery of shares in the Company. This long-term incentive was settled in 2021.

As of 31 December 2021 Grupo Ezentis, S.A. held a total of 17,879 treasury shares. The transactions carried out in 2021 were as follows:

Purchases: 6,517,121 shares

Sales: 7,169,586 shares

9. - RESEARCH AND DEVELOPMENT ACTIVITIES

The Group places digital transformation as one of the fundamental pillars of the fulfilment of its strategic plan. Ezentis is investing in platforms that increase the productivity of the field workforce, reduce the need for office and supervisory staff, and therefore increase productivity. It has also developed platforms to improve the quality of service and protect our workers from the special circumstances arising from COVID-19.

It is in the process of improving financial economic systems (consolidation and budgeting, among others) which will provide better management and control of operations and make the work more efficient.

The new technology platforms will be the lever for improving efficiency and a key tool in the company's organic and inorganic expansion by facilitating the incorporation of new operations into the Group.

10. - USE OF FINANCIAL INSTRUMENTS BY THE GROUP

In order to hedge the interest rate risk, the Group has financial hedging instruments on 50% of the total corporate debt at nominal value as of 31 December 2021.

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 valuation date.

The derivatives contracted by the Group as as of 31 December 2021 are as follows:

Ranking	Type	Nominal (Thousands of Euros)	Maturity (*)	Fair value (Thousands of Euros)	
				Active	Liabilities
Interest rate swap	Variable to Fixed	19,289	31/07/2024	-	271
Interest rate swap	Variable to Fixed	6,756	31/07/2024	-	95
Interest rate swap	Variable to Fixed	6,756	31/07/2024	-	95
Interest rate swap	Variable to Fixed	37,462	31/07/2025	-	1,006
TOTAL		70,262		-	1,467

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

The interest rate is hedged by means of an interest rate swap. In an interest rate swap, interest rates are exchanged in such a way 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.

As as of 31 December 2021, the fair value of interest rate hedges denominated in foreign currencies is estimated to amount to a net liability position of EUR 1,467 thousand (31 December 2020: EUR 2,438 thousand).

11. - ANNUAL CORPORATE GOVERNANCE REPORT

Grupo Ezentis S.A. formulated the Annual Corporate Governance Report for financial year 2020 on 26 February 2021.

In accordance with the provisions of article 538 of the Spanish Companies Act, the Consolidated Management Report forms part of the Annual Corporate Governance Report 2021, which is published on the website of the Comisión Nacional del Mercado de Valores (www.cnmv.es) and on the corporate website (www.ezentis.com).

12. - CAPITAL STRUCTURE

Pursuant to article 5 of the Bylaws, the share capital of Grupo Ezentis, S.A. as of 31 December 2021 consists of 463,640,800 shares with a par value of 0.30 euro each, all of the same class and series, fully subscribed and paid up. The shares are represented by book entries.

On 12 February 2021, the resolution to increase the share capital adopted by virtue of the delegation conferred by the Ordinary General Shareholders' Meeting held on 4 June 2020 was registered with the Commercial Registry of Seville and the capital increase was executed by the Board of Directors on 28 January 2021, by means of a monetary contribution, in the amount of 19,870,320 euros, by issuing and placing into circulation 66,234,400 shares with a par value of 0.30 euros, subscribed and paid up by Eléctrica Nuriel, S.L.U.

On 17 June 2021, the resolution to increase the share capital adopted by virtue of the delegation conferred by the Ordinary General Meeting of Shareholders held on 4 June 2020 and executed by the Board of Directors on 28 January 2021 was registered with the Companies Registry of Seville, in the amount of 19,870,320 euros, by issuing and putting into circulation 66,234,400 shares with a par value of 0.30 euros, subscribed and paid up by Eléctrica Nuriel, S.L.U. through the conversion of all the convertible bonds.

13. - RESTRICTION ON THE TRANSFERABILITY OF SHARES

The Company's shares are not subject to any restrictions on transfer other than those set out below.

Within the framework of the Investment Agreement signed on 28 January 2021 with Eléctrica Nuriel, S.L.U., commitments were assumed that condition the transferability of the shares held by it to third parties outside its group of companies for a period of 36 months from the date of receipt of the shares issued in the respective capital increases, i.e. until 23 February 2024.

14.- SIGNIFICANT DIRECT OR INDIRECT SHAREHOLDINGS IN THE SHARE CAPITAL

Significant direct or indirect shareholdings, excluding directors as as of 31 December 2021, as recorded in the Company's shareholder register:

Shareholder	Direct actions	Direct participation	Indirect actions	Indirect shareholding	Total
Francisco José Elías Navarro	-	-	132,468,800	28.571	28.571

The members of the Board of Directors of the parent company who hold voting rights on the shares are as follows:

Name of the Councillor	Direct actions	Indirect actions	Total shares	(%) of capital
D. Enrique Sánchez de León García	1,000,293	-	1,000,293	0.216
D. Pedro María Azcárate Palacios	191,806	-	191,806	0.041
Ms. Ana María Sánchez Tejeda	30,516	-	30,516	0.007
Ms. Paloma Jiménez Baena	-	-	-	0.000
Ms. Laura González-Molero	75,516	-	75,516	0.016
Ms. Anabel López Porta	-	-	-	0.000
D. Eduard Romeu Barceló	-	-	-	0.000
TOTALS	1,298,131	-	1,298,131	0.280

15. - RESTRICTION OF VOTING RIGHTS

The restrictions on the exercise of voting rights are those common to any public limited company, and there are no specific restrictions on voting rights in the articles of association.

Article 527 of the Consolidated Text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, establishes that in listed public limited companies, any clauses in the articles of association that directly or indirectly fix, in general terms, the maximum number of votes that may be cast by a single shareholder, companies belonging to the same group or those acting in concert with the foregoing, shall be null and void when, following a takeover bid, the bidder has reached a percentage equal to or greater than 70 per cent of the capital conferring voting rights, unless such bidder was not subject to equivalent neutralisation measures or had not adopted them. The bylaws of Grupo Ezentis, S.A. do not contain any clause limiting the maximum number of votes that may be cast by a single shareholder or companies belonging to the same group.

16. - PARASOCIAL AGREEMENTS

No shareholders' agreements have been 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 essentially include the Bylaws, the Regulations of the Board of Directors and the Regulations of the General Shareholders' Meeting.

The appointment of the members of the Board of Directors is the responsibility of the General Meeting of Shareholders, in accordance with the provisions of the Capital Companies Act and the Articles of Association. In the event of vacancies, the Board may co-opt from among the shareholders the persons to fill such vacancies until the first General Meeting is held.

The persons proposed for the position of director must meet the requirements established at all times by the legal provisions in force and the Articles of Association, in addition to recognised good repute, solvency, competence, experience, qualifications and availability to perform the duties of the position.

Those who are incapacitated, prohibited or incompatible in accordance with the legal provisions in force, the Articles of Association and the Board of Directors' Regulations may not be directors of the company. Proposals for the appointment or re-election of directors submitted by the Board to the General Meeting of Shareholders, as well as their provisional appointment by co-option, must be preceded by the corresponding report from the Appointments and Remuneration Committee.

The statutory term of office of directors is four years, and they may be re-elected indefinitely, once or more times, for periods of the same duration. Once the term has expired, the appointment will expire when the next General Meeting has been held or when the legal term for the holding of the ordinary General Meeting has elapsed.

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

Directors shall cease to hold office when the term for which they were appointed has elapsed or when so resolved by the General Shareholders' Meeting in exercise of the powers conferred upon it by law and the Articles of Association. The Board of Directors may also propose to the General Meeting the removal of a director.

The amendment of the Articles of Association is the exclusive competence of the General Meeting of Shareholders. It requires the following requirements to be met, as set out in the Capital Companies Act and in the Articles of Association:

- The directors or, as the case may be, the shareholders making the proposal should submit a written report justifying the proposal.
- The points to be amended must be clearly stated in the notice of meeting.
- The notice of call should state the right of all shareholders to examine at the registered office the full text of the proposed amendment and the report thereon and to request the delivery or dispatch of such documents free of charge.
- That the resolution be adopted by the General Meeting in accordance with the provisions of article 201.2 of the Capital Companies Act.
- In any event, the resolution shall be recorded in a public deed which shall be entered in the relevant Commercial Register and published in the Official Gazette of the Commercial Register.

8.- 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 13 May 2021 resolved to authorise the Board of Directors to derivatively acquire treasury shares, either directly or through Group companies, in accordance with prevailing regulations. The maximum number of shares to be acquired shall not exceed the legally established limit, provided that all other applicable legal requirements can also be complied with. Acquisitions may not be made at a price 5% higher or lower than the weighted average price on the day on which the purchase is made. The duration of this authorisation shall be five (5) years from the date of this General Meeting.

In accordance with the provisions of article 30 of the Articles of Association and 23 of the Board of Directors' Regulations, the Chairman of the Board of Directors shall in all cases be the highest representative of the Company and shall exercise the leadership of the Board of Directors and in the exercise of his office, in addition to the powers corresponding to him by law and by the Articles of Association.

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 PROVIDING FOR SEVERANCE PAYMENTS

The contracts of the directors and senior executives currently held by Grupo Ezentis, S.A. do not contain any severance clauses, following the resignation of Fernando González Sánchez as executive director with delegated powers. The contracts of certain senior executives contain notice and post-contractual non-competition clauses that in no case exceed one year.

All variable remuneration of executive directors and senior management is subject to clawback clauses, which allow the Company to claim repayment of the variable components of the remuneration when, within two years of its settlement, losses occur in the Group in the two years following the date of termination of the variable remuneration attributable to the beneficiary's negligent management during the financial years of the target achievement period or, restatement of a material amount of the financial statements of the Company, where this is considered by the external auditors and the restatement is the result of the beneficiary's negligent management during the financial years of the target achievement period.

The contracts of employees linked to Grupo Ezentis, S.A. by a common employment relationship do not contain severance clauses, and therefore, in the event of termination of the employment relationship, the general employment regulations shall apply.

21. - PERSONNEL INFORMATION

The average number of people employed in 2021 by professional category was as follows:

Professional categories	2021
Senior management	10
Qualified and non-qualified technicians	800
Administrative staff	717
Site personnel	7,713
TOTAL	9,240

As of 31 December 2021, the number of employees by gender and professional category is as follows:

Professional categories	Men	Women
Senior management	8	1
Qualified and non-qualified technicians	648	131
Administrative staff	393	306
Site personnel	7,029	477
TOTAL	8,078	915

22. - ANNUAL DIRECTORS' REMUNERATION REPORT

In accordance with the provisions of article 538 of the Spanish Companies Act, the Consolidated Directors' Report forms part of the Annual Directors' Remuneration Report 2021, which is published on the website of the Comisión Nacional del Mercado de Valores (www.cnmv.es) and on the corporate website (www.ezentis.com).

23. - STATEMENT OF NON-FINANCIAL INFORMATION

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1. ABOUT THE STATEMENT OF NON-FINANCIAL INFORMATION

Scope of information

For the fourth consecutive year, the Ezentis Group presents its Statement of Non-Financial Information, in compliance with the provisions of Law 11/2018 and following the latest version of the reporting standards proposed by the Global Reporting Initiative (GRI) for the preparation of sustainability reports.

The purpose of this report is to provide the reader with a comprehensive overview of the current context of the company and its performance with regard to environmental, social and personnel issues, as expressed in the above-mentioned law.

The content of the report has been determined in accordance with the company's materiality analysis in relation to sustainability, which is based on the in-depth study undertaken in 2020.

It is also relevant to note that the different initiatives addressed in the document fall within the framework of the Sustainability Master Plan 2020-2022 (hereinafter SMP 2020-2022) approved by the Board of Directors.

The information - quantitative and qualitative - is limited to events occurring during the year 2021 and refers to the company's consolidation perimeter at year-end. In order to facilitate the reader's understanding of the data presented and its evolution, historical information is also included, which helps to contextualise and offers a broader perspective of analysis. The data have also been verified by an independent third party, as can be seen in the verification report attached to the report.

As a new development, and in accordance with the provisions of Regulation (EU) 2020/852 of the European Parliament and of the Council, information is included for the first time on the proportion of the Group's activities that are eligible under the Taxonomy of Sustainable Activities for the environmental objectives of climate change mitigation and adaptation. In this regard, the Group continues to work to improve the granularity of the information provided to facilitate a greater detail of indicators in relation to the other objectives and their alignment with the Taxonomy in the coming years.

Forward-looking information takes as a reference the context at the time it was made (and also includes data and studies carried out by third parties), and does not commit such data to its achievement because it is subject to uncertainty in the environment.

In addition to the content described here, the information presented is complemented by the rest of the Ezentis Group's corporate publications on sustainability. Specifically, with the Carbon Footprint reports and the Annual Integrated Report that the company will publish in the coming months.

Quality, traceability and internal control systems

In 2021, the Ezentis Group continued to work to improve the processes, traceability and quality of non-financial information. In this regard, in addition to establishing a regular flow to collect and consolidate the main sustainability indicators, the company is working on the development of a scorecard to enable continuous monitoring and supervision by the management bodies.

In addition, at year-end, existing controls are being analysed and reviewed as appropriate to ensure the quality of the information provided. This review will culminate in the configuration of a Non-Financial Information Control System (NFICS), expected in the first half of 2022.

2. EZENTIS: BUSINESS MODEL

Main business activities, opportunities and trends

Grupo Ezentis is a company with more than 60 years of experience and has been listed on the stock exchange for 32 years.

The company's main activity focuses on the design, logistics, deployment, operation and maintenance of telecommunications, energy and security systems infrastructures. The purpose of the Ezentis Group is to be the benchmark provider of network services for telecommunications, energy, engineering and security systems companies, creating sustained value over time for its customers and shareholders and accompanying society in its social and economic development.

The Group is currently positioned as a fundamental service that supports the productive and social fabric, facilitating people's access to basic services such as communications and electricity, and which also presents numerous opportunities in terms of contribution, both from a social perspective and in the fight against global warming, for example through the installation of charging points for electric vehicles, within the framework of one of the contracts awarded to the company and whose activity is expected to begin in 2022.

Keys to the business model

Given the nature of the business, its purpose is closely linked to sustainable development, also in line with the 2030 global agenda and specifically with the Sustainable Development Goals related to affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), and industry, innovation and infrastructure (SDG 9) or climate action (SDG 13).

International presence

The Group is currently present in a total of eight countries: Spain, Germany, Brazil, Colombia, Chile, Peru, Portugal and Mexico. At the end of the year, revenues amounted to 369.4 million euros. By business lines, the largest volume of business corresponds to telecommunications (80%), followed by energy (17%) and others, which includes the technology and security businesses (3%). In the long term, the company aims to increase its presence in Europe.

→ Ezentis Group business lines

	Energy	Telecommunications	Security Engineering
Ezentis	Planning, engineering, implementation and maintenance of electricity systems, as well as deployment of electricity generation and renewable energy infrastructures.	Life cycle coverage of fixed and mobile telecommunications networks, including the deployment of fibre optics and 4th and 5th generation equipment.	Installation and maintenance of security systems.
Activities	• Operation, maintenance and construction of electricity distribution networks. • Technical consultancy and specialised engineering. • Assembly and maintenance of transmission and distribution lines, substations and transformation centres. • Turnkey projects for high, medium and low voltage network installations. • Civil and electromechanical works for high, medium and low voltage installations. • Smart Grid. Deployment of smart meters and installation of network control and automation elements. • Energised line services in distribution networks. • Activities for electricity management in the areas of reading, distribution, cut-off and replacement, meter calibration and detection of anomalies and fraud in connections. • Construction and preventive and corrective maintenance of public lighting networks. • Installation of charging points for electric vehicles. • 24/7 troubleshooting services.	→ Fixed networks • Assessment, design and engineering of fibre optic, multi-pair cable and structured cabling networks. • Installation and maintenance of ADSL - STB - DTH - HFC - WIMAX services. • Installation, assembly, coordination and execution of fibre optic networks, FTTX, radio systems for mobile or cellular networks, microwave networks and special projects for corporations. • Civil works for ducts and chambers for fibre optic and multi-pair cables. • Remobilisation and recovery of FPC equipment. → Mobile networks • Maintenance, assembly and construction of mobile radio base stations for mobile telephone networks. • Design, supply, installation, integration of critical communication networks. • Design, installation and maintenance of DAS systems and *indoor* coverage in singular buildings. • Telecommunications projects for companies. • Multi-service network management. • OSS development for telecommunications operators. • Plant GIS systems. • Installation and maintenance of hybrid power equipment for telecommunications centres.	→ Alarm systems • Volumetric: Infrared, microwave, dual technology. • Optical-acoustic indicators. • Magnetic contacts: small, medium and large power. • Sensors: seismic, inertial, glass breakage, etc. • Centralisation: By means of equipment with different zoning of supervised lines, equipped with multiplexing elements and graphic centralisation applications. → Access and presence control systems → Maintenance of security installations.

	Energy	Telecommunications	Security Engineering
Trends	• Development of an Electricity Transmission Network with a focus on the PNIEC 2030 targets and the transition to a mainly renewable generation mix[1] . • Progressive development of an infrastructure of charging points for electric vehicles (~2.5 million charging points by 2030) [2] . • In Spain, the energy transition will involve investments in distribution networks worth 22.5 M€ by 2030 (375-425 M€ in Europe)[2] .	• FTTH rollout in the process of mass deployment in major European countries and in Latin America[3] . • Fibre to the tower (FTTT) extension required for all operators[3] . • 5G massification: rapid deployment and consolidation in the roll-out of 5G mobile networks and exponential increase until 2025.[4] • Decommissioning and shutdown of the copper grid (+ 1,900 plants to be closed by 2026)[5] .	• Market with prospects for continued growth, with strong potential for increased demand in Spain (business penetration 9% of the number of households)[6] . • Alliances in the sector between telecommunications companies and security companies.
Opportunities	• Availability of investment for the deployment, operation and maintenance of electricity grids and the development of new associated business models (hydrogen, storage). • Deployment of the recharging infrastructure and actions for its installation, operation and maintenance.	• Europe will lead the development of FTTH (deployment and connections)[3] . • Fibre coverage is increasing in Latin American countries, particularly in Brazil[3] . • 5G network deployment requires a higher "density" of infrastructure than 4G technology[7] . • Services are required for the decommissioning of copper network exchanges and re-routing of customers to new exchanges.	• Entry of telecommunications companies (Ezentis' main customers) to expand the multiservice portfolio. • Ezentis Group has capabilities, experience and capillarity to end customers in the sector, presenting commercial and cost synergies with current customers.

Eligibility and sustainability of the Group's activities

The adoption of Regulation (EU) Taxonomy 2020/852 of 18 June 2020 of the European Parliament establishes for companies subject to the publication of their non-financial reporting statements, the obligation to disclose the extent to which their activities are eligible and aligned with the environmental objectives of the European Union. The Official Journal of the European Union (OJEU) published already in December 2021 the delegated act on the technical selection criteria to identify which activities are aligned with the climate objectives according to the taxonomy and which will be applicable as of 1 January 2022.

[1] Electricity planning 2021-2026. Red Eléctrica de España (https://www.ree.es/es/actividades/planificacion-electrica)

[2] Eurelectric ("Connecting the dots: Distribution grid investment to power the energy transition")

[3] IDATE for FTTH Council EUROPE (COVID19: FTTH Forecast for EUROPE); S&P Global ("2021 outlook for Latin American multichannel, broadband market")

[4] IDATE Digi, Dataxis, Allied Market research, Statista

[5] CNMC ("Análisis geográfico de los servicios de banda ancha y despliegue de NGA en España. December 2019 data" and "List of exchanges in the process of closure").

[6] DBK ("DBK Special Report on Security Systems"); Banco Sabadell

[7] Fiber Broadband Associations; "The Impact of 5G"; Evoca Technology Notebooks; Cellnex

In particular, organisations are required in this first exercise to identify the proportion of turnover from company activities, CapEx and OpEx that are associated with the activities included in the Regulation and delegated acts and that are eligible in relation to climate change mitigation and adaptation objectives.

As part of the work to determine the indicators required by the regulations, the Ezentis Group carried out an analysis of the activities considered in the Taxonomy and their correspondence with both the main business activities and the complementary activities that make it possible to provide services.

The data used to calculate the indicators come from the company's financial statements, audited by an independent third party, which guarantees the traceability of the information, in accordance with the International Financial Reporting Standards adopted for use in the European Union (EU-IFRS) and approved by European Commission regulations and which are in force as of 31 December 2021.

The applicable items and concepts have been considered, in accordance with the provisions of the Regulation and taking into account all the mandatory accounting principles and rules and valuation criteria, in such a way as to give a true and fair view of the Group's Net equity and financial position. These principles are set out in the Group's Accounting Policy Manual in order to avoid the risk of double counting, among other things.

→ Proportion and eligibility of activities

	Revenue (of total)		Capital expenditure (CapEx)	Operating expenses (OpEx)
	Mitigation	Adaptation	Mitigation and adaptation	Mitigation and Adaptation
Eligible	16%	17%	34%	47%
Ineligible	84%	83%	66%	53%

Based on the analysis performed and the nature of the Group's activities, the company considers that the results obtained are consistent with the business, as explained in the following sections. On the basis of this initial analysis, the Ezentis Group undertakes to continue to improve the exhaustiveness and calculation of the indicators in the coming years, also considering the technical selection criteria that determine the alignment of activities with the Regulation and thus make progress in terms of transparency with its various stakeholders.

→ Eligible income

The revenues contributed to the calculation (numerator) cover the proportion -over the amount of net turnover in the denominator (INCN) and the variation of work executed pending invoicing- of the turnover corresponding to the contracts that the company has maintained in the year 2021 and that adapt to the description provided by the Regulation. Businesses with a different nature to that indicated are excluded.

In accordance with the company's business model, it is important to mention that, for the time being, and in accordance with the Regulation, activities related to the telecommunications sector are not considered within the scope of the taxonomy. That is, no direct correspondence is identified between the activities carried out by the Group and those described in the regulation. Thus, the analysis has focused mainly on the identification of energy-related activities, specifically those that are aligned with the activity of transmission and distribution of electricity (activity 4.9) , as described in the Regulation.

The Ezentis Group has extensive experience in the management of third-party energy infrastructures, specifically in their operation and maintenance, and in the construction of distribution networks and electricity substations. In line with the regulation, the company's activity in this area is likely to facilitate compliance with climate change mitigation and adaptation objectives.

In relation to adaptation to climate change, in addition to energy activities, a selection of projects developed by the company in the technological field are considered eligible, as they are aligned with the Taxonomy. These are projects for the development of e-government systems for the maintenance and evolution of IT systems, and are therefore classified under the activities of computer programming, consultancy and other IT-related activities (activity 8.2) .

→ Eligible Capital Expenditure (CapEx) and Operating Expenses (OpEx)

In order to carry out its activity, the company maintains a fleet of vehicles in which operators travel during their working day to provide services to customers in the telecommunications and energy sector, and in which the necessary resources are transported for this purpose. Transport by light commercial vehicles (activity 6.5) is considered one of the eligible activities under the Taxonomy in accordance with the description provided in the Regulation, and constitutes one of the main operating expenses of the Ezentis Group. In this sense, the Group's fleet is mainly composed of leasing vehicles and corresponds to the categorisation of eligible vehicles, as indicated in the Regulation[8] .

To determine the proportion of eligible fixed assets investments (denominator), additions of intangible assets - other intangible assets item -, tangible fixed assets - land and buildings, technical installations and machinery, tools and furniture, transport and information equipment and other fixed assets, as well as rights of use on leases before depreciation, amortisation and any revaluations, including those resulting from revaluations and impairment, for the relevant period and excluding changes in fair value. These deemed additions are aligned with the requirements specified in the applicable accounting regulations and standards. In the numerator, additions in property, plant and equipment and fleet usage rights are included, as indicated in the previous paragraph.

The calculation of direct costs related to the operation considers the items listed in the Regulation and applicable to the Ezentis Group's accounting in 2021. The calculation

[8] To confirm compliance with the eligibility requirements, Ezentis Group has analysed the characteristics of the fleet and has determined that around 97% of the vehicles are classified in accordance with the Regulation. The calculations are based on 100% of the vehicles in the fleet for the different items considered.

takes into account the items applicable to leases and royalties, both for fleet, machinery, warehouses and offices, as well as IT equipment and software, among others. It also includes maintenance, repairs and other direct expenses related to the upkeep of tangible fixed assets. No non-capitalised expenses relating to research and development were identified during the year.

The numerator of operating expenses includes the costs of leasing, repairs and maintenance related to the Group's vehicle fleet, as these are considered economic activities aligned with the taxonomy, as indicated above and in accordance with the provisions of the Regulation.

For the 2021 financial year, the concepts of 'Plan CapEx' and OpEx derived from purchase related activities aligned with the taxonomy, as listed in the annexes of the Regulation to determine the calculation of the indicators, are not considered in the calculation of the numerators.

Current context and company strategy

The context in which the company operates continues to be marked by the following issues:

i. management of the impact of the pandemic and any remaining effects on the company;
ii. analysis of all options that contribute to optimising the value of the opportunities offered by the market based on the trends described above and that will determine the prospects for future developments.

Risk management

The Ezentis Group's Integrated Risk Management System is aligned with reference standards (COSO, ISO 31000) through which the company's relevant risks are identified, assessed, prioritised and managed, with ultimate responsibility resting with the Group's Board of Directors.

→ Integrated Risk Management System Principles

- Consider as risk 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, including risk identification, assessment, response, monitoring and reporting.
- Promote and implement the strategy, culture, resources and processes that make up Integrated Risk Management, which will be reviewed periodically to adapt it to the situation of the Organisation and its environment.
- Attribute responsibility among the different levels of the organisation for identifying, analysing, assessing, evaluating and supervising the Risk Management System.
- Promote 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, foster and disseminate, through training and communication, the Risk Management System, ensuring the dissemination of this Policy, together with the documentation that develops it.

This system is updated periodically and is the result of the consolidation at corporate level of the risk management carried out in each country, company and business unit that make up the Ezentis Group's scope of action.

→ Classification of identified risks

Strategic risks	Risks that impact the objectives established at the highest level and related to the establishment of the Company's mission and vision. These risks, if they materialise, compromise the achievement of the strategic objectives.
Compliance risks	Risks affecting the Company's compliance with all applicable internal and external laws and regulations (tax filing and payment deadlines, compliance with personal data protection laws, etc.).
Financial risks	Risks associated with financial markets, cash generation and cash management. These include those related to liquidity, working capital management, access to financial markets, exchange rates and interest rates, among others.
Operational risks	Risks directly related to the effectiveness and efficiency of operations, including those that impact performance and profitability objectives (systems failures, process anomalies, etc.).

Both the Risk Map and the Internal Control System have evolved in recent years in such a way that non-financial aspects (social, safety, environmental, corporate governance, etc.), derived from climate change, equal opportunities or corporate reputation issues, have greater presence and relevance.

In the area of climate change, it is important to note that the company is currently working on further analysis and quantification of the risks already identified, also in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and the regulatory pressure for their identification, management and reporting; in particular and for example, the company is currently working on the analysis and quantification of the risks already identified, also in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and the regulatory pressure for their identification, management and reporting; in particular and for example,

in the case of Spain, the forthcoming obligation introduced by article 32 of Law 7/2021, of 20 May, on climate change and energy transition, to prepare an annual report (attached to the Management Report), which must assess the financial impact on the company due to exposure to climate risks, considering the transition risks and the measures adopted for their management. In the 2021 financial year, the company has carried out a first qualitative exercise in which the main risks are identified as follows:

- Progressive limitation to the use of fossil fuels and the need to seek environmentally efficient alternatives for the company's vehicle fleet (transition risk). For example, in line with the agreements reached at COP26 (Glasgow) for the abandonment of the manufacture of combustion engines from 2035. Or also, the promotion of sustainable mobility as envisaged in the climate change law approved in Spain, which establishes the gradual reduction of emissions associated with the vehicle fleet so that zero-emission vehicles will be in place by 2040 at the latest, in accordance with European regulations. As well as the establishment of low-emission zones in urban centres that limit access to vehicles that meet specific environmental characteristics and which may have an impact on the Group's operations in cities.

- Increase in the frequency of extreme weather events that may affect the infrastructures that the group operates and maintains (physical risk), and which require contingency plans to guarantee the quality and service provided to customers, and ultimately to consumers. In this regard, it is worth highlighting, for example, the Filomena storm, which occurred in Spain in January 2021.

Ethical principles, policies and procedures

Exemplary behaviour and integrity in conduct is one of the values that defines the Ezentis Group and the way in which the company carries out its activities day after day, contributing to the fulfilment of the organisation's objectives and in line with its purpose, mission and vision for the future. To this end, the organisation has a model of ethical behaviour based on advanced ethical standards and practices, as well as a broad set of policies and procedures that enable it to guarantee rigour and completeness in all its actions.

→ Main policies and procedures in the Group

Scope	Policy/ Procedure	Description
Corporate governance	Corporate governance policy and group structure	It contains the criteria and principles that should serve as the basis for the organisation and operation of the Company's governing bodies, defining an efficient framework for relations between Ezentis and the other companies belonging to the Group.
	Board diversity policy and selection of board candidates	It contains the main aspects and commitments of the Company regarding the selection and appointment of directors, and establishes the procedure and criteria that the Board of Directors must have for the selection, appointment or re-election of board members, all in accordance with applicable regulations and best corporate governance practices, favouring diversity of knowledge, skills, experience, age and gender.
	Guide to joining the Board of Directors	Induction Plan for new directors, which includes the information, documentation and basic training to be provided to them before and after their appointment.
	Remuneration policy for directors of Grupo Ezentis, S.A. (2021-2023)	In accordance with the provisions of article 529.novodecies.1 of the Capital Companies Act, it establishes the principles governing the remuneration system for the Group's directors for the established period of three years.
	Succession plan for the succession of the Board of Directors	Succession is the continuation on the Board of Directors of one director in place of another, with equal or superior human and technical characteristics. This continuation or handover must be planned and organised in an orderly and methodical manner, in order to contribute to the permanence and continuity of the company over time.
Ethics and conduct	Code of ethics and conduct	The maximum expression of the corporate culture and values of the Ezentis Group, which includes the principles and values that should govern our daily work, maintaining the

Scope	Policy/ Procedure	Description
		highest standards of transparency and respect for the environment with which the company interacts, and ensuring ethical and sustainable business performance at all times.
Anti-corruption and criminal offences	Crime Prevention Protocol	Its purpose is to describe the activity carried out by the Corporation and identify the controls implemented to prevent or mitigate the potential risks of any employee or manager acting outside the law in the exercise of their functions, in accordance with Organic Law 5/2010 reforming the Criminal Code and introducing the criminal liability of legal persons.
	Crime prevention and detection model functions manual	Support document in the management of the Ezentis Group's Crime Prevention and Detection Model, serving as a guide for the development of this function and respecting the principles established by the company.
Prosecutor	Corporate tax policy	It establishes the general objectives underpinning the Group's tax strategy and the rules that should govern the Group's actions to achieve them, as well as the good tax practices that the Group assumes in order to comply with its tax strategy.
	Ezentis Group tax risk management and control procedure.	It ensures that the Ezentis Group's actions and operations in the tax sphere are governed by principles, values and rules in line with the Group's Code of Ethics and Conduct. It enables any employee, person or entity related to the Group and the Board of Directors itself to adopt the appropriate decisions to comply with tax legislation.
	Accounting Policies and Criteria Manual	It establishes a common interpretative criterion for accounting standards applicable to all Group companies.
Information security and privacy	Corporate Information Security Policy	It defines the information security function in accordance with the principles for the protection of the Group's assets, ensuring compliance with information security regulations and the preservation of the company's reputation, image and sustainability.
	Privacy Policy	It sets out the way in which Ezentis Group manages the privacy of the data it collects, indicating the nature and purposes of the information captured and the way in which the information is held and processed.
Employees and Working Conditions	Integrated remuneration policy	It establishes the bases and criteria to be considered in the fixed variable remuneration for each employee, considering as primary objectives: the alignment of people's performance with the strategic lines defined for each specific period; greater involvement and efficiency of employees; the identification of areas for improvement that allow for adequate professional and personal development; the participation of people in the achievement of objectives, linking their remuneration to productivity and efficiency.
	General Disconnection Policy	Corporate positioning to promote responsible use of technology by all members of the group, thus helping to balance personal and family life, with all the productivity, health and safety implications that this entails.
	Human rights policy	It contemplates the bases for the respect of human rights within the framework of the activities carried out by the company, extending its commitment to the rest of the stakeholders with which the Group interacts, and defines a management and due diligence model for its compliance.
Health and Safety, Environment and Quality	Integrated policy on health, safety at work, quality and the environment	It is based on the values of safety, trust in the human team, transparency, ethical principles and good corporate governance, closeness and responsibility to the customer and social commitment and respect for the environment, in order to maintain a long-term relationship and for the mutual benefit of stakeholders.
	Stop work policy	Also called 'Stop Work', it promotes and supports the decision to stop work if, when assessing conditions and risks in the workplace, potential vulnerabilities are identified that may endanger the integrity of workers (own or third parties), citizens, assets (own or third parties) or the environment in which the company operates.
Climate change	Climate change policy	Reference framework on climate change, focusing on governance, identification and management of climate risks, gradual decarbonisation of the vehicle fleet, increasing the

Scope	Policy/ Procedure	Description
		share of renewables in electricity consumption and continuous improvement in measuring the carbon footprint and setting GHG reduction targets.
Purchasing from suppliers and supply chain	Responsible purchasing policy	Principles of action to extend the Ezentis Group's commitment to sustainability to the supply chain and establishes a management model based on ESG criteria in the supplier contracting and approval processes.
	Procedure for the procurement of services from audit firms.	Document applied for the engagement of auditing and similar services, other than the statutory audit of annual accounts, with the aim, among others, of safeguarding the general principle of independence referred to in the Audit Act Law 22/2015 of 20 July 2015 and EU Regulation No. 537/2104.
Sustainability	Sustainability policy	Principles of action for responsible management of the activity based on values that help to achieve business objectives and the desired competitive positioning, by managing ESG risks and establishing a sustainable culture that permeates all the company's stakeholders and contributes to maximising the impact of the Group's activity on society.
Relationship with the environment and stakeholders	Policy on communication of information, contacts with shareholders, institutional investors, and Voting advisors	Strategy for communication and relations with shareholders, institutional investors, asset managers, financial intermediaries, proxy advisors and other stakeholders, as well as with the securities markets in general, establishing principles and criteria for action, the channels and instruments available.
	Internal rules of conduct in the field of securities markets.	It determines the rules for the management, control and transparent communication of inside information, as well as for the carrying out of treasury stock transactions, imposing certain obligations, limitations and prohibitions on the persons concerned, all in order to protect the interests of investors in the securities of the company and its group and to prevent and avoid any situation of abuse.

The Code of Ethics and Conduct

The Code of Ethics and Conduct, approved for the first time in 2014 by the Board of Directors -and updated for the last time in 2020-, is articulated as the highest expression of the professional behaviour that should govern daily work and relations with all stakeholders with which the company interacts, i.e. supply chain, customers and shareholders, among others.

The content of the Code is disseminated to all employees on a regular basis. Likewise, each time an employee joins the organisation, or when a new company is acquired, they are required to subscribe to the values, principles and rules of conduct contained in the Code. In addition, since 2017, regular annual campaigns have been carried out to ensure that employees complete mandatory online training, which, in addition to providing educational content, assesses the knowledge acquired by the workforce in relation to the rules of conduct.

Specifically, the Code includes specific rules of conduct covering essential aspects of ethical behaviour such as respect for the law, human rights and civil liberties, and support for equal opportunities and non-discrimination. It also covers issues related to the health and safety of employees, as well as environmental protection, the use of assets and the privacy and security of information.

In the area of fraud and anti-corruption, the code also explicitly presents measures against bribery and corruption, duty of loyalty and conflict of interest, money laundering and irregularities in payments, and transparency in financial records, as well as rules to promote fair competition in the markets in which it operates.

The Ethics Committee, composed of four members, is the body responsible for ensuring compliance with the provisions of the Code and reports exclusively and periodically to the Audit and Compliance Committee, guaranteeing the independence and impartiality of the issues raised before the Committee. The Committee is also responsible for resolving the complaints received and implementing the action plans determined in each specific case.

To this end, employees, suppliers and other organisations that maintain relations with the Ezentis Group have an anonymous and/or confidential Whistleblower Channel (https://canaldedenuncias.ezentis.com/) on the company's website ([9]) through which they can report potential breaches of conduct. In addition, in order to facilitate communications, an e-mail address (canaldedenuncias@ezentis.com) and a postal address (for the attention of the Chairman of the Ethics Committee, PO Box 14867 - C.P. 28080 Madrid - Spain) have also been set up.

In 2021, a total of nine complaints were received through the complaints channel, four of which were related to "legality, human rights and public freedoms" and one complaint related to "equal opportunities and non-discrimination" according to the classification of the Ezentis Group's own Code of Ethics and Conduct. Likewise, no complaints were received during the year related to cases of corruption or money laundering.

Crime prevention model

The organisation also has a Crime Prevention Model, in accordance with the amendment of the Spanish Criminal Code, which is reviewed annually and describes the measures for the prevention and control of those operations and/or actions that could be considered a crime by the legal entity. The company also maintains crime prevention protocols and criminal risk matrices and controls at corporate level (Ezentis Group, S.A.) and individually for each of the companies that make up the Group in Spain. For this reason, a global compliance officer has been appointed in the organisation, who is responsible for supervising and managing issues related to regulatory compliance.

In addition, in 2020, specific online training was launched on the Ezentis Group's Crime Prevention Model to help employees prevent and detect any inappropriate conduct, as well as disseminating the channels to which they can turn if necessary (also through the Whistleblower Channel). This training was initially aimed at all structural employees of

[9] In order to guarantee the security of personal information and maintain the independence of the processes, Ezentis has internal procedures that establish the functions and guidelines to be followed from the receipt of a complaint of behaviour contrary to the Code of Ethics to its resolution. (Complaints Channel Procedure and Ethics Committee Regulations).

the Group's companies in Spain, and the level of compliance by employees was monitored in 2021.

3. IDENTIFICATION OF RELEVANT SUSTAINABILITY ISSUES

Methodology of analysis and results

Identifying relevant issues from the perspective of sustainability - environmental, social and good governance issues - is an essential exercise that allows companies to determine those areas of action that should be prioritised and managed appropriately by the organisation, due to their capacity to influence the decisions of their stakeholders.

At Ezentis Group, this analysis - also known as a materiality exercise - is carried out every two years and was last updated in 2020, as part of the preparation of the 2020-2022 Sustainability Master Plan[10] . However, if circumstances so require, the analysis can be carried out at any time, depending on the company's strategic needs.

Methodology of analysis		
Phase 1	Identifying "baseline" issues for analysis	Based on GRI and SASB reporting standards and applicable to the Ezentis Group's business model.
Phase 2	External prioritisation	Consideration of the opinion of the company's stakeholders: customers, suppliers, employees, investors, shareholders, trade union representatives and sustainability experts with knowledge of the Ezentis Group's activity (new in 2020). A qualitative analysis of sustainability documents from benchmark organisations (WEF, S&P, WBCSD, among others) and the practices of related companies has also been carried out.
Phase 3	Internal prioritisation	Surveys of a sample of the Group's senior management, ranging from the Management Committee, country general managers and corporate directors.

The results of the analysis showed that in 2020, occupational safety remains the top issue for the company. It is also worth noting the significant increase in the relevance of climate change and supply chain issues, by 41% and 24% respectively - compared to the analysis conducted in 2018 - and which places both issues among the six most relevant sustainability issues for the Group.

Results of the 2020 analysis

List of cases	
1	Safety at work
2	Business ethics, transparency and good governance
3	Talent development and retention

[10] The next update of the materiality analysis will take place in the second half of 2022.

4	Relations with customers and users
5	Climate change and energy efficiency
6	Supply chain
7	Human and labour rights
8	Risk management
9	Cybersecurity
10	Impacts on the local community (social action)

Non-relevant issues

Based on the foregoing analysis and the nature of the business, it has also been determined that certain issues required by Law 11/2018 are not applicable or are not relevant to the Ezentis Group's activities. Thus, no information is provided in this report in this regard, without prejudice to the fact that the company is currently carrying out some type of monitoring of the indicators indicated.

- Water consumption: water consumption is not significant for the development of the company's activity, with only consumption of a sanitary nature being identified in the corporate buildings. During the materiality study, the different stakeholders were consulted to determine the relevance among interested parties. 93% of participants considered that water consumption is not currently a material indicator for the Ezentis Group.
- Use of raw materials: the company does not make a significant consumption of raw materials, with most of the resources used in the activity being the property of the customers for whom the service is provided. During the materiality study, the different stakeholders were consulted in order to determine the relevance among stakeholders. 56% of participants considered that the use of raw materials is not currently a material indicator for the Ezentis Group.
- Circular economy and waste prevention and management: the development of the activity and the provision of services by the company involves the correct disposal and management of the waste generated, in accordance with the local legislation in force in the places where it operates, and the requirements of the client within the framework of the contracts that the company maintains. During the materiality study, the different stakeholders were consulted to determine the relevance among interested parties. 64% of participants considered that waste management is not currently a material indicator for the Ezentis Group.
- Biodiversity: the activity carried out by the company does not have a significant impact on the natural environment due to the fact that the services are not carried out in areas of special protection. During the materiality study, the different stakeholders were consulted to determine the relevance among interested parties. 83% of participants considered that biodiversity is not currently a material indicator for the Ezentis Group.
- Noise and light pollution: Ezentis Group activities are not likely to have a negative impact on the communities in which it operates.

4. ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE STRATEGY

In line with the global desire to contain, mitigate and compensate for the adverse effects of human activity on the environment, the Ezentis Group carries out its activities in line with sustainable development, seeking to minimise the negative environmental impacts that may arise from its activities. Thus, all actions are governed by the principle of precaution and prevention of environmental risks, in accordance with the Group's sustainability commitments, as well as in line with the requirements of customers for the development of operations and other stakeholders.

→ Main challenges in environmental management

Optimisation and continuous improvement	Improving production processes and optimising costs without affecting the profitability of the Group's activities.
Response to stakeholders	In line with the requirements of customers, analysts and investors, and the increased environmental awareness of end-users.
Regulatory pressure	Anticipation and adaptation to environmental regulations on environmental matters and the fight against global warming, such as, for example, the provisions contained in Law 7/2021 on Climate Change and Energy Transition approved in Spain.

However, given that the company's business model is not likely to cause serious environmental damage - since the company essentially provides services for third parties with limited management capacity - the Ezentis Group does not currently have any liabilities, expenses, assets, provisions or contingencies in relation to the prevention or mitigation of negative effects on the environment.

The Ezentis Group carries out its activities essentially in: i) field work centres: comprising an administrative office, a warehouse and areas set aside for parking vehicles; ii) administrative offices: located in the main cities in the geographies where the company operates.

Ezentis Group site personnel, technicians and operators account for more than 85% of the workforce. These employees travel daily in the company's fleet of vehicles to the various locations where the group carries out its activities. Thus, the Group's main environmental impact is associated with the fuel consumption of its vehicle fleet, which accounts for 90% of the organisation's energy consumption.

Environmental management in Ezentis Group

As a result of the ongoing acquisition of companies in recent years, the company is currently working to establish common policies and alignments in terms of environmental management and efficiency. That is, the geographies in which the group operates maintain their environmental policies and the certification of their environmental management systems in accordance with the ISO 14001:2015 Standard with local scope, following the general guidelines at corporate level. Those that do not currently have them are aiming to obtain such certification in the near future[11] .

In 2021, it is worth mentioning the inclusion in the scope of the environmental consumption corresponding to Instalaciones Parera, an entity acquired by the Group at the end of 2020, which has also been certified in accordance with the ISO 14064 standard on greenhouse gases.

Climate change strategy

The approval by the Board of Directors of the Climate Change Policy in 2020 was a milestone in the Ezentis Group's strategy in the fight against global warming. This document articulates the company's principles for action on climate change. These include, among others, the following:

→ Principles for action on climate change

Attribution of responsibilities	Climate change issues are monitored by the Sustainability Committee and regularly reported to the Nomination and Remuneration Committee, in line with the Sustainability Master Plan 2020-2022.
Definition of climate risks	Progress in the consideration of climate risks in the company's risk catalogue, as specified in the risks section of this report.
Use of renewable energies	Progressive promotion of the use of available and accessible renewable energy sources at their sites of operation.
Gradual decarbonisation of the vehicle fleet	Progressive replacement of the fleet with vehicles with a lower environmental impact. Thus, for example, in Spain, Colombia and Brazil, the company already has Compressed Natural Gas (CNG/CNG), ethanol and biodiesel vehicles, which contribute to the gradual reduction of greenhouse gas (GHG) emissions.
Emission reduction and neutrality targets	Establishment of targets and plans for emissions reductions and offsets to achieve neutrality, in line with the Paris Agenda, national regulation and the EU's energy transition plan.

Energy consumption

At the end of 2021, energy consumption comes from non-renewable sources, although the company is currently analysing the changeover to renewable energy supplies, for example, in relation to electricity consumption in offices and warehouses.

Table 1. Energy consumption (GJ)

[11] Specifically Germany (operational in 2021), Chile (planned for 2022) and Mexico.

Energy consumption (GJ)	2019	2020	2021
Electricity	15,098	10,781	9,793
Vehicle fleet	540,612	447,156	441,434
Other sources[12]	41,810	30,921	34,751
TOTAL	**597,520**	**488,858**	**485,978**

As mentioned above, the main consumption corresponds to the fleet of vehicles. In this regard, the company pays special attention to the management of the vehicles with which it carries out its activity. In recent years, the Group has made progress in the implementation of systems that make vehicle management easier and more efficient.

In this way, the company constantly monitors information regarding the kilometres travelled or geographical location (GPS), refuelling and data related to speed on the different journeys made, among other things. In some cases, supervisors are also free to design the most efficient service route in terms of distance and time, thus reducing fuel consumption and, therefore, atmospheric emissions.

This tool also provides information on those vehicles that require more maintenance, due to breakdowns or age, so that they can be included in the vehicle replacement plan, for others that are more efficient in terms of technology, environment and economy.

Greenhouse gas emissions

In line with the principles of the Climate Change Policy and the objectives of the Group's Sustainability Master Plan for the period 2020-2022, in 2020 the company updated the Ezentis Group's Carbon Footprint Procedure in order to gain greater knowledge of the main sources of energy consumption in its operations. Based on the above, the company is expected to define medium-term emission reduction targets in 2022.

As a result of the process, the processes for reporting environmental consumption that facilitate the calculation of Scope 1 and 2, in terms of vehicle fleet, equipment/machinery and electricity, were standardised in all countries. With regard to Scope 3, only business trips are reported under the same criteria as in previous years, although the company intends to go more deeply into the emissions associated with its supply chain and other relevant indirect sources in the medium term.

On the other hand, in order to report Spain's Carbon Footprint in the tool of the Ministry for Ecological Transition and the Demographic Challenge (MITECO), national emissions are calculated in accordance with the document published by the Ministry, while the emissions of the rest of the countries take international sources (DEFRA and EIA) as a reference.

[12] Generators and machinery.

From 2020, the Group also submits its carbon footprint calculation to an independent external verification process in accordance with the ISAE 3410 standard. This information is presented in a separate document to the Statement of Non-Financial Information and explains in greater depth the processes for the calculation and results of the evolution of greenhouse gas emissions.

Table 2. Evolution of emissions (tCO_2 eq) by scope

Emissions[13] (TCO_{2eq})	2019	2020	2021
Scope 1	32,761	30,014	31,355
Scope 2	1,159	778	598
Scope 3	532	130	132
TOTAL	**34,452**	**30,922**	**31,944**

The recovery of economic activity in 2021, once the restrictions on mobility in the countries in which the Ezentis Group operates have been lifted, has led to a slight upturn in greenhouse gas emissions, mainly related to consumption corresponding to the activity of the vehicle fleet. Total emissions were 3.8% higher than in 2020, although, for example, Scope 2 emissions (electricity consumption) fell by more than 20% compared to the previous year. This reduction is mainly due to the maintenance of remote work measures in the context of the pandemic in the countries in which the group operates, as well as a downward variation in the emission factors used for the calculation. Compared to 2019, prior to the start of the pandemic, and with activity rates in line with current levels, emissions have been reduced by 7%.

5. THE EZENTIS GROUP TEAM

The availability of manpower is essential to guarantee the development of the activity and the achievement of business objectives. In this regard, the Ezentis Group's People area works under the main premise of attracting and retaining talent, safeguarding the stability and well-being of the workforce.

Staff profile

At year-end 2021, the number of Ezentis Group employees was 8,980, 6.6% lower than in the previous year. During the year, the average number of employees fluctuated around 9,123 (-13.9% vs. 2020), mainly as a result of the start-up and completion of the various contracts and projects the company has with its customers.

[13] Sources: UK Government Conversion Factors for greenhouse gas (GHG) reporting (2020); CO_2 Emissions From Fuel Combustion 2020, (International Energy Agency); https://www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

Ezentis Group workforce profile at December 31

Table 3. Distribution of staff by country and gender

Country	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Argentina[14]	250	18	268	n. a.	n. a.	n. a.
Germany	n. a.	n. a.	n. a.	6	3	9
Brazil	3,795	382	4,177	3,247	334	3,581
Chile	1,754	141	1,895	1,564	123	1,687
Colombia	197	34	231	754	68	822
Spain	1,797	258	2,055	1,756	254	2,010
Mexico[15][16]	2	1	3	84	16	100
Peru	861	116	977	654	112	766
Portugal	4	1	5	4	1	5
TOTAL	8,660	951	9,611	8,069	911	8,980

Table 4. Distribution of the workforce by age and sex

Age group	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
<30 years	1,569	231	1,800	1,477	242	1,719
31-45 years	4,758	526	5,284	4,183	486	4,669
46-55 years	1,698	147	1,845	1,705	138	1,843
>55 years	635	47	682	704	45	749
TOTAL	8,660	951	9,611	8,069	911	8,980

Table 5. Distribution of the workforce by professional category and sex

Professional category	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Senior management	12	1	13	8	1	9
Executives/Senior Management	87	15	102	67	12	79
Middle management/Senior/Middle Management	581	116	697	440	101	541
Staff Structure/Staff/Administration	418	356	774	306	244	550
Site Staff/Technicians/Operators	7,562	463	8,025	7,248	553	7,801
TOTAL	8,660	951	9,611	8,069	911	8,980

[14] In this respect, there is a difference in the number of employees at 31 December 2021 compared to that reported in the Annual Accounts. Specifically, 13 people remain in active service supporting the subsidiary in Argentina, with no business activity in the year.

[15] The number of 2020 employees at year-end does not coincide with the number of 199 persons reported in the consolidated financial statements and the management report because these employees were permanently transferred to another company outside the Group at year-end.

[16] Until 31 August 2021, Ezentis Mexico had three employees on its own payroll. As of 1 September, the reform of the Federal Labour Law came into force, modifying and limiting the conditions for subcontracting, increasing the number of own employees to 100 at year-end.

Average annual number of permanent and temporary contracts: by gender, age and occupational category

Table 6. Average annual average by contract type and sex

Type of contract	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Indefinite	7,683	868	8,550	6,523	739	7,263
Temporary	1,797	243	2,040	1,671	188	1,860
TOTAL	**9,479**	**1,111**	**10,590**	**8,195**	**928**	**9,123**

Table 7. Annual average by type of contract and age

Age group	2020			2021		
	Indefinite	Temporary	TOTAL	Indefinite	Temporary	TOTAL
<30 years	1,425	610	2,035	1,102	574	1,676
31-45 years	4,519	667	5,186	3,949	921	4,870
46-55 years	1,838	623	2,461	1,554	267	1,821
>55 years	767	142	909	658	98	756
TOTAL	**8,549**	**2,041**	**10,590**	**7,263**	**1,860**	**9,123**

Table 8. Average annual average by type of contract and professional category

Professional category	2020			2021		
	Indefinite	Temporary	TOTAL	Indefinite	Temporary	TOTAL
Senior management	14	0	14	11	-	11
Executives/Senior Management	107	3	110	90	2	92
Middle management/Senior/Middle Management	633	78	712	534	143	677
Staff Structure/Staff/Administration	845	91	936	562	109	670
Site Staff/Technicians/Operators	6,949	1,869	8,818	6,066	1,606	7,673
TOTAL	**8,549**	**2,041**	**10,590**	**7,263**	**1,860**	**9,123**

Part-time employees

Table 9. Part-time employees by sex

Type of working day	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Part-time employees by gender (nº.)	39	8	**47**	4	7	**11**

Table 10. Part-time employees by age

Age group	2020	2021
<30 years	3	9
31-45 years	3	2
46-55 years	2	-
>55 years	38	-
TOTAL	**47**	**11**

Table 11. Part-time employees by professional category

Professional category	2020	2021
Senior management	-	-
Executives/Senior Management	1	-
Middle management/Senior/Middle Management	4	-
Staff Structure/Staff/Administration	8	11
Site Staff/Technicians/Operators	34	-
TOTAL	**47**	**11**

Dismissals by gender, age and professional category

Table 12. Number of redundancies by sex and age

Age group	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
<30 years	339	58	397	230	32	262
31-45 years	1,177	117	1,294	476	42	518
46-55 years	376	25	401	122	21	143
>55 years	195	11	206	53	5	58
TOTAL	**2,087**	**211**	**2,298**	**881**	**100**	**981**

Table 13. Number of dismissals by gender and professional category

Professional category	2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL
Senior management	2	0	2	-	-	-
Executives/Senior Management	15	1	15	4	0	4
Middle management/Senior/Middle Management	128	15	143	54	11	65
Staff Structure/Staff/Administration	102	99	201	42	45	87
Site Staff/Technicians/Operators	1,840	96	1,936	781	44	825
TOTAL	**2,087**	**211**	**2,298**	**881**	**100**	**981**

Work organisation and working conditions

The organisation of working time is adapted to the activities carried out by employees in each of the geographies in which it operates.

The operations areas usually work in shift roles, with the aim of providing continuous support to the telecommunications and energy services mainly. For their part, administrative and office staff generally maintain a working day adapted to the working week from Monday to Friday. Comparing working hours, it has been observed that the existing 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.

Reconciliation measures

The company provides its employees with measures to facilitate the reconciliation of work and personal life, such as, for example, the promotion of teleworking or the Policy of disconnection from work, so that the workforce can adapt to the different situations that may arise in each case.

In 2018, the Group introduced a teleworking system in its companies in Spain, Ezentis Tecnología, Navento Technologies, Ezentis Field Factory and Grupo Ezentis S.A., whereby people who so wished could opt to work two days a week.

The situation caused by the COVID-19 pandemic since its outbreak in the first quarter of 2020 has subsequently led to a reorganisation of the staff that usually works in the office, favouring the generalisation of the teleworking option, both in Spain and in the rest of the geographies in which the Group operates. At the end of 2021, these measures remain in force, establishing a hybrid working method (on-site and remote), also in line with the Ezentis Group's obligation to ensure the well-being of its workforce in the successive waves that have occurred in relation to the coronavirus.

Also in 2019, the Board of Directors approved the Digital Disconnection Policy. This document presents the company's position in this area and promotes the responsible use of technology by all employees inside and outside of work, favouring a balance between personal and family life and having a positive impact on productivity and occupational health and safety.

The main lines of action in the area of digital disconnection can be summarised in three: i) promoting respect for staff leisure, rest and holiday time; ii) creating a flexible, motivating and inclusive working environment; iii) raising awareness and promoting the reasonable use of electronic devices in the personal and work environment.

With regard to labour relations, in all countries where the Ezentis Group operates there is a close and direct relationship with employee representation through trade unions. At year-end 2021, the number of employees covered by collective bargaining agreements exceeded 93.8% of the total workforce. This includes all employees in countries where collective protection frameworks exist, such as Spain, Brazil, Portugal and Germany, and 73% of the workforce in Chile.

Table 14. Employees covered by collective bargaining agreements (%)

Collective agreement[17] (%)	2019	2020	2021
Average number of employees covered by collective bargaining agreements (%)	87.0[18]	90.2	93.8%

Absenteeism

The company records and analyses absenteeism on a monthly basis in order to analyse its evolution and define specific action plans - where appropriate - to improve the data on

[17] Above average number of employees in countries with collective bargaining agreements.

[18] Correction to data reported in 2019.

absenteeism by workers. In 2021, the number of hours not worked amounted to 1,201,844, 33.6% lower than the figure recorded in 2020.

Table 15. Absenteeism (hours)

Absenteeism	2019	2020	2021
Hours not worked	942,370	1,815,194	1,201,844

In line with the GRI reporting standard, the global calculation of absences in the work centres - regardless of the differences in criteria and the definition of absenteeism in each of the countries - does not include holiday periods, leave for caring for family members, study leave or paternity/maternity leave.

Diversity and equal opportunities

As stated in the Code of Ethics and Conduct, the Ezentis Group is committed to a professional development model based strictly on personal merit, and promotes equal opportunities, condemning any kind of discrimination based on race, religious, political or trade union ideas, nationality, language, gender, marital status, age or disability.

From a gender perspective, in each and every one of the areas in which the company's activity is carried out, from recruitment to promotion, salary policy, training, working conditions, occupational health, organisation of working time and conciliation, the principle of equal opportunities between women and men is assumed, avoiding direct and indirect discriminatory biases.

In Spain, companies in Spain with more than 50 employees have an Equality Plan as established by Royal Decree 901/2020 of 13 October, which regulates equality plans and their registration and amends Royal Decree 713/2020 on measures to guarantee equal treatment and opportunities between women and men in the workplace.

Table 16. Women in the workforce (%)

Proportion of women	2019	2020	2021
On staff	10.2%	10.5%	10.2%
On the Board of Directors	40.0%	44.4%	57.1%

i. Remuneration and the pay gap

Below are tables by country with the average remuneration for the financial years 2019 and 2020 expressed in euros referring to the active workforce in those periods. For a correct interpretation of the reported data, it must be taken into account that within the same category there are employees with different seniority in the company or different assignment of responsibilities.

With regard to the two geographies where we have the lowest number of employees, Germany and Portugal, as we do not have sufficient representation by gender and professional categories, it is not possible to show the results obtained as the individualised salary of workers would be disclosed.

Table 17. Average remuneration by country, gender, age and professional category (euros)[19][20]

→ Brazil

2020								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	125,364	n. a.	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	59,047	67,214	93,255	n. a.	n. a.	n. a.	n. a.
Intermediate Command	7,629	13,595	13,794	11,007	n. a.	14,637	8,348	9,366
Structural Staff/Staff/Administration	4,114	7,297	7,340	8,138	3,420	4,625	4,570	4,217
Site personnel/Technicians/Operators	4,937	6,047	6,021	5,444	3,913	4,685	5,288	3,547

2021								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a	n. a	133,946	n. a	n. a	n. a	n. a	n. a
Managers/Senior Management	n. a.	60,898	93,415	n. a	n. a	n. a	n. a	n. a
Intermediate Command	9,476	16,913	17,194	16,355	n. a	18,498	15,653	n. a
Structural Staff/Staff/Administration	4,867	8,655	6,541	6,920	4,324	6,089	5,636	5,643
Site personnel/Technicians/Operators	6,064	7,191	7,132	6,092	4,201	4,588	4,277	3,076

→ Chile

2020								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	108,794	140,128	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	49,728	54,261	57,309	n. a.	28,088	58,074	n. a.
Intermediate Command	10,537	17,971	17,669	19,847	12,909	11,233	9,450	n. a.
Structural Staff/Staff/Administration	9,193	13,733	13,460	18,869	6,633	9,084	9,489	6,357
Site personnel/Technicians/Operators	9,976	12,590	13,109	12,605	6,053	7,529	10,387	12,667

2021								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	134,090	n. a.	220,478	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	47,529	50,923	57,933	n. a.	48,256	50,973	n. a.
Intermediate Command	15,058	21,214	18,357	20,500	7,863	16,472	9,814	n. a.
Structural Staff/Staff/Administration	8,153	15,045	17,779	19,938	6,992	11,956	9,969	7,298
Site personnel/Technicians/Operators	10,951	14,686	15,386	13,569	9,262	10,542	11,597	n. a.

→ Colombia

2020

[19] In the cases where n. a. is shown, it is due to the non-existence of a template that complies with the categorisation established for the presentation of the calculation.

[20] Average remuneration is defined as the average of the salaries received by the active workforce in 2020 and 2021.

Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	59,356	n. a.
Managers/Senior Management	n. a.	26,357	n. a.	n. a.	n. a.	27,171	n. a.	n. a.
Intermediate Command	7,062	6,422	n. a.	4,311	7,529	10,576	n. a.	5,846
Structural Staff/Staff/Administration	4,401	6,989	n. a.	n. a.	6,110	10,226	6,440	2,294
Site personnel/Technicians/Operators	4,482	5,051	4,021	3,460	4,684	5,085	3,024	n. a.

2021								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	68,049	n. a.
Managers/Senior Management	n. a.	6,225	19,384	n. a.	n. a.	27,703	n. a.	n. a.
Intermediate Command	8,995	9,735	10,823	5,946	9,998	8,900	n. a.	n. a.
Structural Staff/Staff/Administration	5,209	5,785	5,636	3,570	5,580	7,183	5,971	n. a.
Site personnel/Technicians/Operators	3,752	4,580	4,429	4,798	3,554	2,508	4,715	n. a.

→ Spain

2020								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	198,971	441,784	325,212	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	108,948	86,628	98,277	n. a.	81,432	75,862	n. a.
Intermediate Command	44,945	47,226	41,375	46,225	n. a.	45,159	37,731	40,754
Structural Staff/Staff/Administration	18,879	29,183	32,996	28,052	17,653	27,937	25,125	27,660
Site personnel/Technicians/Operators	19,865	24,047	25,755	21,311	19,902	24,070	28,079	24,401

2021								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	131,077	600,647	287,907	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	123,905	81,312	102,868	n. a.	80,854	79,336	n. a.
Intermediate Command	n. a.	47,332	43,208	43,714	n. a.	42,973	41,785	40,183
Structural Staff/Staff/Administration	25,798	28,539	30,761	36,555	18,997	22,946	28,539	30,800
Site personnel/Technicians/Operators	20,995	25,262	27,290	23,450	18,684	23,472	27,909	29,885

→ Mexico[21]

2021

[21] Data for the year 2020 is not shown, as it does not meet the minimum headcount requirements by professional category that allow disclosing the information concerning the average remuneration of employees.

Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	14,129	59,886	n. a.	n. a.	n. a.	25,665	n. a.
Intermediate Command	8,301	9,241	8,916	n. a.	12,668	6,550	n. a.	n. a.
Structural Staff/Staff/Administration	4,532	8,118	5,998	n. a.	4,395	8,532	n. a.	9,824
Site personnel/Technicians/Operators	6,863	7,086	7,298	4,181	2,660	4,806	3,619	n. a.

→ Peru

2020								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	115,373	102,335	n. a.	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	57,620	54,604	n. a.	n. a.	22,223	79,185	n. a.
Intermediate Command	72,426	13,294	14,112	13,480	58,295	13,176	9,556	n. a.
Structural Staff/Staff/Administration	4,635	9,060	13,666	3,837	5,068	8,115	6,108	n. a.
Site personnel/Technicians/Operators	4,663	5,297	5,067	4,079	4,500	4,631	8,022	n. a.

2021								
Professional category	MEN				WOMEN			
	<30	30- 45	45- 55	> 55	<30	30- 45	45- 55	> 55
Senior Management	n. a.	n. a.	103,104	n. a.	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	49,691	48,985	3,467	n. a.	n. a.	73,438	n. a.
Intermediate Command	5,374	9,077	12,366	7,459	4,654	7,670	8,744	n. a.
Structural Staff/Staff/Administration	5,688	14,945	25,805	3,106	5,186	11,426	n. a.	n. a.
Site personnel/Technicians/Operators	4,624	5,218	5,750	4,949	4,274	4,682	6,535	n. a.

Table 18. Wage gap by country and occupational category (%)[22]

[22] Wage gap = (Average remuneration men - Average remuneration women) / Average remuneration men - for each professional category, considering fixed remuneration and fixed and variable remuneration.

ii. People with disabilities

Wage gap by professional category	2020		2021	
	Remuneration fixed	Remuneration ix and variable	Remuneration fixed	Remuneration fixed and variable
BRAZIL				
Senior Management	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	n. a.	n. a.	n. a.	n. a.
Intermediate Command	-10.03%	-5.53%	-15.55%	-7.48%
Site personnel/Technicians/Operators	32.75%	36.99%	19.62%	26.72%
Structural Staff/Staff/Administration	6.74%	23.12%	14.05%	36.18%
CHILE				
Senior Management	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	27.83%	27.33%	-0.19%	2.46%
Intermediate Command	37.25%	35.73%	25.60%	29.01%
Site personnel/Technicians/Operators	39.60%	38.81%	29.75%	30.92%
Structural Staff/Staff/Administration	19.74%	40.76%	-3.51%	25.60%
COLOMBIA				
Senior Management	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	-2.70%	-3.09%	-239%	-244%
Intermediate Command	-62.01%	-59.80%	-4%	4%
Site personnel/Technicians/Operators	-16.33%	-18.67%	-21%	-17%
Structural Staff/Staff/Administration	-5.02%	-3.47%	24%	30%
SPAIN				
Senior Management	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	11.84%	15.31%	8.07%	13.58%
Intermediate Command	4.06%	7.30%	5.19%	6.48%
Site personnel/Technicians/Operators	12.28%	13.39%	13.88%	13.88%
Structural Staff/Staff/Administration	-14.21%	-5.02%	-4.08%	1.14%
MEXICO				
Senior Management	n. a.		-	n. a.
Managers/Senior Management			13%	
Intermediate Command				
Site personnel/Technicians/Operators			-9%	
Structural Staff/Staff/Administration			52%	
PERU				
Senior Management	n. a.	n. a.	n. a.	n. a.
Managers/Senior Management	22.83%	23.30%	-53.51%	-51.25%
Intermediate Command	6.04%	4.95%	18.46%	17.10%
Site personnel/Technicians/Operators	14.14%	14.33%	34.57%	34.75%
Structural Staff/Staff/Administration	1.73%	5.65%	7.76%	9.90%

The Ezentis Group promotes the integration of people with disabilities into the workplace in all functions of the company wherever possible and in all geographies where it operates, guaranteeing at all times that there are no criteria of negative discrimination against people with disabilities in the selection and promotion processes, in accordance with the rules of conduct set out in the company's Code of Ethics and Conduct.

Table 19. Number of persons with disabilities

Diversity of capacities	2019	2020	2021
Number of employees with disabilities	32	21	32

Furthermore, all Ezentis Group workplaces are equipped for access by employees, customers and suppliers with reduced mobility. In addition, workplaces are adapted to the special needs of employees.

iii. The Board of Directors: diversity and remuneration

At the end of 2021, the Board of Directors is composed of a total of seven non-executive directors -of which four are independent and, from a gender perspective, four are women-, representing in both cases 57% of the total and by virtue of the decisions adopted within the Board to modify its size and composition, as well as the resignation for strictly personal reasons of Ms. Carmen Gómez de Barreda Tous de Monsalve, dated 24 December 2021.

It is important to highlight the incorporation in February of two new directors, Mr. Eduard Romeu Barceló and Ms. Ana Isabel López Porta.

In December 2021 and in replacement of Ms Carmen Gómez de Barreda Tous de Monsalve, the Group has informed the Spanish National Securities Market Commission (CNMV) of the appointment of Ms Laura González-Molero as chairwoman of the Appointments and Remuneration Committee, as well as the appointment of Mr Eduard Romeu Barceló as a new member of the committee.

All Board members have extensive professional experience and come from the world of telecommunications, energy, IT or health sciences, among others.

The configuration of the highest governance body of the Ezentis Group is based on the Policy on Diversity of the Board of Directors and Selection of Director Candidates, last revised in 2020, in order to guide the activities of the Board of Directors in accordance with recommendation 14 of the Good Governance Code of Listed Companies in matters of diversity, as well as on the Corporate Governance and Group Structure Policy.

These policies explicitly state that the selection process for candidates for directors will consider persons who meet the required conditions and who, due to their profile and characteristics, favour diversity with respect to issues such as age, gender, disability or professional training and experience, avoiding any implicit bias that implies any discrimination and, in particular, that hinders the selection of female directors in a number that allows a balanced presence of women and men to be achieved.

The document also states that the process should take into account the competency matrix drawn up by the Company in order to ascertain the key individual competencies of the members of the Board of Directors, facilitating the selection of new candidates who not only assess the skills and requirements necessary for their appointment, but also complement those already existing on the Board, taking into account the different areas of knowledge or experience, whether particular or general, and with information that takes into account diversity, especially in the case of directors with the category of independent director.

Within the framework of the foregoing, the Appointments and Remuneration Committee of the Company shall especially assess the skills, knowledge, experience and dedication required on the Board and shall define the functions and aptitudes required of the candidates to fill each vacancy and shall also ensure that the procedures for the selection of directors do not discriminate on the basis of gender.

The selection process for directors shall ultimately seek to ensure that the composition of the Board of Directors achieves an appropriate balance of profiles, knowledge, skills, backgrounds and experience, bringing diverse viewpoints to the discussion of issues and enriching decision-making.

Likewise, efforts will be made to adopt measures to encourage the Company to have a significant number of female senior managers. This is furthermore expressly stated in the Group's Code of Conduct in its rules of conduct, which expressly promote equal opportunities and non-discrimination on various grounds.

The average monetary remuneration received by non-executive directors corresponds to remuneration and allowances paid in 2020 and 2021 for membership and attendance at meetings of the Board of Directors and its Committees, as well as for the position held in each case.

Table 20. Remuneration received by executive directors (thousands of euros)

Executive directors	2020		2021	
	Man	Woman	Man	Woman
Average remuneration of executive directors (thousands €)	601	n. a.	502.6	n. a.

In addition to the monetary remuneration received, the executive directors received share-based remuneration. Specifically, Mr. Carlos Mariñas Lage received a total of 78,196 shares, and Mr. Fernando Gonzalez Sánchez 99,523 shares.

Table 21. Remuneration received by non-executive directors and "other external" (thousands of euros)

Non-executive and "other external" directors	2020		2021	
	Man	Woman[23]	Man	Woman
Average remuneration of non-executive directors (thousands €)	149.8	70.7	135.1	75.5

Professional development

Ezentis' talent management aims to ensure that all the company's professionals have the training they need to carry out their work and to provide them with the resources they need to do so as effectively and efficiently as possible. In this regard, each country identifies training needs and draws up its own training plan adapted to the requirements of the clients and services being provided. For example, in Colombia, the Annual Training Plan is drawn up, which is segmented by projects, profiles and client requests, and is additionally structured to impart strong competencies (operational) and soft competencies (structural staff/administrative profile).

Table 22. Hours of training by professional category[24]

Training by professional category (hours)	2020	2021
Senior management	4	30
Executives/Senior Management	163	683
Middle management/Senior/Middle Management	5,054	5,684
Staff Structure/Staff/Administration	3,105	4,891
Site Staff/Technicians/Operators	110,871	138,006
TOTAL	**119,197**	**149,294**

Health and safety

In its more than 60 years of business history, the company has demonstrated that the safety of its workers is the top priority in the development of its activities, complying with the applicable regulations on occupational risk prevention in each geography. Among other measures, Ezentis Group provides workers with the best personal protection equipment -necessary for the performance of their duties-, conducts training sessions on the risks to which they are exposed, as well as continuous inspections and safety observations, analysing each incident in detail to prevent it from recurring in the future.

However, the company maintains the conviction that all work-related accidents, illnesses and injuries can be avoided by maintaining a systematic and permanent approach to risk prevention at work, with the aim of preventing injuries and illnesses.

In 2021, initiatives have been developed to keep the value of safety high, such as communication every time an incident or accident occurs related to the critical risks of the operation through "Safety Alerts", which are disseminated throughout the

[23] The average number of female directors in 2020 is annualised considering the departure of Ms. Emma Fernández Alonso on 25/06/2020 and the entry of Ms. Maria Paloma Jiménez Baena on the same date.

[24] The training hours include those corresponding to Occupational Health and Safety as well as those corresponding to Ethics and Compliance.

organisation through different channels, and are also used as material for reflection in safety talks in the field.

In addition, during the year employees have received more than 75,000 hours of training in courses related to safety in their jobs, such as electrical risk, handling and control of mechanical tools and energised equipment, working with welding or working at heights, among others.

It is important to mention that the Group's activity covers different segments, both in field operations (telecommunications or energy) and in technology development activities (in offices). For this reason, the Group adapts safety parameters and activities to the specific risks associated with each job. The exposure of technical field teams to risks such as driving vehicles, working at heights, working in the presence of voltage (electrical energy), working in confined spaces and/or with moving equipment, as well as operator error, are elements or factors that can cause injuries during the development of the activity. For this reason, the company's priority is to achieve an accident-free work environment and a Safety Culture based on commitment, teamwork, leadership and participation.

In line with the Ezentis Group's ongoing commitment, the company's senior management has continued its action plan in 2021, including the following actions:

- The response protocols implemented in 2020 as a result of the SARS CoV-2 virus have been kept up to date: a series of procedures and instructions for the protection and care of the health of the staff of Ezentis, its subcontractors and also its customers. Included is information for symptom detection, hand cleaning, distancing, sanitisation of vehicles and materials, as well as instructions to ensure safe return to work.
- Continuity of the 'EzentisPass' system, which facilitates the management and traceability of information regarding: declaration by employees of the existence or not of symptoms compatible with COVID-19, provision of sanitary protection elements and for the cleaning of vehicles and materials.
- In the "PRAXIS" field application, the inspections model has been maintained to support supervision activities, orienting them towards the search for elements (conditions or actions) that could lead to an incident or serious accident. The application also includes a record of the "Safety Talks" that both supervisors and the Health and Safety at Work team carry out on a daily basis.
- Implementation of the "Leadership Matrix", which includes the minimum number of preventive actions to be taken by each supervisory, managerial or executive role, in the activities of talks, safety inspections, among others.
- Following the implementation of eGestiona in the main countries where the Group operates - with the aim of maintaining the traceability of the documentation necessary for the accreditation of technicians in all subsidiaries, businesses and contracts - the claims module and improvement plans were parameterised in 2021.
- Maintenance of all certifications obtained in previous years in ISO 45001, 14001 and 9001 and new certifications in all three standards in the energy business in Spain.

As regards Occupational Health and Safety Management Systems, Grupo Ezentis is certified to ISO 45001 in all O&M activities located in Brazil Energy, Colombia, Spain and Portugal.

Table 23. Occupational Health and Safety Indicators (own staff)

Occupational Safety and Health Indices [25]	2019			2020			2021		
	Man	Woman	TOTAL	Man	Woman	TOTAL	Man	Woman	TOTAL
Net Frequency	12.15	2.56	11.16	11.27	1.87	10.28	10.20	2.37	9.47
Gravity	1.22	-	1.10	0.52	0.02	0.46	0.26	0.03	0.24
Occupational Diseases	0.09	-	0.09	0.13	0.75	0.20	0.09	-	0.08

In 2021, despite the continuing difficulties caused by the health pandemic, the Ezentis Group managed to reduce the frequency of accidents by 7.9% and the severity of accidents by 47.8% compared to 2020. All this, moreover, taking into account that the company's activity was classified at the time as essential in all the countries where it operates. In other words, field activity not only did not cease due to the pandemic, but has been more intensive in terms of manpower and the execution of services, given the circumstances of special need.

Nonetheless, the Ezentis Group continues to work towards the Zero Accidents target set by Ezentis Group management, which is applied to all in-house and subcontracted personnel involved in the company's activities.

Respect for Human Rights

In recent years, companies have taken on an important role in their responsibility to respect human rights, in line with the United Nations Guiding Principles on Business and Human Rights[26] presented by 'protect, respect, remedy'. In this regard, new rules and regulations are expected to proliferate in the coming years for companies to develop mechanisms to ensure effective protection of fundamental rights in their spheres of operation.

In 2021, the Ezentis Group set a new milestone with the approval by the Board of Directors of the Human Rights Policy. This document lays the foundations for respect for human rights in the framework of the activities carried out by the company and its subsidiaries, and extends the commitment to the rest of the stakeholders with which the Group interacts.

The principles contained therein are based on the treaties and regulations in force at national and international level, and are consistent with the organisation's sustainability guidelines - specifically, with the Group's Sustainability Policy and Code of Conduct.

[25] Calculation formulae:

- Frequency Rate (Net) = (No. of accidents with rest + fatalities)/Total No. of hours worked) * 1,000,0000
- Severity Rate = (Total No. of days lost / Total No. of hours worked) * 1,000
- Occupational disease rate = (No. of occupational diseases with sick leave / Total no. of hours worked) * 1.000.000

[26] Also known as the Ruggie Principles, they are built around three pillars: protect, respect, remedy.

To ensure the monitoring and adequate supervision of compliance with the commitments made in the Policy, the Group is currently working on the deployment of the management and due diligence model, which includes, among other issues, the analysis of specific human rights risks, the establishment of a mechanism for communication, evaluation and resolution of potential human rights violations, as well as transparency and accountability regarding progress in the implementation and effectiveness of the policy. In addition, the policy is subject to a periodic review process (at the latest every two years) to ensure its adequate adaptation to human rights trends and regulation.

6. COMMITMENT TO SOCIETY

Contribution to sustainable development

Ezentis plays a dual key role in the communities in which it operates: on the one hand, it maintains networks for the supply of basic services to people and organisations and, on the other hand, as a professional-intensive activity, it contributes significantly to job creation in the areas where it operates and the development of new infrastructures, participating in their deployment.

In addition, the actions carried out by Ezentis with social organisations and/or public entities are closely linked to the generation of employment and the reduction of inequalities for the most vulnerable groups in emergency situations. For example, in Spain, during the 2021 Christmas campaign, for the second consecutive year, a collection was made for the Madrid Food Bank, through which employees voluntarily contributed the amount they considered appropriate from the balance on their meal card.

Another aspect of impact creation is the development of the local economy through the purchase of goods and services from companies whose headquarters are located in the same country in which our activity is located in each case. Thus, 98.9% of our suppliers are local and the overall contribution in terms of purchases made in the places of operation amounts to more than 185 million euros.

Extending the commitment to the supply chain

Defining and establishing policies and procedures that transfer to suppliers and contractors the same requirements applied by the Ezentis Group in the performance of its activity, not only in terms of quality, but also in the prevention of occupational risks or compliance with environmental management standards, among others, is essential to exercise greater control and minimise exposure to risks in the company's value chain.

For this reason, in 2021, the Ezentis Group Board of Directors approved the Responsible Purchasing Policy with the aim of extending the company's commitment to sustainability among its suppliers and contractors, and promotes compliance with minimum standards in terms of ethical behaviour, working conditions and respect for human rights, the health and safety of workers and the preservation of the environment.

The policy establishes a set of principles of action to ensure that the selection and contracting of suppliers and contractors is consistent with the group's internal regulations and follows objective criteria, promotes responsible and transparent behaviour, favouring equal opportunities or the consideration of sustainability criteria, as far as possible, among other principles.

In this regard, in 2021 the company has undertaken a review of the model contracts of the different Group companies to include a new clause in relation to the commitments to the company's Responsible Purchasing Policy, whereby suppliers and subcontractors must know, subscribe to and be committed to the same. For those services that do not require the signing of a contract, the General Terms and Conditions attached to the orders already include an additional clause on the Responsible Purchasing Policy. These clauses have been included without prejudice to the existing clauses on health and safety of workers, or environmental compliance, among others.

At year-end, the company continues to work on the implementation of a responsible purchasing model that will enable it to obtain greater knowledge of the performance of its supply chain in terms of sustainability. Among the actions planned for 2022, over the next few months new criteria will be established for the approval of suppliers based on their environmental, social and good governance performance, and an assessment will be made of the degree of progress of the company's 'critical' suppliers in this area in order to determine the next steps and subsequent actions.

Clients and consumers

As mentioned above, the Ezentis Group's activity revolves around the provision of services for the installation and maintenance of telecommunications, energy and security engineering infrastructures to other companies.

This business-to-business (or B2B) model enables the companies with which the Ezentis Group works to offer their products and services to the end consumer. In this way, the company positions itself as a benchmark supplier that contributes to bringing its clients' solutions closer to the end consumer.

The Group maintains a close working relationship with all its customers and regularly assesses satisfaction with the services provided by the Group. In addition, within the framework of the 2020-2022 SDP, in 2020 the company launched an initiative aimed at fostering greater fluidity in dialogue with its main customers, focusing on sustainability-related issues. The aim of these meetings - which have been continued in 2021 - is, in addition to communicating the company's progress in this area, to identify synergies and address possible avenues of collaboration that benefit both organisations reciprocally - for example, in relation to the supply chain - and have a positive impact on society and end consumers as a whole.

Tax information

The reduction in income taxes paid in 2021 is mainly due to (i) the fall in the activity of the group companies, resulting in a negative accounting result that has led to a negative taxable income for the year, as has occurred in Chile and Peru; (ii) the use of existing tax credits in some of the group companies, such as in Mexico; (iii) in Spain, due to the inclusion of three new companies (Enesys Ingeniería y Seguridad, S.L.U., Ezentis

Ingeniería y Seguridad, S.L.U., Ezentis Ingeniería de Seguridad, S.L.U. and Instal-lacions Parera Redes, Proyectos y Mantenimientos, S.L.), acquired in 2020, which has meant that the possible tax payable on the 2021 instalment payments of these companies could be offset against the tax credits of the payment on account of the consolidated corporate income tax; whereas in 2020 the individual (non-consolidated) taxation of these new companies for this tax involved a total payment of 30 thousand euros; (IV) in Portugal, the reduction of the payment in 2021 compared to 2020 is due to a tax measure, in force for corporate taxes for the years 2020 and 2021, which entails the non-application of an additional 10% increase in "autonomous taxation".

The increase in corporate income tax paid during 2021 in Luxembourg corresponds to the application of a minimum NWT (Net Wealth Tax) charge calculated on the basis of the company's total gross assets.

Beyond that, in 2021, the Ezentis Group has not received any significant public subsidies.

Table 24. Earnings before tax by country (thousands of euros)[27]

Country	2019	2020 Restated	2021
Germany	n. a.	n. a.	238
Argentina	1,135	3,986	7,152
Brazil	-4,519	-7,162	-13,247
Chile	645	-22,741	-24,253
Colombia	-626	5	-285
Spain	4,510	-9,925	-26,350
Holding companies and others[28]	-7,126	-10,956	-19,294
Mexico	-329	-668	-922
Peru	-917	-3,238	-29,447
Portugal	-155	-145	56
TOTAL	-7,382	-50,864	-106,352

Table 25. Income taxes (thousands of euros) [29]

Country	2019	2020	2021
Germany	n. a.	n. a.	0
Argentina	81	0	0

[27] The 2019 figures for Argentina and Spain have been restated as in the Annual Accounts, as the companies that were available for sale have not been sold and have been reclassified again.

[28] Luxembourg is included under the heading "Holding and others".

[29] Information relating to income taxes paid in 2020 and 2021. The composition of the accounting tax expense for these years is available in the Consolidated Financial Statements for the year ended 31 December 2021.

Brazil	0	0	0
Chile	81		0
Colombia	0	0	0
Spain	1,361	30	0
Luxembourg		0	51
Mexico	562		0
Peru	0		0
Portugal	0		
TOTAL	2,095	102	

Annexes

Table of contents, GRI indicators and their correspondence in the Statement of Non-Financial Information

Law 11/2018 on non-financial information	GRI Standard	EINF [pg.]
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Brief description of the group's business model (business environment and organisation)	102-2 Activities, brands, goods and services 102-7 Size of the organisation	26-28
Markets in which it operates	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	
Objective and strategies of the organisation	-	
Main factors and trends that may affect its future development.	102-15 Main impacts, risks and opportunities	29
General		
A description of the group's policies with respect to such issues, including the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts and for verification and control, including what measures have been taken.	103-2 The management approach and its components	34-36
The results of these policies, including relevant non-financial key performance indicators to enable monitoring and evaluation of progress and to facilitate comparability across societies and sectors, in accordance with national, European or international frameworks of reference used for each subject area.	103-2 The management approach and its components 103-3 Evaluation of the management approach 102-15 Main impacts, risks and opportunities	34-36
The main risks related to those issues associated with the group's activities, including, where relevant and proportionate, its business relationships, products or services that may have an adverse impact in those areas, and how the group manages those risks, explaining the procedures used to identify and assess them in accordance with the relevant national, European or international frameworks for each issue. This should include information on the impacts that have been identified, providing a breakdown of these impacts, in particular the main short, medium and long-term risks.	102-15 Main impacts, risks and opportunities	32-34
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.		25

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General information		
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Voluntary reduction targets set for the medium and long term to reduce greenhouse gas emissions and the means implemented to this end.	305-5 Reduction of GHG emissions	
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Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste; actions to combat food wastage.	301-1 Materials used by weight or volume.	
Sustainable use of resources		
Water consumption and water supply according to local constraints	303-1 Water abstraction by source	
Consumption of raw materials and measures taken to improve the efficiency of raw material use	301-1 Materials used by weight or volume	
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Measures adopted to adapt to the consequences of climate change	-	42
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Measures taken to preserve or restore biodiversity	-	
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Total number and distribution of types of employment contracts, average annual number of part-time contracts by gender, age and occupational classification.	102-8 Information on employees and other workers	46-47
Number of redundancies by gender, age and occupational classification	401-1 New employee recruitments and staff turnover	
Average earnings and their evolution broken down by gender, age, and occupational classification or equal value.	102-38 Annual total compensation ratio 102-39 Ratio of the percentage increase of the total annual compensation	49-52
Wage gap, the remuneration for equal or average jobs in society	405-2 Ratio of basic salary and remuneration of women versus men	
The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes and any other payments broken down by gender.	201-3 Defined benefit and other pension plan obligations	55-56
Implementation of work disengagement policies	-	
Work organisation		
Organisation of working time	-	
Number of absence hours	403-2 Types of accidents and frequency rate of accidents, occupational diseases, lost days, absenteeism and number of fatalities due to occupational accidents or diseases	49
Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of work-life balance by both parents.	401-3 Parental leave	

Health and safety		
Health and safety conditions at work	403-3 Workers with a high incidence or high risk of diseases related to their activity.	56-58
Accidents at work, in particular their frequency and severity, as well as occupational diseases; disaggregated by sex.	403-2 Types of accidents and frequency rate of accidents, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases.	58
Social relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.	403-1 Workers' representation on formal worker-company health and safety committees	
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The balance sheet of collective agreements, particularly in the field of health and safety at work	403-4 Health and safety issues addressed in formal agreements with trade unions	48; 56-58
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The policies implemented in the field of training	103-2 The management approach and its components	56
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Universal accessibility for people with disabilities	-	
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Implementation of human rights due diligence procedures; prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and remedy possible abuses.	102-16 Values, principles, standards and norms of conduct. 102-17 Advisory mechanisms and ethical concerns. 410-1 Security personnel trained in human rights policies or procedures. 412-1 Operations subject to human rights impact assessments or reviews. 412-3 Significant investment agreements and contracts with human rights clauses or subject to human rights screening.	58-59
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